



# TOGETHER IN EUROPE



EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

## RELATIONS WITH THE EUROPEAN UNION

### **STRUCTURED DIALOGUE CONCENTRATES ON THE WHITE PAPER'S ROLE IN PRE-ACCESSION STRATEGY**

The joint meeting of the EU General Affairs Council with the foreign ministers of the six associated countries held in Luxembourg on 10 April contributed to eliminate all possible misunderstanding as to the role of the White paper in the pre-accession strategy: **it is not a part of the process of the accession negotiations, but a tool to facilitate the associated countries ability to become the part of the EU internal market.**

The meeting held under the framework of structured dialogue of the pre-accession strategy concentrated further on regional cooperation. During the joint lunch ministers of the EU 15 member countries were able to discuss political issues of common interest (Russia, developments in the ex-Yugoslavia and the architecture of Europe's security). On the fringes of the meeting, first Association Councils were held with the Czech Republic and Romania, following the entry into force of the Europe Agreements in February this year. Similar first association Councils will be held with Slovakia and Bulgaria at the end of May.

Mr. Alain Juppé, the French Foreign Affairs Minister and the President-in-Office of the EU Council managed the agenda of what was a tight meeting with extreme efficiency and forced the ministers to concentrate on the principal issues.

#### **White Paper:**

The President of the Council told the ministers (and forcefully repeated the statement during the joint press conference) that the White Book in the EU's point of view doesn't represent an anticipation of negotiations on the enlargement. It also does not represent any announcement of some additional conditions linked to the negotiations. The task for the White Book is to give the associated countries a privileged path preparing for their gradual integration into the internal market. Mr. Juppé insisted on the link between the White Book and technical assistance offered by PHARE in the process of adoption, and made it clear that in the same way the White paper is not imposing new accession conditions, it also will not have any legal force. It would depend on the individual associated countries with which effort they would try to meet the conditions of the internal market.

(continued on page 2)

## CONTENTS

### RELATIONS WITH THE EUROPEAN UNION

<i>WHITE PAPER + PRE-ACCESSION</i>	<b>1</b>
<i>REGIONAL COOPERATION GETS SUPPORT</i>	<b>4</b>
<i>INDUSTRIAL COOPERATION WITH CEEC</i>	<b>4</b>
<i>TV WITHOUT FRONTIERS</i>	<b>5</b>
<i>CULTURAL/AUDIOVISUAL PROGRAMMES</i>	<b>6</b>
<i>CAP &amp; ENLARGEMENT</i>	<b>7</b>
<i>SLOW PROGRESS IN RULES OF ORIGIN</i>	<b>8</b>
<i>EU-ROMANIA ASSOCIATION COUNCIL</i>	<b>9</b>
<i>EU-CZECH REPUBLIC ASSOCIATION COUNCIL</i>	<b>9</b>
<i>MOCHOVCE - NO EBRD LOAN</i>	<b>10</b>
<i>EP &amp; CEE MEMBERSHIP</i>	<b>10</b>
<i>EUROPE AGREEMENTS WITH BALTICS</i>	<b>11</b>
<i>SINGLE EUROPEAN CURRENCY</i>	<b>12</b>

(see page 1)

Commissioner Hans van den Broek, responsible for the EU external political relations and the CEEC, presented on behalf of the Commission the state of preparation of the White paper, the link between the White paper, and the Europe Agreements and the link between the White Paper and accession.

#### Status:

The White paper shall be treated as a guideline to the associated countries in progressive preparation for integration into the Internal Market. It will give guidance on "which legislation is essential for the functioning of the Internal market and on the logical order in which approximation could be tackled". It will also provide advice on the organizational and administrative structures necessary to make legislation effective.

The Europe Agreements aim at the establishment of a free-trade area between the EU and the associated countries and four freedoms (movement of goods, services, labour and capital). The Europe Agreements foresee specific tasks towards alignment with the relevant "acquis communautaire". In the EU, the internal market is the principal means of achieving the benefits of integration. Thus the White Paper broadens and speeds up the process outlined in the Europe Agreements.

Mr. van den Broek repeated that the White Paper will not be part of the negotiation process. It will not add to the conditions for the accessions, nor will it set new conditions for the beginning of negotiations.

The point is, that on accession the acceding countries will become part of the Internal Market, so the White Paper attempts to develop their capacity to cope with competitive pressures and market forces within the Union.

#### Priorities:

The EU doesn't attempt to set up priorities for the associated countries. The situation of each country differs as well as the role or the pattern of development on individual sectors of the economy.

The Paper will however, attempt to propose a coherent and logical order in which the associated countries could take over legislation within each sector of the Internal market. In doing so "key measures" will be identified and then the White Paper will propose a further break down of these key measures into "stage 1 measures" and "stage 2 measures".

#### Implementation:

Commissioner van den Broek emphasized that the task of enacting, implementing and enforcing law

can be only carried out by the associated countries themselves. Thus the individual associated countries are expected to adopt their own priorities and processes which will correspond to the each associated country's own pre-accession strategy. It is hoped however that this would cover all sectors of the internal market and would emphasize the administrative and organizational aspects of the application. The EU will be ready to provide assistance (PHARE) either through a) national programmes agreed with each associated countries, b) through a multi-country programme.

#### Content:

The White Paper is in two volumes:

1. Volume containing a presentation and an analysis of the issues involved;
2. Volume which contains technical information about the approximation, implementation and enforcement of legislation.

In this way the associated countries will get precise information and analysis of the fundamental features of the internal market which permitted to remove physical, technical, fiscal and tariff barriers between the EC states and within the EEA (European Economic Area).

The White Paper, however, doesn't only deal with what can be called "core areas" of the internal market, but also includes essential parts of competition, social and environment policies.

This reflects the understanding that without these policies the Internal market may not function effectively. On the other hand, the White Paper leaves aside a huge volume of other EU legislation, which affects the Internal market only indirectly. The acceptance of this wider "acquis communautaire" will only be a part of the direct negotiations on accession.

#### Timetable:

The Commission, which held intensive and thorough discussions with the individual associated countries on the White Paper, is now working on the draft of the paper's final version, so this can be transferred to the Council in time before the June Summit of the Union in Cannes. There, the Union will formally adopt the White Paper. Following the Cannes Summit, the Commission will take care about the proper "follow up" and will invite each associated country to start discussions on a "national work programme". This shall also involve the evaluation of needs for assistance. During the implementation process the Commission will ensure that the associated countries are well informed about any changes in

the EU legislation which could have some impact on the tasks listed in the White paper. An evaluation of progress will be held within the bodies of individual Association Councils.

#### **Discussion and positions taken in Luxembourg:**

The associated countries re-emphasized their welcome of the White Paper, but the contributions from individual countries also show national differences caused principally by the stages of the reform each country finds itself in. For example progress in the adoption of market economy reform in Bulgaria or Romania has been slower. At this stage, these countries show more interest in general ideas and principles of the White Paper, but consider that adoption of concrete national programme and its implementation, and in particular enforcement may be quite a long process.

The strong emphasis by both Minister Alain Juppé and Commissioner van den Broek that the White Paper is not a part of the accession negotiation process, that the White Paper will not have a judicial force and that it does not represent additional conditions for the negotiations apparently reflected some disappointment by several associated countries which consider themselves to be the prime candidates for the accession.

These countries were partly hoping that the White paper would be a collection of conditions whose fulfillment would mean the **right of full integration into the Internal market**. Some associated countries' officials privately stated that they even hoped that this could also be regarded as the part of the process of the accession. The Polish delegation, led by new foreign minister Bartoszewski, was most active in voicing its disappointment that the White Paper would not contain a **timetable for implementing measures which it considers of key importance for further progress**.

The lack of timetable together with the likely references in the White Paper to EU competition policy, social and environmental policies and standards, could on the one hand be raising the threshold against that provided in the Europe Agreement, but without giving assurance on the time frame for the fuller entry into the Internal Market and the start up of accession negotiations.

#### **Compensation from the Union:**

The Polish delegation was openly talking about the issue of "compensation" from the Union. This also seems to be the prevailing position of the Hungarian delegation, while the Czech officials suggested after the meeting, that they prefer at this

stage to wait for the formal presentation of the White Paper and then after careful examination, to raise the individual issues and corresponding compensation during the work on the "country programme" during the second half of this year.

Several associated countries were giving an impression that they consider their implementation and enforcement of White paper as a part of a process in which they would be increasing their ability to accept *acquis communautaire*, but at the same time they will be speeding up the domestic change, increasing the burdens on domestic economic actors, but not receiving an adequate and immediate countervalue.

Thus for example the adoption of *acquis communautaire* in the transport sector would diminish the current competitiveness of their transport companies, while it is not clear if this would increase for them possibilities to handle more transport operations in the EU because of the number of transport permits.

Similarly it was felt that the EU shall provide compensation by **renouncing rescue to anti-dumping procedures**. Minister Bartoszewski told the press this could also mean that the EU will accept to respect certificates issued by Poland, would recognize diplomas and would facilitate the movement of labour. One of his points was that these "accompanying" measures would have a strong psychological effect on the associated countries' population and would facilitate the adoption process and hardship involved.

#### **Invitation to Cannes and Intergovernmental Conference:**

The joint meeting between EU foreign ministers and their counterparts from the associated countries could not avoid raising the question of their participation at the European Council in Cannes in June. Mr. Alain Juppé said that this decision will only be taken by the French Presidency of the EU following the presidential elections. The meeting also suggested that the associated countries would be informed on the issues concerning the EU 1996 intergovernmental conference and on the progress in preparation, but that some form of their participation (as for example requested by Polish premier Mr. Oleksy) is not being considered and would not be appropriate.

Discussions with most delegations suggested the importance they give to the process started with the White Paper and its contribution towards their increased capability to take over the *acquis communautaire*. It was also said that the process clearly indicates the differences among the individual associated countries and their ability regarding the timetable for starting the future negotiations on the accession (17) ■

### REGIONAL COOPERATION GETS SUPPORT

Strengthened regional cooperation was the second major point of the discussion during the joint meeting of the EU General Affairs Council and the foreign affairs ministers of the six associated countries of Central and eastern Europe in Luxembourg on 10 April. Commissioner van den Broek indicated, on the behalf of the Commission, the support not only to the initiatives in which the EU is directly involved, but also in structures like the Baltic States Council, the Black Sea Economic Cooperation and the Central European Initiative. The EU member states in the region concerned participate in work of these bodies.

The Commission has submitted to the Council a Communication on new orientation for a Union Approach towards the Baltic Sea Region. This re-orientation takes into account the enlargement of the EU 12 to 15 member countries. Swedish and the Polish foreign affairs ministers outlined the more concrete areas for the further development of the cooperation.

#### CEFTA:

Several new ideas on expanding cooperation within CEFTA were outlined by the Czech Foreign Minister Mr. J. Zieleniec.

The minister referred not only to the effort of the four central European countries to speed up trade liberalization between the Central Europe Free Trade Area (already some 30% of trade is fully liberalized and the broader trade liberalization would be reached depending on the products involved during 1997-2001), but also referred to the plan to expand CEFTA to include Romania, Bulgaria and Slovenia. There is already an agreement between CEFTA and Romania which shall enter into force soon and further discussions are envisaged with the other countries involved. In fact, the CEFTA framework would permit them to advance more decisively in the development of common rules of origin and to make the step from Visegrad countries cumulation and the Bulgarian-Romanian cumulation to the more important diagonal cumulation of origin which was proposed at the EU Summit in Essen and which would, besides the six central and eastern European countries, also involve Slovenia.

The Commission informed the joint EU/Associated countries meeting that it has decided to participate more actively in the Central European Initiative (in which Italy has a significant role). The

Commission will be present at the Central Europe Initiative meeting scheduled in Krakow on 21-22 April.

**Black Sea Economic Cooperation** shall meet at the level of the foreign ministers in Athens on 14 April.

#### EU Assistance to Interregional Cooperation:

The Commission said in Luxembourg that the PHARE Programme has already committed ECU 610 million for various projects promoting inter-regional cooperation and that allocations of ECU 260 million are envisaged for 1995.

The PHARE Multi Country programme Coordination Group met for the first time in Warsaw on 13-14 March. The orientation paper on projects worth some ECU 91 million in 1995 shall be discussed in April. The projects involve modernization of major transit and customs corridors, fight against illicit trafficking, human resources development and inter-connection of energy and transport projects with Trans-European networks.

Discussions on multianual Cross-Border Cooperation programme (1995-1999) are advancing. ■

### INDUSTRIAL COOPERATION WITH CENTRAL AND EASTERN EUROPE

The EU Council of Ministers of Industry chaired by the French Minister of Industry Mr. José Rossi discussed during its 7 April meeting the Commission's communication on "Industrial Cooperation with Central and Eastern European Countries" (No 66, pp.5-6 for detailed report on the Commission's paper). The Council stressed the importance of a dialogue on industrial cooperation on both the level of administrations and the level of enterprises. Industrial cooperation will favor integration of central and eastern European countries into the EU. The Council agreed that industrial cooperation together with the harmonization of the competition rules and the rules on the state aid would allow the development of trade flows under equal conditions. The White Book would have a special importance for the integration of the CEEC into the internal market.

In its conclusions, the Industry Council invited the Commission to work towards the establishment of a regulatory system favoring links among enterprises. The Commission shall give its support to the effort by

the central and eastern European countries in view of the establishment of transparent and secure rules for foreign investment and, at the same time, harmonize these rules with those valid in EU countries.

The Council approved the Commission's proposals concerning the necessary technical assistance to be given to CEEC, as well as the initiative to hold round table meetings between the EU industry and industry of CEEC.

The Industry Council gave its approval to the accompanying measures allowing the EU companies to engage themselves in industrial cooperation projects with enterprises in CEEC. These accompanying measure may for example include support towards the feasibility studies for projects (which however, shall take into account the situation of individual EU sectors) which could accelerate the restructuring and modernization of east European enterprises, stimulate the process of privatization and which could contribute to environment friendly production.

The Council invited the Commission to study investment risks in the CEEC and to produce a relevant conclusions. The Council also agreed that the JOPP Programme (supporting creation of joint ventures in CEEC by EU companies) should extend its support more efficiently, especially as concerns SMEs. ■

### ***COUNCIL TO CONTINUE WORK ON "TELEVISION WITHOUT FRONTIERS", MEDIA PROGRAMME AND SUPPORT FOR PRODUCTION***

The Audiovisual/Cultural Council discussed on April 3, the three issues relating to the EU's audiovisual policy in light of an extraordinary session under the French Presidency in June. Culture Ministers of the Associated countries were invited to a joint meeting. In fact this joint meeting was the first formal ministerial meeting under the structured dialogue of pre-accession strategy adopted in Essen in December last year. The expected "first" meeting of finance ministers was postponed until 22 May, as if the EU has been returning to well-known declaration of Jean Monnet that if it was possible to recommence the integration process in Europe, he would this time start with culture.

In Luxembourg the ministers continued with the discussions started during their informal meeting in Bordeaux in February. Differences in opinion on audiovisual sector continue to prevail, but there are many indications of the will of the French Presidency to assure that a more firm consensus could be reached during the next meeting in June.

1. **Television without frontiers.** The Commission presented its proposal to amend Directive 89/552/EEC. After an initial exchange of views between Ministers, the Council agreed that examination of this proposal will be carried out by the Committee of Permanent Representatives (Coreper) with care so that it can hold a debate at the June session and define on this occasion guidelines for a subsequent decision.

2. **New financial mechanisms.** Commissioner Marcelino Oreja informed the Council about the Commission's preliminary work in view of the presentation of a proposal to enable the mobilization of financing for European audiovisual production. The

Commission was invited to define as early as possible the guiding principles in this area in a communication so that it could be discussed by the Council at the June session.

3. **Media II programme.** As it awaits the EP's opinion, the Council held its first debate. The ad hoc "audiovisual" group and the Coreper were given the task of continuing examination of the proposals in light of the positions taken by Ministers so that the Council could take action in June. Considering the plan to concentrate the actions of Media II in three areas, Member States with a low production capacity (Ireland, Greece and Portugal, among others) expressed fears that it would be difficult for them to participate fully. In addition, the UK delegation is to have reservations on the doubling of financial resources from Media I, and spoke in favour of a single financing instrument to support the European audiovisual industry without creating new ones (as indicated in the previous point). The Presidency concluded that the following points will have to be the subject of special attention: - objective of Community high added value and complementarity with national actions; - concentration of means (while respecting the cultural and linguistic diversity) in the development of production projects, training, and distribution to projection in theaters, taking into account the situation of countries with low capacity; - definition of management methods clarifying the roles of Member States, the Commission and professionals; - good coordination between the Media programme and the financial mechanism announced by the Commission; - effective transition with the actions currently in progress under Media I. ■

## ASSOCIATED COUNTRIES ASK TO PARTICIPATE IN CULTURAL AND AUDIOVISUAL PROGRAMMES

The joint meeting on April 3 between the Audiovisual/Cultural Council and Ministers responsible for audiovisual and cultural affairs from the six associated countries of central and eastern Europe resulted in an exploratory debate on cooperation in these areas in the framework of the "structured dialogue" implemented. The Ministers of associate countries placed particular emphasis on the difficulties which the move to a market economy was causing for cultural activities, which previously were totally supported by the State and expressed their interest in participating in Community audiovisual and cultural programmes, ie Kaleidoscope, Media II, Raphael and Ariane. They were of the view that this participation should benefit from financial support under the Phare programme financed by the EU. Legal and administrative cooperation was also largely raised. For example, Romanian Minister Marin Sorescu suggested establishing a programme to train young cultural administrators, while Polish Deputy Minister Wacław Janas requested the Union's help to computerize Poland's protection system for intellectual property.

Under the Raphael programme, Ecu5.7m has been allocated to cooperation with non-member countries and international organizations. Ecu3.1M of this will be support, over five years, for projects to preserve movable and non-movable heritage, relating in particular to monuments and sites on the World Heritage List.

At the end of the debate, the President of the Council summed up the work in the following manner: "Our colleagues from central and eastern Europe (...) clearly

underlined: - the need to restructure cultural industries (books, records, cinema and television); - the importance of administrative and legal cooperation for the approximation of their legislation to EU law in the logic of the White Paper to be presented during these six months; - the concern to protect and enhance cultural heritage, including the fight against the illegal traffic of works of art.

I also noted the importance attached by our partners to the following points: - cooperation in the area of intellectual property and training; - the possibility of effectively participating in Community cultural and audiovisual programmes, which means first of all proper information about their content and their procedures.

Finally, this meeting has enabled us to clarify the procedures to implement and namely; - the role of Association Councils between the Union and each of the partners concerned; - the conditions of a possible intervention from the Phare programme, and I noted the interest expressed by our partners to include actions from the cultural and audiovisual sector in the requests for support that they will make in this framework. The conditions are now present to engage in pragmatic and concrete cooperation around cultural values that are common to us".

By approving the resolution resulting from this meeting, the Council invited the Commission to: - attach adequate importance to the restructuring of cultural and audiovisual industries and distribution channels in the activities supported by the Phare programme (Eastern Europe); - prepare as soon as possible the terms of participation of these countries in

audiovisual and cultural actions; - discuss with the EBRD and the EIB the financial engineering which could be applied to the projects relating to audiovisual distribution, books and the enhancement of heritage.

The ministers of culture from the associated countries indicated their interest in European cultural projects such as RAPHAEL, KALEIDOSCOPE, ARIANE AND MEDIA II. Some, however, hesitated, if it would be possible to get involved in all programmes, because of financial requirements this involves, and because not all of them were sure that their respective governments would accept the proposed use of a part of PHARE funds for culture.

Upon his return from Luxembourg the Czech Minister of Culture Mr. Pavel Tigrid said he is not backing the television without frontiers project. Mr. Tigrid described the French proposal as dangerous protectionism. The spokesman for the Czech Ministry of Culture suggested that the Czech Republic would accept the political document on "TV without frontiers" but would take a stand against the obligatory quotas. The editorial comments in leading Czech newspaper "Lidove Noviny" carried a headline: "Minister Tigrid supported freedom in Luxembourg". The commentary said that minister Tigrid made it clear that the EU cannot count on Czech support for French led protectionism, but that the Czech Republic would always support constructive cooperation. "We know well the price of the freedom and are ready to pay for the freedom by accepting the free competition also in the culture". ■

**COMMISSIONER FISCHLER SPEAKS ON CAP AND ENLARGEMENT**

Mr. Franz Fischler, the Commissioner in charge of agriculture is not in favour of an early reform of the EU common agricultural policy. The Commission also considers that the recently voiced demands on the need to recast the agricultural policies of Central Europe and the European Union, with a view to facilitate the future enlargement of the EU to the East, have not been properly thought out. The Commissioner considers that any considerations must also take into account the macroeconomic context in which agriculture forms a vital part.

Commissioner Franz Fischler delivered an important address on the EU and central European agriculture in Warsaw on 7 April during the Second Annual Conference of Agra-Europe. Readers will recall that the predecessor of Commissioner Fischler, Mr. Steichen, addressed the first annual conference which was held in Budapest one year ago.

During the same meeting Mr. Roman Jagielinski, new Polish Minister of Agriculture harshly criticized the impact of CAP on Polish farming and said that subsidized EU exports have been heavily responsible for a decline in Polish agricultural output in recent years. Mr. Ryszard Smolarek, Polish State Secretary for Agriculture warned that Poland may not join the European Union without significant reform of the EU's CAP. At the same time, Polish Prime Minister Mr. Jozef Oleksy, who was in Brussels to speak to the European Commission and to NATO, spoke with journalists about Poland's disappointment with the new negotiations on agriculture (in the framework of adaption of the Europe agreement to an enlarged EU and to the Uruguay Round). The Prime Minister underlined Commission demands that these negotiations continue as well as being based on a reciprocity of concessions. But as Poland is not able to finance the same pattern of support for agriculture and it is not able to finance the same pattern of protection as the EU, the reciprocity is not possible.

**Fischler's view:**

In Warsaw the Commissioner recalled the agricultural concessions granted by the EU under the Europe Agreements, and confirmed, that so far, EU exports of agricultural products and food to the associated countries increased more strongly than vice-versa. The Commissioner admitted that the EU is the major trading partner for the associated countries, but recommended them not to neglect other markets: "The EU will never be able to absorb all the

products which the associated countries seek to export... there are other markets on which associated countries conditions for farming give them a natural competitive advantage".

**Uruguay Round:**

The negotiations on changes to the European Agreements have started. The Commission's view was that without the change, the results of Uruguay Round were such that preferences previously granted to central European countries under the association agreements, would have been drastically curtailed and in some cases even abolished. Therefore the Commission doesn't want that the revision is a purely technical adjustment and the Commission is currently examining why some customs quotas previously granted were not fully used and also "what scope there is in the granting of export refunds and for an increase in the concessions". Nevertheless the Commission warned the associated countries against attempts to reduce the trade deficit via unilateral measures such as raising import duties: "These measures are not in the spirit of the Agreements and I do not believe that they are the right way to solve the problem".

**Reform of CAP:**

Mr. Fischler believes that earlier started CAP reform still needs to be completed in some sectors, and in others, the CAP needs to be simplified but "reforming the reform is not part of my immediate plans".

"There are those who want to see agricultural prices fully given over to market forces. That is untenable both economically and politically. And what is true now for EU farmers, will also be true in future for farmers in central Europe: without price stability and a strong agricultural credit system there will be no incentive to plan and invest for long term".

Mr. Fischler said that EU farmers were told in 1992 when the CAP reform started that the aim is to create a new long-term framework whose stability they could rely on. "We cannot go back on our word". In addition, the experience shows that a right path was chosen in moving away from price support and towards direct income support.

**Eastward enlargement:**

Privatization of farms must be brought to a successful conclusion - but privatizing farms alone is not enough. It is just as important to have competition in the upstream and downstream branches of the

(continued on page 8)

(see page 7)

sector. Also the farm structures which exist after privatization are not always the best and the policy of structural improvement will be of increasing importance for CEEC.

The Commissioner believes that **structural issues are more important than problems of market support**. The EU has a well developed system of market support for a number of products and therefore will not object to market support in central Europe, but **they must make sure that their market support is compatible with their overall economic situation. The same applies to import protection.**

The next enlargement needs to be prepared calmly, carefully and with a feeling for political realism. The analysis must take into account the macroeconomic context. A sensible future strategy

cannot be based solely on managing the markets, but must also involve the structural aspects of agriculture, the whole future of rural society and the natural environment.

#### New studies:

The Commissioner recalled that DG VI of the Commission is currently preparing **single-country studies** on each of the central European states. This is because the situation in each country is different. Once the studies are completed, it could be possible to consider where the similarities lie and which problems are specific. Only then it would be possible to develop the first conclusions on how to deal with challenges which enlarging to the east will bring. **But today it is too early to talk about recasting of policy. Perhaps by end of 1995 this would be possible.** ■

### RULES OF ORIGIN: SLOW PROGRESS

The EU's Strategy for the Integration of Central and Eastern Europe adopted by the Essen Summit called for substantial improvement in rules of origin. In order to encourage companies to invest or subcontract according to comparative advantage throughout the whole European region, and without losing the preferential access to the European market, the proposal aimed at cumulation between the European Union, the associated countries of central and eastern Europe and EFTA members.

#### Several stages were envisaged :

1. "diagonal cumulation" with the four central European countries to be extended to Bulgaria and Romania;

2. the extension of the system by addition of Slovenia and the Baltic States;

3. Diagonal cumulation introduced between EU/EFTA treated as a single territory for the purpose of rules of origin and the associated countries. So at this stage one would arrive at a "European Cumulation" However, the

cumulation provisions still apply only to "originating materials". So to gain the full benefit, it is necessary to move to the next stage.

4. Full cumulation which provides for the cumulation of processing between two or more countries. Account is therefore taken of all processing or transformation of a product within the trade zone without the products being used necessarily having to originate in one of the partner countries. So in more simple terms, all processing operations counts towards obtaining origin.

Judging on the basis of developments as of April 1995, it seems that the move even towards diagonal cumulation would be quite slow and difficult.

So far in 1995 there have been discussions between the European Commission and several associated countries on the system of rules of origin. The reason was that initially the first Europe Agreements which were concluded with Poland, Hungary and Czechoslovakia, have their chapters on the rules of origin based on original methodology and rules, which were

meanwhile found to be insufficient and were modernized. The separate Europe Agreements concluded in 1994 with the Czech Republic and Slovakia were adapted to the new methodology. So it is necessary to upgrade the Europe Agreements with Poland and Hungary to the same new rules.

Sources suggested that the discussions with Poland on the adoption of the rules of origin were not smooth. One of the reasons is that the Polish economy has developed a number of simple processing operations for products imported mainly from the Far East and about which it fears, the amended rules of origin, would not allow their profitable continuation. According to the sources this type of operation for example concerns simple packaging of some imported chemical products.

The second source of difficulty has been a legal approach. The Commission is believed to have an opinion that the adoption of the rules of origin could be settled within the framework of the Association Council. The Poles, it was suggested, consider that the



change shall be a matter of a new additional protocol. Readers will recall that a substantial part of each Europe Agreement consists of a Protocol on Originating Products. In general, its some 30 pages define the concept of

originating products followed by an annex which gives a list of working or processing required (a further 40 pages of small print text).

The discussions between Romania, Bulgaria and the

Commission have also been advancing slowly. It seems that the establishment of uniform rules permitting the cumulation involving the six associated countries would still take some time. ■

#### **EU-ROMANIA FIRST ASSOCIATION COUNCIL**

*Following the entry into force of Europe Agreement, the first EU-Romania Association Council was held in Luxembourg on 10 April. The Presidency of the EU Council appreciated Romania's determination to advance with economic and social reforms. Romania, which doesn't have a common border with an EU Member Country, benefits still from a number of actions aimed at improvements of border crossings and shall get EU assistance in the form of infrastructure and supply of equipment for customs posts and for the modernization of customs procedure. The EU is contributing assistance towards both the Berlin/Constanta/Thessaloniki/Istanbul Corridor which passes through Romanian territory, and improvement of navigation on the Danube river.*

*The EU underlined that Romania was one of the first associated countries to react to the Community's offer to participate in joint programs. The EU is currently examining Romanian proposals in this sense. Romania makes an effort to deal with the environmental problems (in particular related to 14 industrial sites). PHARE will be associated with the launching of the Environment Fund.*

*Romania's exports to the EU expanded rapidly, but the Union pointed out that Romania would be able to continue to benefit from the EU favorable business cycle, only if she deals in the medium term which such issues as transport infrastructure and financial infrastructure. A similar issue is the competitiveness of several Romanian industries and development of markets for Romanian agricultural products. About two thirds of EU imports from Romania consist of textiles and clothing and an additional 12% consists of steel products.*

*The EU promised to examine carefully Romanian requests concerning the delivery of visas. It also welcomes the possibility of early Romanian participation in the CEFTA free trade zone. This would permit, among other, to extend the diagonal cumulation of origin between the EU and the other associated countries as well as to Romania.*

*The Romanian Foreign Affairs Minister Mr. Teodor Melescanu told the Fifteen states that Romania is in the process of developing a national strategy for integration into European Union. This strategy will reflect opinions of all sectors of the Romanian economy and of the whole Romanian society. The minister considered that the drafting of the strategy may be finalized in June, and that this will be followed by Romania's official application for membership to the EU. ■*

#### **ASSOCIATION COUNCIL EU/CZECH REPUBLIC**

The first meeting of the EU-Czech Republic Association Council was held in Luxembourg on 10 April. The short meeting chiefly concentrated on adoption of rules of procedure of the Association Council and of the Association Committee. The EU suggested limiting, for reasons of efficiency, the number of sub-committees. On the eve of the meeting it was expected that some 9 sub-committees would be established. One of the items likely to come up soon for discussion in a subcommittee is the problem of dumping of Czech exports of thick steel sheets and shapes.

The EU appreciated the impressive results of the Czech Republic in the process of economic, political and social reforms. Trade has developed rapidly. During the first 8 months of 1994 EU imports from Czech Republic expanded by 31%, EU exports to the Czech Republic expanded by 32% and the EU trade surplus with the Czech Republic was ECU 1 billion for the first 8 months of 1994. The EU reconfirmed its will to increase the 15% limit on PHARE financing for support to investment to 25%. The Trans-European Networks

*(continued on page 10)*

(see page 9)

project Berlin-Prague-Vienna rail corridor is likely to benefit. Czech Foreign Affairs Minister Mr. J. Zieleniec referred during the press conference to the work of the Governmental Committee for Integration and to the wish to apply for accession either in 1995 or in early 1996. ■

### **NO EBRD LOAN FOR MOCHOVCE NUCLEAR ENERGY PLANT**

*Mr. Heiner Luschin, Austrian director of EBRD announced in early April that the EBRD is not considering anymore the loan for the Mochovce nuclear energy plant in Slovakia. The reason is that Slovakia is not accepting two conditions stipulated earlier by the EBRD: a) shutdown of the Bohunice nuclear energy plant, b) an immediate rise in electricity prices. The director said, the project has been suspended and is unlikely to be re-examined.*

*The EU institutions which were expected to take a position on the Mochovce nuclear energy plant in early April (because of the EURATOM loan) have decided not to take a position yet, and the Commission continues to evaluate nuclear security issues. During the EU General Affairs Council meeting in Luxembourg on 10 April, the negative attitude towards the Mochovce nuclear energy plant was raised indirectly by the Austrian delegation.* ■

### **THE EUROPEAN PARLIAMENT CONFIRMS ITS DESIRE TO SEE CENTRAL AND EASTERN EUROPEAN COUNTRIES BECOME MEMBERS OF THE EU - PARLIAMENT PRESIDENTS OF THESE COUNTRIES WANT A MORE INTENSIVE DIALOGUE**

European Commissioner Hans van den Broek broadly outlined the pre-enlargement strategy suggested by the European Union for Central and Eastern European countries, at the April session of the European Parliament, in the presence of the presidents of the Parliaments of Hungary, Poland, the Czech Republic, Slovakia, Bulgaria, and the vice-president of the Parliament of Romania. Mr van den Broek felt encouraged by Parliament's support of this accession strategy, which will be presented in greater detail in the White Paper which the Commission is preparing for the June Cannes summit, and repeated once more that there is no doubt about this next enlargement of the Union, though any commitment on a specific date remains impossible. In the meantime, the political dialogue between the Union and future members is developing in many different fields, stressed Hans van den Broek, who also reminded his audience of the great importance that the Commission attaches to regional cooperation between Central and Eastern European States. European Parliament's president Klaus Hänsch, wishing that present members of the EU could share some of the European enthusiasm so strongly felt in Central and Eastern Europe, declared that applicant countries "don't have to be members of the Union to become European", but that the Union "needs them to become truly European".

During the debate, most members stressed the need to seize the opportunities, and above all the

political opportunities, offered by the Union enlargement to the East, and some of them - for example, Dutch EPP member Arie Oostlander - noted that applicant countries need to join a strong European Union, and not a weaker one. Lilly Gyldenkilde, Danish member of the Unitarian Left, said in turn that these countries will want to enter a socially acceptable Europe, and Italian Green Alexander Langer dismissed the objections of those who are afraid of having to make too many sacrifices reminding them of the parable of the prodigal son (the calf is killed on his return, but his brother regrets having to share it with him). German social democrat Magdalene Hoff also emphasized the risks of the Union's neglect towards Central and Eastern Europe, recalling François Mitterrand's statement (nationalism is not dead, and "nationalism is war") to the EP last January, while Carlos Carnero Gonzalez, Spanish member of the United Left, insisted on the need for political democracy in applicant countries, rather than on free market aspects. Many members admitted that great efforts are expected from the neighbours from the East, and Dutch liberal Jan Willem Bertens urged them to fight mafia practices and protectionism, and to adopt higher environment protection standards.

All the Parliaments' presidents, at a press conference with Klaus Hänsch with whom they had a meeting mostly devoted to the parliamentary dimension of the "structured dialogue" between the EU and Central and Eastern Europe, expressed their desire to

work more closely with the European Parliament. Blagovest Sendov of Bulgaria said that he had had the feeling of a real dialogue developing, not a dialogue of "one to six", but among seven partners. Several presidents showed their eagerness to get closer to the Union as soon as possible: thus, Berceanu of Romania, who replaced president Nastase, thought that the parliamentary debate could reveal itself as a "locomotive" on the road to enlargement, and Hungarian Zoltan Gal also stressed the value of parliamentary

dialogue, because it can bring closer citizens from East and West. Slovak Ivan Gasparovic said that the Commission's White Paper should be discussed in great detail at the next meeting between the presidents (most likely in Poland at the beginning of 1996) and the Czech Milan Uhde was pleased about the very concrete exchange of views with Mr Hänsch, while the Polish Parliament's president Jozef Zych admitted the need for applicant countries to accept big changes in order to adapt to the Union's legislation. ■

### **EUROPE AGREEMENTS INITIALED WITH ESTONIA, LATVIA AND LITHUANIA**

Europe Agreements between the European Union and the three Baltic States were initialled in Brussels on 12 April. The agreements are expected to be formally signed during the EU General Affairs Council meeting scheduled for May 29-30. The other possibility, in a case of any technical difficulties, is the EU Council scheduled for June 12. However, it has been made clear that the Europe Agreements with Estonia, Latvia and Lithuania will be signed before the EU Summit in Cannes in late June.

After the signature of the Europe Agreements, the three Baltic States will be put on the same footing as the six associated countries of central and eastern Europe. This for example means, that if the EU Presidency decides to invite heads of government of the associated countries to Cannes, this invitation will also apply to the three Baltic countries which from June will also participate in all joint meetings held within the framework of structured dialogue in pre-accession strategy approved in Essen in December. The signing of the Europe Agreements also extends to the three Baltic States all the work linked to the White Paper. The White Paper which will be approved in Cannes would apply, and during the autumn the three Baltic States would be expected to compile with the Commission their individual national programmes.

#### **Transition period cut down:**

The association agreements concluded with the six central and east European countries provide for a 10-year transition period for the full establishment of the free-trade area. The Commission said on 12 April that "compared with the six existing agreements the Baltic States are more ambitious in their rapprochement to the EU: For example, the transitional period of the agreements will end at the latest on 31 December 1999 instead of 2004 or 2005 as is the case of some of the associated countries".

The inaugural round of negotiations was held in December and only two formal negotiating rounds were needed to conclude the agreements. Unofficial discussions during the second half of March and early April allowed the remaining "technical" problems to be resolved.

The announcement on the transition period seems to suggest several changes against the free trade area agreements concluded last year, and which entered into force on 1 January 1995. Under the terms of the free-trade area agreements Estonia was to establish a free trade area immediately. The transitional period for Latvia was to last for a maximum of four years and Lithuania managed to negotiate a six year transition period. Earlier this year there were suggestions that Lithuania wanted to cut down the transition period, while there were some in Estonia who considered that the country's negotiators did not take proper consideration last year of all the problems involved with the immediate full liberalization.

The three agreements are based on a shared commitment to democracy and human rights. They are also first Europe Agreement which include provisions on cooperation in the prevention of illegal activities.

The agreements were initialled by Mr. Alan Mayhew on the behalf of the Commission and by Mr. Pritt Kolbre, Under secretary of State of Estonia's Foreign Ministry, by Latvia's Ambassador to the EU Mr. Juris Kanelis, and by Mr. Albertas Januska, Deputy Minister of Foreign Affairs of Lithuania. ■

## IT WILL TAKE AT LEAST THREE YEARS TO MANUFACTURE THE SINGLE EUROPEAN CURRENCY

The informal EU Finance ministers meeting which took place in Versailles on April 8 gave an unusual visibility to the hitherto rather abstract issue of the future European single currency. While admitting that the new currency will not be in people's hands before the year 2002 or 2003, ministers were presented by Council president Edmond Alphandéry with a box contain nine coins of different sizes and value, struck in different metals, which the Monnaie de Paris has prepared for the Versailles meeting as prototypes for the new European money. We agreed on the range of coins and notes, on their possible "national side" and on the metals used, announced Alphandéry. But he admitted that a country (Sweden) has a problem with nickel (many people are apparently allergic to it), while another one (Germany) insists on an alloy containing at least three coats, in order to make fraud more difficult. A difficult issue which was not touched upon at Versailles was the name of the future currency. The Chancellor of the Exchequer, Kenneth Clarke, told the press that the single currency "might or might not be called Ecu", while especially the French keep calling it that, and the Germans still have strong reservations about this name (in Germany, the name "Euro" was recently suggested as an alternative, and in Versailles, Bundesbank president Hans Tietmeyer told a few journalist that "Euro could be OK"). Mr Clarke also said that the image of the Queen should feature on the "national" side of the new money, while most other participants seemed in favour of a more discreet sign of identification (Mr Alphandéry said one could perhaps follow the example of the

American dollars which, if one has a good look at them, have the name of the State concerned on their back).

All the same, the many problems that still have to be solved do no change the fact that, at Versailles, ministers had a close look at the new money and discussed its technicalities for the first time, and for quite a long time (more than three hours), thus giving a new sense of reality to the prospect of the single currency. Even Mr Clarke seemed surprised at how interesting the discussion had been, though he immediately went on to stress how long delays will be, and how many more discussions will be needed. Mr Alphandéry reminded the press of the sequence of events to expect on the road to the third phase of monetary union: - the decision, by the European Council, on the passage to the third phase (Mr Alphandéry and European Commissioner Yves-Thibault de Silguy don't want to rule out that this will be possible at the beginning of 1997, but most other participants seem to think that the beginning of 1999 is becoming more and more likely); - the effective start of the third phase, with the fixing of irrevocable parities (the Treaty envisages a six-month delay between these two decisions, but at Versailles several Member States, and particularly Germany, said that twelve months will certainly be needed); - the circulating of coins and notes. On this last issue, Mr Alphandéry noted that at Versailles there had been "quite a large consensus "on the fact that the actual manufacturing of coins and notes would take about three years. And German Finance minister Theo Waigel

said that, in the event of phase three beginning in 1999, this could mean that the new European money will be available only towards the end of 2002 or the beginning of 2003.

European Commissioner Yves-Thibault de Silguy, noted that "we have time, so let's use it to our best advantage", in order to make the single currency more familiar and therefore more acceptable to the public. People's acceptance is very important, and the European Commission intends to play its role in the information campaign that will follow, said Mr de Silguy, adding: "we have to make citizens almost fall in love with their money". ■

Joint Publication  
AGENCE EUROPE S.A.  
EAST WEST S.P.R.L.

Publisher responsible: *Marina Gazzo*  
10, boulevard Saint Lazare  
B-1210 Brussels (Belgium)

In cooperation with:  
The Information DG, Commission of the  
European Communities, contents do not  
necessarily represent the view or policies  
of the Commission.

Editor-in-chief: *Jan Zoubek*

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Tel. : 219.02.56  
Fax : 217.65.97  
Telex : 21108

Bank : KB-Bruxelles 425-2044961-06

Distributed solely by subscription  
Price per issue : BF 750

Printed by:  
Imprimerie de l'Europe SA - Brussels

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