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TOGETHER IN EUROPE

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RELATIONS WITH THE EUROPEAN UNION

TWELVE CANDIDATES FOR ACCESSION

The inaugural meeting of the Reflection Group in Taormina on 3 June formally started the preparation of the report on the 1996 Intergovernmental Conference which will be submitted to the EU Madrid Summit in December. It was important that the broad discussion on issues involved in the IGC, and the acceptance of a tight timetable for the preparatory work, resulted in an immediate consensus: **the principal reason for the IGC and resulting revision of the Maastricht Treaty is to make the next enlargement possible.**

Mr. Carlos Westendorp who chairs the meetings of the reflection group, noted in Taormina that the reform which has to result from the IGC shall be such, that it would make enlargement of the EU to 27 countries viable.

The signing of Europe Agreements on 12 June with Estonia, Latvia and Lithuania increased formally the number of accession candidate countries to 11. On the same day, the EU Council said that all reserve which was delaying the signing of a Europe Agreement with Slovenia had been lifted. The formal signing of the Europe Agreement with Slovenia is thus a matter of weeks away and this step increases the number of accession candidates to 12 and opens the prospects for a 27-member European Union early next century.

12 June was also the day of special dimension Association Councils meetings with Cyprus and Malta. The meetings confirmed in a concrete way the opening of the path to accession for these two countries. The approved resolutions institutionalized the **structured dialogue and defined the pre-accession strategy.** New financial protocols were also signed. On 12 June the EU Council also explicitly confirmed its earlier decision, that accession negotiations with Malta and Cyprus would begin six months after the end of the Intergovernmental Conference. The President of the EU Council Mr. Michel Barnier, the French Minister for European Affairs, said that accession negotiations with Cyprus would start six months after the end of the IGC, even if there is no agreement between the two communities in Cyprus. The minister, however, added that the turning of this decision into a reality would be facilitated if a political solution to Turkish Cypriot problem is reached soon. The Government of Cyprus is, and will remain, the EU's sole partner in discussions.

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The "structured dialogue" with Cyprus and Malta shall be equivalent to that with associated countries central and eastern Europe. It is to be accompanied by a specific strategy of preparation for accession on similar lines (familiarization with acquis communautaire, participation in EU programmes, grants from future Mediterranean policy etc).

12 May also marked a **political agreement** on allocation of EU assistance funds among the central and eastern European countries and the Mediterranean countries. The political agreement covers 1996, it will generate plenty of criticism from all sides, but this compromise is nevertheless of overwhelming importance, as it is likely to build acceptable bridges over the EU's "North-South divide". ■

EU FINANCING OF EXTERNAL POLICY

The principal task facing the EU General Affairs Council meeting on 12 June was to reach a compromise on EU budget financing of external policy. This was one of the principal issues of the last EU Summit in Essen last December. We indicated in early December (cf No60) that for Essen, the Commission proposed an average annual growth rate for 1995-1999 in financing for central and eastern Europe of 12.1%. This would mean a total budget for the period of slightly over Ecu7bn. In order to ensure the balancing of aid with Mediterranean countries approved in Essen, the budgetary considerations indicated an average annual increase of some 6.5% bringing the total for 1995-1999 period to just under Ecu6.3bn and a minimum allocation of Ecu5.5bn was considered for the Mediterranean region.

More recently the Commission proposed to the Council to allocate for 1995-1999 a total amount of Ecu6,693m for central and eastern European countries and Ecu5,160m for the Mediterranean countries.

The Council thus faced a decision on a compromise pre-negotiated in the COREPER and which was recommending to the ministers to avoid taking, at this stage, a decision on the Commission's global proposal for 1995-1999 (see above), but to take into account the actual absorption capacity of beneficiary countries. This in fact meant, that the Council was invited to make a short-term decision, which would leave a margin for manoeuver for a later period.

The Commission suggested in its 1996 draft budget (see details in No 68, p11) that the budget for cooperation with the associated countries of central and eastern Europe is increased to Ecu1,235m (by nearly 5.4%) and that the budget for cooperation with the Mediterranean is increased to Ecu700m (a 29.65% increase). In addition the budget for cooperation with the ex-USSR was proposed to increase to Ecu528m (a 4.17% increase).

The EU Council reached a political decision on the proposed 1996 budget and made a declaration on the principle to be applied in the next 4 years. The Commission recalled that it is sticking to its goal: ie allocation of Ecu6,693m for central and eastern Europe for 1995-1999 and Ecu5,160m for the Mediterranean.

The Council's position is that approved figures for 1996 shall be understood to be the annual minimum for the following four years.

President of the Council, French Foreign Minister Herve de Charette explained that the Council decided not to approve a multi-annual schedule for payment, "because it would be against the Community budgetary rules".

Thus in a certain way the ball is now in the court of the budgetary authority (mainly the European Parliament) to decide annually on the growth rate in appropriations in favour of the associated countries of central and eastern Europe and the Mediterranean countries. This would have to reflect respect of the conclusions of the Essen Summit on an appropriate balance between the two areas and also the real need of each region.

Should the "minimum annual rates" be projected over the five-year period, this would guarantee some Ecu6.2bn to central and eastern Europe and Ecu3.5bn for the Mediterranean.

Still other important problems remain unresolved: battle over EDF (European development Fund) from which developing countries are financed, and the EU reserve for financing of emergencies, or future initiatives of the EU. ■

EUROPE AGREEMENTS WITH BALTIC COUNTRIES SIGNED

The EU Council, the Commission and the Prime Ministers from the three Baltic States, Estonia, Latvia, and Lithuania, signed Europe Agreements in Luxembourg on 12 June. The three countries are now officially an integral part of the EU's pre-accession strategy and hoping to join the EU by the end of the century. Europe Agreements with the Baltic States are even more ambitious than the agreements with the six central and eastern European countries as they cut the transition periods for the implementation of Agreement's provision to the end of 1999.

Readers will recall that the EU Council approved negotiating directives for Europe Agreements with Estonia, Latvia and Lithuania at the end of November 1994. The preliminary round of negotiations was held in Brussels on 15 December 1994. Two formal rounds of negotiations (and several other meetings at the level of experts) then completed negotiations and the Agreements were initiated on 12 April 1995.

The Europe Agreements incorporated the **Free Trade Agreements** negotiated with the three Baltic States in 1994 and which entered into force on 1 January 1995.

The Europe Agreements with the Baltic States largely follow the pattern and the text of the Europe Agreements concluded with the six central and eastern European countries. However, there are also some differences.

Thus, in trade-related matters **transition periods** with Latvia and Lithuania will end on 31 December 1999. There is **no transition period in the case of Estonia.** The Europe Agreements with the first six associated countries provided for the establishment of a free trade area during a transitional period lasting a maximum of ten years starting from the entry into force of the agreements.

Europe Agreements with the Baltic States recognize, in the preamble, that the ultimate objective of each Baltic State is to become a member of the European Union. They provide for political dialogue between the EU and the Baltic States in the same multilateral framework which was established for the associated countries of central Europe. The Agreements already refer to the pre-accession preparation strategy (and structured relations) approved during the Essen Summit in December 1994.

Article 2 of the Europe Agreements with Baltic Countries contains the now standard "human rights and democratic principles" clause. In addition the same Article also refers to regional cooperation: "The Parties consider that it is essential for the future prosperity and stability of the region that the Baltic States should maintain and develop cooperation among themselves and will make every effort to enhance this process". The Agreements with the Baltic Countries also make, in a separate article, direct references to the principles of the market economy as **essential to the present association.** The provision provides for regular examination of the implementation of these principles. Similar provisions are included in Europe Agreements with Czechs, Slovaks, Bulgaria and Romania, but not in the form of a separate article and without wording asking for a regular examination of the implementation.

The texts of the anti-dumping and safe-guard provisions are the same as in the case of the six-associated countries. Similarly the provisions on establishment, movement of workers, supply of services (with the addition of a standstill clause in the case of supply of services), movement of capital and on economic and financial cooperation. Where there are differences, they are mainly in the Europe Agreement concluded with Estonia, because of the non-existence of transition periods in many provisions of Europe Agreement with Estonia.

Thus for example provisions on payments and movent of capital in the case of the Europe Agreement with Estonia state that "With regard to transactions on the capital account of the balance of payments, from the entry into force of this Agreement the Member States and Estonia respectively shall ensure the free movement of capital relating to portfolio investment. This shall also apply to the free movement of capital relating to credits related to commercial transactions or the provision of services in which a resident of one of the parties is participating and to financial loans".

The provisions on **competition** give firm deadlines which are not included in such form in the Europe Agreements with the six associated countries, but actually this means that the provisions of the Europe Agreements with the Baltic States are being aligned on the expected and somewhat shortened (because of the pre-accession strategy) ends of transition periods applied to the original six associated countries.

For example in the case of Czech Republic, this country is being treated in the same way as less developed EU member states

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for the purpose of provisions on granting state aid. This treatment is applied during the transition period of five years, which then can be extended for another five years by the decision of the Association Council. In the case of Estonia, this country gets the same treatment until 31 December 1999, and then the Association Council can expand the treatment for three years. In both cases the first transition period will expire on 31 December 1999. Then it is expected that the associated countries would anyway be engaged in accession negotiations from which the proper new transition periods will result. Thus in all cases when the transition periods granted to the original six central and eastern European countries expire after year 2000, agreements with the Baltic States end the transition periods at the end of 1999.

In the case of public undertakings, and undertakings with special or exclusive rights, Article 90 of the EU Treaty shall be applied in the case of Estonia from 1 January 1998. This is the same deadline as contained for example (in a different way) in the Europe Agreement with Czech Republic. On the other hand, the Joint Declaration to the Europe Agreement with Estonia recognizes that the "Concession Agreement between the Estonian Government and the Estonian Telephone Company of 16 December 1992 is deemed compatible with Article 65 of the Europe Agreement on the condition that a) leased lines are made available on request for corporate networks and closed user groups, comprising voice telephony and data service from 1 January 1998; and b) that from 1 January 1998 the regulatory functions are entrusted to a truly independent body.

The Provisions of Europe Agreement with Estonia opened access by Estonian companies to public procurement procedure in the EU on the date of entry into force of the agreement, and EU companies shall get access to contract award procedures in Estonia under the treatment no less favorable as that accorded to Estonian companies also on the entry into force of the Europe Agreement. When these provisions are compared for example to that negotiated with the Czech Republic, Czech companies also gained access to public procurement procedure in the EU on the date of entry into force of the agreement. The Czechs give in turn the same treatment to subsidiaries of the EU companies already set up in the Czech republic, but the other Community companies would gain access to Czech contract award procedures only at the end of the 10 year transition period.

A new element in the Europe Agreements negotiated with the Baltic states is a **New Title VII: cooperation in the prevention of illegal activities**. These provisions provide for cooperation against illegal immigration. corruption, illegal transactions involving industrial waste and counterfeit products, organised crime, illegal transfer of motor vehicles etc. ■

INTERNAL MARKET COUNCIL MEETS WITH ASSOCIATED COUNTRIES

The first ever "structured dialogue" joint meeting between the EU's Internal Market Council and the ministers, or secretaries of state, from the nine associated countries was held in Luxembourg on 5 June. It was also the key meeting for discussion of the White Paper before it is approved by the EU General Council meeting on 12 June for submission to the EU Summit in Cannes. The meeting indicated some divergences in views among both the ministers in charge of the internal marked of the EU, as well as among the ministers from the associated countries.

Before the joint meeting started, the preparatory discussion among the EU ministers indicated certain differences in approach. While all the ministers welcomed the White paper, the "traditional differences" in approach were visible. It is believed that representatives of several member countries considered that the link between the observance of **competition rules and the freedoms provided by the single market** could be made more explicit. Luxembourg, Denmark, Sweden, Italy, Belgium, Greece and Ireland are believed to have been in favour of **references to social, environmental and consumer protection policies in the White Paper being strengthened.** Actually Luxembourg proposed an amendment (supported by the above countries). On the other hand, German, Dutch and UK ministers were believed to take a position defending the existing and rather low-key references in the White Paper to environment or social policies, in order not to scare the eastern European countries because of excessive demands. The Spanish Secretary of State, Mr. Westerndorp was reported to share in principle the same attitude as the countries asking for stronger references, but was against the amendment, because the amendment could be counter-productive. The Commission recalled that the White Paper already mentions social policy, rights of the workers,

environment and protection of consumers (see issue No 70 for details). The following article on the meeting of the EU General Affairs Council on 12 June shows the formula used to underline the importance of social, environmental and consumer protection policies.

The White Paper was then presented to representatives of the associated countries by Commissioner Mario Monti, responsible for the internal market. Austrian Minister Mr. Ditz was able to offer ministers from the associated counties his country's experience from the recent accession. His point was that the participation in the EU single market via the EEA arrangement was of key importance. The minister said that a similar White Paper for EFTA countries would have been useful at that time. The minister admitted that approximation to the EU internal market rules was quite a difficult exercise. The participation in the single market, however, helped Austria to overcome economic recession.

Mr. Ludewig, the German Secretary of State went into details about Germany's experience in unification. His message was that the application of new rules poses more problems than their introduction.

Associated countries:

The ministers from the associated countries presented the measures already implemented in their country, indicated the will to advance rapidly and underlined the importance of EU support in matters of technical assistance and exchanges of experience. The contribution from Mr. Saryusz-Wolski, Polish Under secretary of State for European Affairs, and partly also the contribution from Mr. V. Dlouhy, the Czech Minister of Industry and Trade went somewhat further.

Mr. Saryuz-Wolski restated the already well known Polish position on the White paper: Poland feels a lack of references to the cost of the measures envisaged. The White Paper presents an ideal situation of the single market while a lot of measures are still not still correctly transposed by current Member States. Poland seeks a "parallelism" in treatment: EU member states shall offer something in exchange, in particular as the gap between an legislation in an associated country and EU legislation narrows, this shall be accompanied by a bigger opening of the EU market.

Minister V. Dlouhy recalled that his Government seeks maximum liberalization and that individual sectors of the Czech economy and administrations take the White paper in its complexity and are preparing their individual plans. The effort concerns five mutually conditioned levels:
- legislation
- constructing of institutions
- proper functioning of a legal and institutional framework
- convincing the EU that the Czech legal and institutional framework works properly
- creation of conditions for enterprises and institutions to work properly in the new system aligned to the EU minimum requirements for the internal market.

Minister Dlouhy made it clear that the Czech Republic aims to be
ready and fulfil all conditions by the end of this decade. He insisted that the process be a "two-way street".

Transition periods?

Following the meeting, Minister Dlouhy said that the Czech Republic will not seek some transition periods following accession. He also said upon his return to Prague that the Czech Republic will seek accession on "Swedish-Terms" ie an immediate acceptance on the accession of the bulk of acquis communautaire and practically no transition periods.

This declaration has once more fueled discussion in Brussels on the likely terms and method of the next enlargement. The Polish position has traditionally been that it is important to set up a firm date in advance for the start of negotiations, and then to rapidly complete accession on terms similar to the accession of Spain, or Portugal ie involving important long transition periods in many sectors and in agriculture in particular. Poland will not, however, seek any "opt-out".

The position of Hungary has been somewhat different. It included the realization than the next enlargement would have to be different, because of existence of the Single Market which would not permit enlargement on terms similar to those of Spain and Portugal 10-years ago. Nevertheless Hungary considers that complete adjustment would be difficult on the side of both Hungary and the EU as well. It was for example suggested that it is difficult to expect that the EU would accept the free movement of labour on accession. Similar problems are likely to arise in the field of structural funds. Both parties have a common interest that some transition period is applied in agriculture. Upon accession, Hungary will have difficulty in applying all the obligations concerning free

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movement of capital and would seek some transition period, it would also seek some transition period for the services sector. Both Hungary and the EU may have an interest on some transition arrangement in the field of transport etc. On the other hand, all Hungarian representatives underlined that the country will not seek any permanent derogation, or any "opt-outs". ■

FOREIGN AFFAIRS COUNCIL APPROVES WHITE PAPER

The EC General Affairs Council which met in Luxembourg on 12 June approved the White Paper on preparation of associated countries for integration into the EU internal market. The "conclusions" said that the White Paper represents a useful guide to the associated countries in their pursuit of reforms and in the implementation of the Europe Agreements. The White paper has no bearing on future accession negotiations, it also does not represent new conditions. "It will be on accession when the candidate countries will be required to accept the full acquis communautaire, involving, if necessary, transition periods for its implementation".

The Council approved the importance which the White Paper put on the internal market and said that the "progressive alignment of the associated countries to EU internal market policies will strengthen the competitiveness of their economies and will increase benefits from their economic reforms".

The "conclusions" underlined that it is up to the associated countries to adopt their proper programmes for the implementation and express their priorities. The conclusions however recalled that the ***"Copenhagen Summit already underlined that it is putting a particular attention to the sphere of the competition policy, and from the point of view of future accession, to the protection of workers, environment and to the protection of consumers".***

The "conclusions" said that particular attention shall be paid to follow up the White Paper's implementation. The Council welcomes that the Commission intends, in close cooperation with member Countries, to expand the analysis of potential advantages resulting from the implementation and that it will submit the results to both the EU institutions and to the associated countries. It will be the EU General Affairs Council who will be supervising and coordinating the whole process and will work in close concentration with the EU Internal Market Council active in its respective field.

The European Commission will submit to the EU Summit in Cannes, a report on the progress realized by the associated countries in the preparation of their integration into the internal market during the first half of 1995. (see No. 69, pp1-6 for detailed discussion of the White Paper). ■

ADDITIONAL TEXTILE PROTOCOLS

On 12 June, the Council approved negotiating directives for the Commission to open negotiations with the six associated countries on **additional textile protocols.** The original Protocols on Textiles of the association agreements provided for a revision after 3 years linked to the multi-fibre arrangement; there was also a link to the results of the Uruguay Round negotiations.

The Commission has already held some talks with the associated countries which could be characterized as preliminary and fact finding. Observers in Brussels do not expect that the negotiations on additional textile protocols would start before early autumn. The textile protocol with each country still includes over 20 volume quotas, and some bigger liberalization will be sought either by way of abolishing of some QRs or increasing their volume. There is still some unfinished business concerning outward processing. Reader will recall that last year improvement of the scope for outward processing (in particular tariff exemptions were granted to products not covered by the quotas and applied retroactively) was initiated unilaterally. It is also expected that the negotiations would result in some simplification of the complicated and administratively intensive textile trade regime.

The draft negotiating mandate submitted by the Commission to the Council insisted that the negotiations shall not be limited to the technical adaptation of the Textile Protocols and to the simplification of their functioning. The Commission requested overall improvement in the protocols. The

discussion within COREPER indicated that several Member Countries, for which the textile sector is of particular importance and politically sensitive, do not seek a more fundamental liberalization.

Textiles and clothing articles represent the major commodity in associated countries exports to the EU. EU imports of textiles from six associated countries expanded substantially. Eurostat data indicated that the absolute increase in EU imports from the six countries between 1990 and 1993 amounted to some ECU 1.9 billion (a 41.7% increase). The upward trend further strengthened last year. EU data on trade with Poland in 1994 indicates, for example an 18.3% increase in imports of textiles. Imports of textiles from Hungary expanded last year by 7.5% and by 51.3% since 1990. In 1994 EU textile imports from the Czech Republic expanded by 28.2% and imports from Slovakia were up by 56.5%.

EU imports of textiles from central Europe (million ECUs)

country	1993	1994
Poland	1383	1635
Hungary	696	849
Czech Rep.	562	721
Slovakia	208	325

GREEN LIGHT FOR EUROPE AGREEMENT WITH SLOVENIA

The EU Council concluded on 12 June that the "last obstacles which have been opposing the initialling of the Europe Agreement with Slovenia have been lifted". In practical terms it means that the Europe Commission and Slovenia will initial the Agreement immediately. The Commission wanted to initial the Europe Agreement with Slovenia already on 12 June, but Italy maintained its reserve until it receives favorable conclusions from the legal experts. Italy conditioned the conclusion of a Europe Agreement with Slovenia by the change of Slovenia's Constitution which would lift obstacles for foreigners to obtain real-estate in Slovenia. The Slovenian government earlier sent to the EU notification about the change in the Constitution, but Italy requested an analysis by legal experts. The declaration made by the Council means that Italy has acquiesced. There were also some other technical doubts (Greece) but the Council meeting held in early June invited the member countries to lift their reserves.

Croatia Formally Included in PHARE:

The EU Council formally approved on 12 June its agreement in principle from 29 May to include Croatia among the beneficiaries of PHARE technical assistance. At the same time the Council approved a text of the letter to be addressed to Croatia's Government which restates implications and conditionality related to respect by Croatia of democratic principles and human rights. ■

RESEARCH

The joint meeting between the EU RESEARCH COUNCIL and the nine associated countries of central and eastern Europe held in Luxembourg on 9 June allowed the CEEC to express their concrete interest in closer ties in EU research & development, suggest their financing possibilities and place R&D activity in the perspective of the pre-accession process and in particular into the framework of the Fourth Research Framework Programme.

Commissioner E. Cresson said that the TEMPUS and COPERNICA programmes have already financed 450 joint projects. There were 2,500 grants given, and also 750 participations in the EU's Third Framework programme involving 1,500 researchers and costs of ECU 210 million.

The meeting helped to identify 1996 priorities which will be formalised in 1996: environment & health; information technologies and telematics; industrial technology and materials; biotechnology; agricultural and agri-food research; rational use of energy. ■

DEVELOPMENTS WITHIN THE EU

THE CANNES SUMMIT SHOULD GIVE A STRONG POLITICAL IMPETUS TO THE REFLECTION GROUP AND INDICATE WHAT THE EU IS READY TO SPEND IN ORDER TO CONTRIBUTE TO STABILITY IN EASTERN EUROPE AND IN THE MEDITERRANEAN

The French presidency of the European Union hopes that the Cannes summit of 26 and 27 June will put a figure to the Union's external commitments, concerning particularly Central and Eastern Europe and the Mediterranean. French president Jacques Chirac, who will chair his first European Council in Cannes, said this to the press, after a brief informal meeting in Paris, on 9 June, which he had convened mostly in order to meet all his collegues before the formal summit. The Cannes agenda was obviously (with Bosnia) the main issue at the Elysée dinner, and president Chirac stressed in particular the priority of the fight against unemployment and of keeping aid to the developing world at least at the present level (if we don't do that, he said, we must fear "strong planetary destabilization", given the demographic explosion in these countries). Jacques Chirac would also like the Cannes summit to give a real push to the ambitious trans-European transport networks which have been launched months ago but have not yet materialized: this situation is "a bit ridiculous", and a solution might perhaps be found just going ahead with the projects which are at a most advanced stage, or reviewing the sums foreseen until now, he said.

European Commission president Jacques Santer, speaking at the final press conference with Jacques Chirac, said that he agreed with the French president that the Cannes summit should give a strong signal to public opinion that, after a period of "hesitation and doubt", Europe is on the move again and will be "made with the public and for the public". Mr Santer had expressed the same wish a few hours earlier, at a press conference in Brussels, where he spoke in particular about monetary union, answering questions about the statement in the Commons by John Major, who had said that circumstances might "not ever" be right for Brittan to join the common currency. Mr Santer said that he hoped that, in Cannes, European leaders would be "well inspired" and find for the common currency a name which would rally everybody, including those who haven't yet become "familiar" with the name "Ecu" (a clear hint at Germany). The Commission's president also stated that countries which have a monetary "opt-out" as Britain should show restraint on such an issue and avoid preventing others from making progress (but, in Paris, Mr Chirac said that the issue was not on the Cannes' agenda).

Revision of the Maastricht Treaty: the Reflection group begins its work one day after the 40th anniversary of the Messina Conference

Speaking to the press in Brussels, Mr Santer also pointed out that he agreed with Mr Chirac (whom he had met bilaterally a few days earlier) that the Cannes summit should give strong political impetus to the work of the Reflection Group on the 1996 Maastricht revision conference. The Group was put in place in Taormina, in Sicily, on 3 June, under the chairmanship of Spanish Secretary of State of Foreign Affairs Carlos Westendorp, who had himself been one of the Maastricht negotiators. The Group - fifteen "personal" representatives of their Foreign ministers (Mr Westendorp stressed the word "personal"), two Members of the European Parliament and European Commissioner Marcelino Oreja - agreed on a very tight work-plan, with at least two meetings a month, informal in style but very well-structured. The Taormina exchange of views was of general a nature, but it already gave some indications on the ambitions of the participants, and clearly confirmed Britain's very reluctant attitude: thus, Minister of State David Davis plainly stated that Britain would be "bewildered" if the Intergovernmental Conference would end up in any "major overhaul" of the Union's structure, that it would stick to its "opt outs" and that it would reject any extension whatsoever of majority voting. The question of "opt outs" or of multispeed integration was also raised by other participants, but the general approach was constructive, even among the new Member States (Austria, Finland and Sweden), who particularly emphasized the importance of social dimension in the EU.

Mr Westendorp did the same, in his press conference in Taormina, saying that the Intergovernmental Conference must deal with issues which are a real concern of European people, and that employment and social

progress is precisely one of these concerns. Carlos Westendorp also stressed the wish of his group to work in a transparent and understandable way: our people, he said, must understand what is behind our decisions and find those relevant to them. One of the major challenges which justify the reform of the Maastricht Treaty is the next enlargement, repeatedly said Mr Westendorp, to whom enlargement to Central and Eastern Europe is an "ethical duty" for the European Union. Mr Westendorp didn't want to anticipate what the scope of this reform would be (the Group is not going to negotiate, but it wants to prepare options in order to facilitate the task of the 1996 Conference, he emphasized several times), but he clearly said that the reform should be at least sufficient to make enlargement possible.

Mr Westendorp also confirmed that his think-tank's mandate is to produce a report for the December Madrid summit, but didn't rule out the possibility of a delay in the start of the Conference (it is up to the European Council in Madrid to decide, he said). Indeed, the rumor is that the Italian presidency might convene the Intergovernmental Conference only in June 1996 rather than at the beginning of the year (the Maastricht Treaty simply refers to a revision in 1996), and this would probably mean that negotiations will go on into 1997 and could be wound up after the next British general elections. All the same, Westendorp's group has already started genuine discussions, beginning with institutional issues and going on with issues concerning "the citizen and the Union".

On the night of 2 June 1955, in Messina, the original European Six had decided to set up a similar working group, which was chaired by Belgian Foreign Minister Paul-Henri Spaak, and whose task was to develop ideas in order to relaunch European integration after the failure of the European Defence Community, which had just been rejected by the French National Assembly. The 1995 Messina Conference was the first step of a qualitative leap in European integration, leading from the 1952 Coal and Steel European Community into the European Economic Community and the 1957 Treaty of Rome. Jean Monnet, president of the Coal and Steel Community's High Authority (the equivalent of today's European Commission) and the three smaller Member countries (Belgium, the Netherlands and Luxembourg - the Benelux) were at the heart of the initiative. Jean Monnet, in order to retain his full freedom of action, decided then not to run for a new High Authority's presidency, and the Benelux countries adopted an ambitious Memorandum which was going to be the core of the Messina Declaration. A declaration which opened the way to a "Common Market" and to an Atomic Energy Community (a particular concern of Monnet's) and also clearly stated the will to unify Europe in prosperity and integration, also mentioning transport networks (even then !) and social policy harmonization.

On 2 June, 1995, the Fifteen got together where the Six had met forty years before, and adopted a Declaration solemnly confirming that the approach of 1955 still remains valid, despite the dramatic changes of the last forty years. The new Council's president, Foreign Affairs French minister Hervé de la Charette, said it too: the path traced then was the right one, and we must go on, even if the problems and the methods are different. At the 1995 ceremony in Messina, everybody -Italian Foreign Minister Susanna Agnelli, Commission's and Parliament's presidents Jacques Santer and Klaus Hänsch - praised the "courage" of European leaders in the fifties. The objective of the Italian government in setting up the Reflection group on this occasion was, indeed, to stress the need to show such a courage and determination also today. ■

STRATEGY FOR A SINGLE CURRENCY

On 31 May, the European Commission adopted its **Green Paper on Practical Aspects of Introducing the Single Currency.** The paper will be presented to the EU Summit in Cannes, but the discussion of the single currency has already started major discussion among the EU Heads of Government unlikely to be resolved in Cannes. The problem is the experience of recent monetary instability and, its disruptive impact on the Single Market.

Forced devaluation of several member countries' currencies significantly changed relative competitive positions in the single market among the countries with hard and soft currency. This, on the one hand, stimulates the need to fix the parities as soon as possible, on the other hand, it leads to the heart of the problem: the Maastricht Treaty gave two "opt-outs" to the UK and Denmark who may remain outside of

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monetary union. It is also clear that a number of countries will not fulfil the criteria by 1999 and the split will appear among the countries who are inside the single currency area and those outside. This will not only increase the scope for currency speculation and trade disruption, but could generate major political problems (because of the impact on employment in particular). The possible solution would be that the strong-currency member states which formed monetary union introduce retaliatory trade measures to fight competitive devaluations. This will, however, negate the Single Market, the basis of the European Union.

This discussion, naturally directly concerns the associated countries of central and east Europe, who are expected to start accession negotiations at the time of the final stage of creation of the monetary union. Some of them hope to fulfil the criteria, but only the forthcoming years will indicate how they are able to manage the impact of full currency convertibility they hope to introduce later on.

Technical aspects of single currency introduction:

On 31 May, the Commission adopted its Green Paper on "practical aspects of introducing the single currency". For the first time the Commission has set out its ideas on how the transition to EMU should take place and a complete list of issues to be tackled. Firstly the European Council decides to launch the single currency and the countries that will participate. No later than 12 months after this, the effective beginning of EMU will commence with the fixing of parities. Then not more than three years after fixing parities, the completion of the transition will occur with the introduction of new notes and coins, and the general changeover of means of payments.

The second phase could take place at the earliest in late 1997, and at the latest, automatically on 1 January 1999, **with those member states which meet the necessary conditions in terms of economic convergence.** The Commission stressed the advantage of a three-phase approach. It is hoped that it will allow sufficient time for the essential task of a communications strategy presenting the advantages of the single currency and reassuring the public on how the transition affects their daily lives. Communications should have two objectives: convincing people of the benefits of a single currency and explaining how the changeover will affect people directly so as to reduce their anxieties and ensure their full understanding of the process.

The Paper will be presented by Commission President Jacques Santer and Commissioner Yves-Thibault de Silguy, responsible for Economic, Monetary and Financial Affairs, to Heads of State and Government at the European Council in Cannes on 26-27 June. Presenting it to the press, President Jacques Santer emphasized that the Green Paper does not answer the question of which Member States will switch to the single currency and when. This is the responsibility of the Summit, which will deliberate in due time; and that the Green Paper sets out the technical arrangements of the operation and must in no case mask the requirement of complying with the Maastricht economic criteria, which must be complied with "in full and rigorously".

Mr Santer answered questions on the possibility of introducing the single currency in 1997. "The Commission will enable the Council to deliberate at the end of 1996; it cannot rule out the first deadline. On the contrary, it must do its utmost to ensure that as many Member States as possible are prepared, by maintaining pressure on all States. But the decision will be the responsibility of the Heads of Government."

Speaking at a bankers' conference in Frankfurt on June 8, Commissioner de Silguy described a single currency as a "political necessity for Europe", and was synonymous with a single market. Failure to proceed with monetary union would have severe consequences for European currency stability, economic growth and free trade. Without Emu, speculation would dominate European currency markets, giving rise to devaluations, and the disciplinary effects of the EMS rules and the Maastricht criteria would disappear.

Effects

When introduced, the single currency will result in a more efficient single market, as the effect of exchange rate adjustments would have a lesser disruption on trade and investment. In stimulating growth and employment better borrowing conditions will result from the price stability objective of the European Central Bank and greater integration of financial markets. A single unit of currency would bring the end to costs of converting between currencies. The EU is the world's leading trading power. As its currency becomes one of the main exchange and reserve currencies, with the dollar and the yen, so greater international stability will result. As capital would move freely between interdependent economies, the need for monetary sovereignty is evident. By collective management of a single monetary policy, Europe's central banks will have a shared responsibility over one of the strongest currencies in the world.

The Green Paper

The Green Paper has three aims:

. to reduce the uncertainties surrounding the changeover to the single currency by presenting a reference scenario;

. to identify a comprehensive list of problems and a way of tackling them;

. define a communication strategy to ensure public support for the single currency and to explain its introduction.

The treaty already contains procedures surrounding the transition process, such as which member states will participate or when the final stage of EMU will begin. Therefore the Green Paper is a "reference scenario" characterized by three phases.

The transition approach is designed at minimizing costs for all economic operators, the rationale being that the sooner preparations begin, the lower the costs will be. The convergence criteria will be strictly observed, and this responds to the needs of the banking community. There is no transition involving parallel sets of notes and coins. Therefore banks would not have to face the costs of maintaining dual accounts in new and old currencies. It also means that banks can change their computing systems before the introduction of the new currency. The Green Paper will be distributed as widely as possible so as to stimulate reactions and comments on it. In light of the results, the Commission will present a comprehensive action plan for the introduction of the single currency by the end of 1995. ■

MOVES TOWARDS LIBERALIZATION OF ELECTRICITY MARKET

The EU Energy Council reached an important compromise during its meeting in early June on the future liberalization of the EU Single Electricity Market. It is hoped that a final breakthrough on the future Directive may be reached by the end of this year. The issue of the liberalization of EU electricity market has been deadlocked in the Council for the last three years. The key element in the meeting was whether the UK would be ready to accept a compromise more or less agreed by the other Member Countries. The compromise suggested that negotiated TPA (third party access) and SBM (single buyer model) may coexist. The most controversial aspect has been "third party access to the network". France was favoring the "single buyer model". The Commission earlier changed its position and was ready to accept the compromise. This amounts to a recognition that one cannot liberalize the electricity market in the same way as one liberalizes any other market. However, the operational arrangements must still be specified.

Nevertheless the meeting confirmed that one of the main aims of the future Directive is to consolidate competition to the benefits of all consumers. Thus European electricity systems must progressively incorporate market mechanisms which would take into account the situation of independent producers and eligible consumers. The Directive shall allow public service obligations imposed on companies of the electricity sector to be fulfilled in the general economic interest (including environmental protection and security of supplies). The compromise also indicates the possibility to implement long-term planning in the member Countries that so wish.

The single buyer must buy electricity in objective conditions that guarantee transparency of transport prices and a total absence of discrimination. A system of authorizations granted to independent producers will be introduced together with bidding procedures. Within a single buyer system, eligible customers will themselves be able to negotiate supply contracts abroad. Within the single buyer model, producers who are not bound by contract to the single buyer, shall be able to export their electricity via the single buyer network (if it has sufficient transport capacity and it is technically possible).

The UK was initially opposed to the principle of "long-term planning" and also wanted a more broad definition of "eligible consumers" (ie those who are allowed to negotiate supply contract directly with electricity producers) so that electricity distributors are included into this category. However, France insists that electricity distributors shall not be included. Other questions include for example the possibility of quantative limits on electricity imported by eligible consumers; conditions for permits for independent producers and the conditions in which they can negotiate with eligible consumers; the problem in both systems (TPA and SBM) the problem of integrated companies who are producers, handle the transport and distributors. Belgium also seeks a transition regime to prepare itself for the future regime. ■

RIGHTS OF FOREIGN WORKERS TO STAY IN EU AFTER ACCIDENT

Earlier this month the European Court of Justice described criteria which shall help to determine whether a foreigner (who is not national of the EU member country, but from country with specific relations with the EU) and legally employed in a Member Country, has a right to stay in the country after an accident.

As this ruling may set a potential precedent for workers from the associated countries of central and eastern Europe legally employed in the EU, we describe the case in more detail:

The Court of Justice has observed that the EEC-Turkey Association agreement does not give a Turkish worker who worked in a Member State the right to remain on the territory of this State after an occupational accident has resulted in a permanent inability for him to work. It is therefore up to Member States to draw the consequences of this incapacity in national law and to decide whether to give him or take away from him a working permit. They must nonetheless apply certain specific criteria with a view to defining whether the worker belongs to the regular job market (in which case most Member States allow him to remain on their territory). An important ruling which is particularly aimed at lorry and coach drivers and foreign seamen whose connecting link with a Member State is sometimes contested by the national authorities.

The EU Court of Justice thus gave this response to the Dutch Council of State which asked whether Mr Ahmet Bozkurt, international driver employed by a Dutch company and with 80 to 100% permanent working disability following an accident at work, could remain in the Netherlands under the EEC-Turkey accord. The Court said that he could not. The right of stay as it is stipulated in the agreement only applies in the case of steady employment. This right "disappears if the person concerned is the victim of total and permanent working disability, it explained. The consequences of Mr Bozkurt's permanent disability are therefore governed by Dutch law.

In Dutch law a foreign wage earner who is victim of an accident at work making him incapable of working can stay on Dutch territory if he belongs to the "regular employment market". The head of the municipal police of Rotterdam refused Mr Bozkurt a residence permit after his accident because for the Dutch authorities this driver was not part of this regular employment market because of his profession as international driver (resulting in him being outside the Netherlands most of the time). The Court states that to determine whether this driver is part of the regular job market, the Dutch Council of State must determine whether with his "working relationship (...) there is a sufficiently close connection with (Dutch) territory. For this, the Dutch courts will have to decide: the place where the driver was hired, the territory from which he worked and if he paid his social security in the Netherlands.

Mr Bozkurt apparently fulfills these criteria since he was hired in the Netherlands by a Dutch company to which he paid his social security expenses and he spent most of his time off from work there. The Court of Justice included in this case the reasoning that it used in the Lopes da Veiga ruling of 27 September 1989 regarding a Portuguese seaman employed on a Dutch boat to whom the Dutch authorities had refused a residence permit, rejecting his connecting link with the Netherlands because of his capacity as a seaman (Portugal was at this time in a period of transition. Its nationals did not benefit from freedom of movement). During the hearing in the Bozkurt case, the German, Dutch, UK and Greek Governments objected to applying the Lopes da Veiga ruling on a Community worker to an association agreement with more modest objectives. The Court rejected this argument, because the EU-Turkey agreement has among its objectives the free movement of workers. ■

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