



TOGETHER IN EUROPE



EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

RELATIONS WITH THE COMMUNITY

EU MINISTERS PREPARE TO SPEED UP MARKET ACCESS TO ROMANIA, BULGARIA

There are indications that the European Commission is preparing a proposal to the EU Council to speed up the timetable for access for Bulgarian and Romanian agricultural goods to the EU market. This results from the discussions held during the Informal Council of EU Ministers of Trade which was held in Athens on February 4-5.

This informal Council meeting (in principle there is no formal agenda for discussions, and no decisions are taken), reserved the morning of February 5 to the discussions on issues of trade with central and east European countries and the ex-Soviet Union.

Sir Leon Brittan used the meeting to outline several possible ways in which the Council could further improve the EU's relations with the east Europe region. The discussions among the EU Trade Ministers indicated an important new departure in relations with Bulgaria and Romania :

--- The agriculture concessions to Bulgaria and Romania should be aligned with those offered to the four central European countries (Poland, the Czech Republic, Slovakia and Hungary).

--- Under the terms of the application of Interim Agreements with Bulgaria and Romania (these were signed more than one year later than those with central Europe), the two countries will normally enjoy accelerated market access decided upon during the Copenhagen Summit a year later than the Visegrad Four. Thus it would be necessary to bring it forward by one year.

The Ministers also discussed a free trade agreement with the Baltic States (see the following article). During the discussion Sir Leon Brittan said that the Commission urgently needs a mandate to negotiate free trade agreements with, the further objective of reaching Europe Agreements, and that this was a "necessary gesture of solidarity at a time when the Baltics feel quite nervous".

What next ?

The ministers agreed that in an effort to improve ties with central and east European countries, the EU programmes could be opened up to participation from the CEECs.

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The key steps however should be linked to the fulfillment of the commitments made at the Copenhagen Summit to **approximate EU and CEEC laws, notably competition policy**. Sir Leon Brittan made statements to this effect at several opportunities since the beginning of this year (see No 42 in particular). In Athens he said that "if the countries of Central and Eastern Europe want EU industry to be satisfied to the point that **the EU markets are further opened**, the best assurance they could have is that **the same competition laws exist in Central and Eastern Europe**".

The Commissioner recalled that the Copenhagen agreement calls for the **approximation of competition rules within 3 years**. Mr. Brittan called for the establishment of a Task Force with this in mind.

Russia :

Sir Leon told the trade ministers that he had received explicit assurances from the Russian Government that it remained determined to conclude the Partnership and Cooperation Agreement with the EU. Discussions indicated that the EU is committed to **economic and technical assistance (TACIS Programme) being more tied to reform, and to the speed at which reforms are implemented**. It was pointed out that likewise, final negotiations for a Partnership and Cooperation Agreement with Russia should be tied to progress in reform. Ministers concluded that the

European Union remains committed to the signing of the Agreement with Russia, but it **should look carefully at developments in Russia itself**.

GATT :

Most of the discussions during the informal Council of Trade Ministers naturally concerned GATT. Ministers agreed that the European Parliament shall give its legally binding approval to the Uruguay Round results. The European Parliament shall be able to express its opinion in May before the elections. The question whether the Member States should also ratify the agreement besides the European Union remained unresolved and will be tackled at a later date. EU Ministers will, however co-sign the final text of the Uruguay Round. Ministers invited the Commission to continue discussions with Japan in order to win further tariff concessions on leather, shoes and alcohol.

Sir Leon was reported to have raised the question of social standards with the ministers: it is important to launch a detailed, dispassionate debate with the Member States and the social partners in order to set the issue on the correct initial footing. There was also a discussion on the importance of the environment in international trade policy, but this shall not be understood as a protectionist tool. Competition policy will have an even higher role in the future generation of trade issues. ■

NEGOTIATIONS WITH THE BALTIC STATES

The European Union's General Affairs Council meeting on February 7-8 approved the mandate for the European Commission to negotiate "free trade area" agreements with Estonia, Lithuania and Latvia. The Commission received somewhat different instructions for negotiations with Estonia than the two other Baltic States. The Council also made a declaration concerning the future relationship.

Negotiating mandates :

The mandate for the Commission makes certain distinctions between Estonia and the two other Baltic States. The principal difference is in the transition period

during which the Baltic states will open their markets to EU products and services.

The Commission will start the negotiations with the Baltic States immediately, so that agreements may be ready for initiation during the Summer. This should allow sufficient time for the approval procedure so that the Agreement could enter into force on 1 January 1995, the foreseen date for the accession of Finland into the Europe Union.

The EU will lift is remaining barriers to the products of the Baltic Countries at the beginning of 1995, ie the time of the entry into force of the agreements.

Estonia :

The mandate for negotiations with Estonia enables the Commission to negotiate an agreement on the **free-trade area which starts immediately in 1995**. This means that there will be free market access for Estonia's products on the EU market, **but at the same time Estonia would lift its own barriers to EU exports**.

Earlier, the Greek Presidency of the EU suggested this approach reflects the economic and trade situation in Estonia which has also made significant progress in transformation to a market economy system. Important here is that Finland already operates free trade with Estonia.

This situation must be reflected in new arrangements following Finland's accession to the EU.

Lithuania, Latvia :

These two countries themselves suggested their preference for a certain transition period enabling their economies to adopt to the new and more competitive situation. Thus as their products will have free access to the EU market from the beginning (ie in 1995), from their side, both Lithuania and Latvia would lift their remaining barriers progressively and over a period of 6 years (ie imports of EU products would be fully liberalized only by the end of the year 2000).

Association :

The Council recognized that free-trade agreements with the three Baltic States would eventually lead to the conclusion of Europe Agreements and underlined that the Europe Agreements themselves represent a first step towards accession to the European Union. It is believed, that during the Council's meeting the European Commission declared that it would

“not delay” negotiations for Europe Agreements.

During the meeting, French representatives fully supported the move to free trade with the three Baltic States, but expressed certain concern at the Baltic countries official attitude which is applied towards ethnic Russians living there. France wants the Member States to use their bilateral contacts with the Baltic Countries to apply some pressure.

The German delegation expressed concern over free entry of Baltic origin potatoes. The Germans wanted the agreement to establish specific measures to safeguard its potato farmers, notably in the territory of the former east Germany.

Baltic States ask for Europe Agreements :

Ministers of Foreign Affairs of the three Baltic States made a statement on 1 February 1994, and addressed the foreign ministers of the European Union. This statement reaffirms the commitment of the Baltic countries “to become fully integrated with the economic, political and security structures of

Europe”. The Statement reiterates their readiness to start free trade negotiations with the EU, so that the negotiations are concluded as soon as possible, and may enter into force by early 1995.

The Statement recalled that the Baltic State's intention is to conclude Europe Agreements with the EU at the earliest date. According to the three foreign affairs ministers, the early conclusion of the free-trade agreements with the EU would constitute a basis for the expansion of these agreements into full scale Europe Association Agreements, which would thus constitute a logical next step.

Earlier in January, the Foreign Affairs Minister of Lithuania sent a letter to the Greek Presidency of the EU Council in which he advocated that the mandate for the Commission to negotiate a free-trade agreement with Lithuania, also allows direct negotiations on the Association Agreements. The Minister indicated, this will increase the security in the region and ensure future prosperity. ■

SIGNAL TO UKRAINE

In hoping to conclude, in principle, negotiations with Ukraine on the Partnership and Cooperation Agreement before the Ukraine's elections on 27 March 1994, the European Union is sending a clear political signal in support of reform process taking place in that country. The EU will also send its observers to the elections.

Changed mandate

The EU Council of Ministers during its meeting on February 7-8 had an initial discussion on the proposal from the Commission and is expected to approve the changed mandate during its meeting on March 7. In view of the substantial progress achieved so far in negotiations between the EU and Ukraine, the next round of negotiations scheduled for March

should be sufficient to allow the Agreement's initiation before the elections.

The Partnership and Cooperation agreement to be concluded with Ukraine will be in many aspects similar to that being negotiated between the EU and Russia.

The principal difference will be, that at this stage Ukraine is not seeking status as an “economy in transition”.

Readers will recall that the Council approved the initial mandate to negotiate with Russia, Ukraine and other CIS countries in October 1992. This mandate was a single set of directives.

However in April 1993 the Council adopted, on a proposal from the European Commission, a changed

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mandate for negotiations with Russia. In particular this changed mandate allowed the inclusion, in the main body of the Partnership Agreement, of a pretext for the establishment of a free trade area with the European Union. The modified mandate also included a somewhat changed safe-guard clause, provisions on the movement of labour force, provisions concerning human rights, principles for the application of national treatment, the establishment of companies, provisions on the access to EU loans, credit guarantees, some provisions concerning competition policy and specific provisions on money laundering, counterfeitness, drugs protection, illegal immigration and cooperation in fight against other illegal activities etc.

Then, on November 8-9 1993 the EU Council for a second time improved the mandate for the European Commission for negotiations with Russia, this time recognizing Russia as a "transition country". It also stipulated that 1998 would be the year to decide on a beginning of a free trade area.

Commission Decision

The Commission decided to propose to the EU Council the inclusion of the aim of negotiating a free trade area agreement with Ukraine and include in the mandate year, 1998, as the year to decide on these new negotiations.

The Ukraine Foreign Minister Mr. Anatoly Zlenko met with Commissioner Leon Brittan in Brussels on February 8. Minister Zlenko handed over a memorandum from the Ukrainian Government on further cooperation with the EU.

Main points of Memorandum :

According to well informed sources, the memorandum outlines progress in reform and Ukraine economic results. It suggest that the Commission open a Mission in Ukraine as soon as possible. While Ukraine does not request that the changed mandate treats Ukraine immediately as a **transition country**, the memorandum raises this possibility for the future.

The Memorandum is quite specific in its request that GSPs (Generalized System of Preferences), apply not only to textiles, but that the system is **extended to other sensitive goods including steel and other raw materials and semi-manufactures**.

The memorandum speaks about "national treatment" and requests an early start to the negotiations on a separate agreement on steel trade between the EU and Ukraine.

Commissioner Sir Leon Brittan plans to travel to Ukraine in May. ■

DISCUSSIONS WITH CZECHS, SLOVAKS OVER STEEL

The European Commission held discussions with the Czechs and Slovaks on the fulfillment of last year's arrangement on the export of steel products to the EU. We have provided preliminary information on the discussions in No 42, p 12. of February 1.

The meeting was held in Brussels on February 9. Readers will recall that the agreement on steel demanded that the Parties examine annually, and not later than 31 March each year whether "the conditions for the application of tariff quotas are being fulfilled". One of the meanings of this provision was to verify whether it is necessary to continue with the system of tariff-quotas for 5 steel products as well as for seamless and welded pipes.

The meeting underlined differences in statistics and in the date provided by respective reporting systems. According to the Czechs and Slovaks, exports of steel to the EU in 1993 were lower than the tariff-quotas. Therefore they demanded that 1994 tariff quotas are correspondingly increased. EU data which results from controls carried out by the DG XXI (Customs Union), gives a somewhat different picture, suggesting some over-use and thus a possibility to reduce correspondingly 1994 tariff quotas.

As a compromise the European Commission, in view of different data, proposed to forget about 1993 and start from zero as of 1 January 1994, ie with the application of quotas stipulated for the

period January-December 1994. This compromise solution was acceptable to the Slovaks, but not to the Czechs who will return for new consultations later on.

There was also an interesting discussion on exports of steel to the former East Germany. Readers will recall that the EU in the past established a special regime which permitted central and east European countries to continue in "traditional exports" to the territory of the former East Germany after Unification, and on the basis of agreements formerly concluded with the GDR. This special regime was to expire at the end of 1993, but the Council was not yet able to adopt a formal decision. This regime in some way makes it possible to avoid the import restrictions. It

was pointed out that once steel enters into the former East Germany, it could be then be re-exported to the EU without proper control. It is expected that the new arrangements would in some way take into account volumes exported to former east Germany, and also the new situation in the German steel industry, and the steel restructuring programme in the whole EU.

According to EU statistics, EU imports of iron and steel from the former Czechoslovakia increased by 48 % in value terms in 1991 and then jumped by a further 52 % in 1992 when procedures for the application of safe-guards began. In 1992, EU imports of steel from the ex-Czechoslovakia surpassed ECU 1 billion and the steel became the CFSR's biggest export article

to the EU. During the first half of 1993 EU imports from the Czech Republic amounted to ECU 355 million, and from the Slovak Republic to ECU 103 million. It appears that in annual terms, the value of steel imports from both the Czech and Slovak Republics probably decreased by some ECU 200 million in comparison to the record year of 1992. ■

BALANCE OF PAYMENTS ASSISTANCE TO BULGARIA, ROMANIA

Following the ECOFIN COUNCIL meeting held on February 14, Vice-President of the European Commission Mr. H. Christophersen said that the Commission was authorised to initiate a procedure to grant balance of payments assistance to Bulgaria and Romania. This assistance will be additional to resources from the IMF. According to the Commissioner, the European Commission has been asked by the IMF to provide balance of payments assistance to Romania amounting to some \$ 140 million and somewhat more for Bulgaria.

Since the beginning of 1990, the European Union has provided macro-economic assistance to the countries of central and eastern Europe worth some ECU 4.8 billion. Most of this assistance was given to support balance of payments of individual countries. The assistance is provided on a case-by-case basis subject to commonly agreed criteria. Some of the assistance is given in the form of grants (for example to Albania), but most of it is in the form of medium-term loans. As the loans are raised by the EU, the interest rates profit from the exceptionally good ratings of the EU on the international money market.

It may be recalled that the chapter on the Financial Cooperation in each Europe Agreement concluded with each central and east European country establishes the prospect to grant such assistance. One of the principles which is applied is that of "complementarity" ie, it is additional to resources from the IMF and other multilateral institutions. The ECOFIN Council re-emphasised in October last year, that "the basic prerequisite for the mobilization of this assistance should be the existence of a significant residual external financing gap, over and above

resources provided by the IMF and despite the implementation of strong economic stabilization and reform program".

The loans are released in successive tranches, the disbursement of each of them being conditional upon the fulfillment of macroeconomic performance and structural adjustment criteria.

It may be remembered that there were difficulties in 1991 in putting together a G-24 package in balance of payments support to Bulgaria and Romania. In November 1991 the ECOFIN COUNCIL decided not to wait any longer for other G-24 countries and went ahead with its own package for Bulgaria and Romania which was worth some \$ 900 million. The problem was that there has been a regulation of a 50:50 split between the EC and other G-24 donors, but the other G-24 countries were very reluctant to provide matching funds. The US contribution into package for Bulgaria was only slightly more than 1 % of the total. During April 1993, the G-24 Consultative Group on Bulgaria agreed to provide additional financial assistance of some \$240 million, of which the EU agreed to provide 50 %.

ECSC Loan to Huta Katowice

Council has given its assent for the granting of ECSC loans for industrial projects in Poland, under Article 95/ECSC. The loan is worth about Ecu42m (\$50m), and will be used to co-finance a plant for the continuous casting of blooms on the site of the Dabrowa Gornicza works. The works are owned by Huta Katowice Steel. The finance package is in accordance with Commission decision E/134/90, of 5 March 1990. ■

TRANSPORT POLICY AND CENTRAL AND EASTERN EUROPE

The EU Ministers of Transport who met during the Informal Council meeting in Athens on February 7, discussed among other things the preparation of a Pan-European Conference on transport which will be held in Crete on 14-16 March.

The ministers stressed the urgent need to improve and rapidly expand cooperation between the European Union and the central and east European countries in the area of transport. The Pan-European Conference shall draw the principal priorities of the development of the transportation infrastructure and cooperation.

One of the very urgent problems to be dealt with and where solutions need to be found is transit.

On the other hand, the discussion in Athens drew attention to several problems which have been raised during the first meeting between the EU Transport Council and transport ministers from the associated countries of central and eastern Europe held in Brussels last year (cf No.39, pp5-6). This meeting was the first meeting held at ministerial level (other than foreign ministers), under the guidelines on "Structured Relationship" accepted during the Copenhagen Summit in June 1993.

One of the issues is the liberalization of access to the EU transport market. It is considered that the policy of liberalization needs to ensure the existence of similar conditions for competition. For example it would be difficult to liberalize access on the EU market unless there is some harmonisation of the legislation, and in particular harmonisation of labour and employment conditions in the countries of central and eastern Europe with those which are applied in the EU. The EU Transport Ministers informally agreed that the establishment of certain safe-guards would be needed before the harmonization advances.

Transport ministers from the associated countries of central and eastern Europe felt in November last year, that there must be certain asymmetry in the harmonisation. In November, Commissioner Matutes proposed the establishment of a Working Group on Road Transport. There is already a Working Group on river transport. ■

GATT AND THE FUTURE OF FARMING IN EUROPE

The EU has a duty to assist the countries of Central and Eastern Europe in the restructuring of their agricultures. To finance the required investments, the countries concerned have to develop their exports market, and the Union has to help this process by "providing advice and expertise, by providing funds for investment, but more importantly by providing gradually increasing access to the EU market and by refraining from practices which can be harmful to the countries of Central and Eastern Europe".

This was one of the main points raised by European Commissioner Sir Leon Brittan in his speech held on 8th February before the National Farmer's Union in London, on the occasion of its Annual General Meeting.

According to Commissioner Brittan, relations with countries outside the Union, and in particular with those of Central and Eastern Europe, will be one of the three "biggest issues that will be facing agriculture in the next few years", the other two being rural development and the environment. The prospect of a potential "tremendously efficient" central and eastern European agriculture, "has to be confronted", he added, "with courage and generosity, and not with fear

and protectionism". According to him, it is also contributing to the development of agriculture that the European Union can support the transition of the countries concerned to "mature" democracy, an achievement, this one, which in not only in their interests but also in those of Europe on the overall.

Commenting on the signature of the GATT agriculture agreement, he said that the recognition of the "legitimacy" of EU approach to agricultural support, the acceptance of a wide range of EU support measures to its agriculture and the reduction of the depression in world agriculture, must be considered the three main results of the accord.

In his speech, Brittan also stressed the importance for the EU to continue in the direction undertaken by the MacSharry reform of the Common Agricultural Policy (CAP), compensating with direct aid those suffering the effect of falling support prices. According to him, the reform of 1992 should enable the Union to meet GATT obligations, at least in those sectors touched by the reform itself. Also if the reform, he said, will not last for all time, its approval has indicated "a clearer direction for agricultural policy, and a more solid and durable framework". ■

EU TRADE WITH POLAND 1990-1993

EU EXPORTS TO POLAND 1990-June 1993 '000ecus (expol)	1990	1991	1992	I-VI 1993
1. Live animals; animal products	73638	227895	157200	69296
2. Vegetable products	272089	209925	253543	275146
3. Animal or vegetable fats & oils, products of; prepared edible fats; animal/vegetable waxes	33472	43838	77059	32306
4. Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes	235773	514245	436222	198563
5. Mineral products	141680	343403	498779	234007
6. Products of the chemical or allied industries	423702	733925	889851	568250
7. Plastics & articles thereof; rubber & articles thereof	164929	306613	416820	277611
8. Raw hides/skins, leather, furskins & articles thereof; saddlery & harness; travel goods, handbags etc.; animal gut	45229	62841	80895	40601
9. Wood & articles of wood; wood charcoal; cork & articles of; manufactures of straw, of esparto or of other plating materials; basketware & wickerwork	5547	17508	22451	15033
10. Pulp of wood or other cellulosic material; waste & scrap of paper/paperboard; paper & paperboard & articles thereof	71430	198808	263983	154807
11. Textiles and textile articles	504570	773082	943437	565208
12. Footwear, headgear, umbrellas, walking sticks, whips, riding crops; prepared feathers & articles made therewith; artificial flowers; articles of human hair	46762	87040	51203	27375
13. Articles of stone, plaster, cement, asbestos, mica, similar materials; ceramic products, glass & glassware	52746	114024	14619	85300
14. Natural or cultured pearls, precious or semi- precious stones, precious metals & articles thereof; imitation jewelry; coins	5919	15177	20541	7903
15. Base metals & articles of base metals	263128	365887	452840	279919
16. Machinery & mechanical appliances; electrical equipment, parts thereof; sound recorders/reproducers, TV image & sound recorders & reproducers, parts & accessories of such articles	1374083	1883622	2067281	1206378
17. Vehicles, aircraft vessels & associated transport equipment	258683	1278749	721345	618900
18. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; clocks & watches; musical instruments; parts thereof	146120	228671	209056	158505
19. Arms & ammunition; parts & accessories thereof	3910	3277	2953	1547
20. Miscellaneous manufactured articles	80151	176974	182549	96729
21. Works of art, collectors' pieces & antiques	7824	3413	7711	1536
22. Not classified elsewhere	181932	286418	382983	137591
TOTALS	4393317	7875335	8153321	5052511

EU IMPORTS FROM POLAND 1990-June 1993 '000ecus (impol)		1990	1991	1992	I-VI 1993
1.	Live animals; animal products	530056	456273	436526	144740
2.	Vegetable products	374218	382258	273806	91454
3.	Animal or vegetable fats & oils, products of; prepared edible fats; animal/vegetable waxes	9801	20618	19154	7718
4.	Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes	192378	221151	222108	74546
5.	Mineral products	626313	714271	705416	326968
6.	Products of the chemical or allied industries	344822	436139	397513	173174
7.	Plastics & articles thereof; rubber & articles thereof	148776	166827	184010	90523
8.	Raw hides/skins, leather, furskins & articles thereof; saddlery & harness; travel goods, handbags etc.; articles of animal gut	66479	77130	104446	46912
9.	Wood & articles of wood; wood charcoal; cork & articles of; manufactures of straw, of esparto or of other plating materials; basketware & wickerwork	235481	287389	384283	213919
10.	Pulp of wood or other cellulosic material; waste & scrap of paper/paperboard; paper & paperboard & articles thereof	44918	67180	98020	46452
11.	Textiles and textile articles	592860	865835	1113607	629900
12.	Footwear, headgear, umbrellas, walking sticks, whips, riding crops; prepared feathers & articles made therewith; artificial flowers; articles of human hair	84851	113589	124957	63525
13.	Articles of stone, plaster, cement, asbestos, mica, similar materials; ceramic products, glass & glassware	80160	123292	127847	60924
14.	Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof; imitation jewelry; coins	36868	28660	30382	16847
15.	Base metals & articles of base metals	858521	1078156	1338479	482391
16.	Machinery & mechanical appliances; electrical equipment, parts thereof; sound recorders/ reproducers, TV image & sound recorders & reproducers, parts & accessories of such articles	416302	433037	483656	273810
17.	Vehicles, aircraft vessels & associated transport equipment	159677	183563	405011	445987
18.	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; clocks & watches; musical instruments; parts thereof	22452	28876	33379	17131
19.	Arms & ammunition; parts & accessories of	539	593	319	242
20.	Miscellaneous manufactured articles	205425	324923	418878	255096
21.	Works of art, collectors' pieces & antiques	2879	1984	3281	3517
22.	Not classified elsewhere	122668	199950	173383	79737
TOTALS		5156444	6211694	7078461	3545513

DEVELOPMENTS WITHIN THE EC

THE EUROPEAN PARLIAMENT FAILS TO APPROVE A DRAFT CONSTITUTION FOR THE UNION, AND CALLS ON THE NEXT PARLIAMENT TO CONTINUE THAT WORK

Despite the attempts by Rapporteur Fernand Herman (Belgian Christian Democrat) to persuade the plenary to vote on the text of the Constitution for the European Union that he had painstakingly drafted in the EP Institutional Committee, at its February session Parliament failed to approve such a text. It simply noted "with satisfaction" the work of its Committee and called on the new Parliament which will be elected next June to continue this work "with a view to deepening the debate on the European Constitution, taking into account the contributions from the national parliaments and members of the public in the Member States and in the applicant countries".

Many Members were clearly hostile to the idea of a Constitution, while others found that the Herman draft did not go far enough, and several of them pointed out the role that national Parliaments should also play on this issue. Therefore, the resolution approved by the EP proposes that a "European Convention" bringing together Members of the European Parliament and of national Parliaments should be held before the 1996 Intergovernmental Conference "in order to adopt, on the basis of a draft Constitution to be submitted to the European Parliament, guidelines for the Constitution of European Union", giving the European Parliament the task of preparing a "final draft". This

rather opaque text shows that Parliament was unable, because of its internal divisions (mainly within the socialist group), to speak clearly on the substance of the matter, and finally just pointed out which procedure to follow in the coming months, passing responsibility to the next Parliament. Fernand Herman, though disappointed, was not entirely discouraged, and said that the vote proved that a majority of MEPs wanted a Constitution (which links people together, and not just States), instead of a mere Treaty. He also pointed out that the next European Parliament, though not bound by his text, would have to take it into consideration.

Commission President Jacques Delors found that it was "not

to soon" to begin this discussion, and that Parliament, with its initiative, had given a message of "confidence and hope". He praised the "federative, cooperative, decentralized" model suggested by Mr Herman, though he disagreed on one particular point (the idea that the President of the Commission could be asked to put an end to the term of one of its Members), while he noted that his "very personal" view was that the Commission should be answerable not only to the European Parliament, but also to the European Council. The reflection must go on, and the Herman draft ought to get "all the attention it deserves before the 1996 Intergovernmental Conference", said Jacques Delors. But he also stressed that even "the greatest efforts of clarification" could not solve in advance the problems that the Conference will have to deal with and, in particular, could not exempt the Union from developing a "general vision of a wider Europe", which is necessary for institutional as well as for geopolitical reasons. ■

PARLIAMENT STRONGLY FAVOURS A SOCIAL CLAUSE IN GATT AND HOPES THAT THE UNION WILL SPEAK FOR IT IN MARRAKESH

French Socialist André Sanjon obtained wide support for his proposal on the introduction of a "social clause" in trade, during the EP plenary session which took place at the beginning of February in Strasbourg. Mr Sanjon, whose report was debated together with the report of his British Labour colleague Ken Coates on the economic exploitation of prisoners and children in the world, made a vibrant plea for the right of "social interference" in today's interdependent world. The plenary invited the European Union

to demand concrete commitments on a new "social clause" on the occasion of the declaration that should be adopted at mid-April in Marrakesh, when the Uruguay Round agreement will be finalized. The Green Group wanted to go further and link the signature of the GATT agreement by the Union to the adoption of the social clause, but the majority did not want to go this far. Co-Chairman of the Green Group Paul Lannoye, though, insisted that the

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Presidents of the European Commission and of the Council of the Union should, in Marrakesh, speak clearly about the need to respect "human rights at work". The European Commission, responded Social Affairs Commissioner Pdraig Flynn, will "consider in the very near future" the issue of the social clause at the signing ceremony in Marrakesh.

During the debate, many Members pointed out that the introduction of a social clause in trade should not be misinterpreted by developing countries as a disguised attempt to implement new protectionist practices, but some MEPs also noted that pressure, in some cases, can bring results (Dutch Christian Democrat Mr Pronk recalled that Indonesia, pressurized by the United States, has repealed pieces of legislation

that were socially unacceptable). Several Members, and also Commissioner Flynn admitted that developing countries could not be deprived of the right to benefit of the "comparative advantage" deriving from their obviously lower salaries. The whole issue, said Mr Flynn, will be discussed in a more detailed way at a hearing that Parliament will organize in March, and will be taken up in the discussion on the review of the EC generalized system of preferences for the next decade, which will begin, in principle, next July. The priorities should be, stressed Commissioner Flynn (and the Parliament resolution), fighting slavery, work by prisoners and exploitation of children, as well as guaranteeing trade union rights and the right to collective bargaining. ■

THE EUROPEAN PARLIAMENT WANTS TO STEP UP THE FIGHT AGAINST COUNTERFEITING

In its February session, the European Parliament, following its rapporteur Guy Guermeur (French MEP of the Group of the European Democratic Alliance), showed a clear determination to "declare war" against counterfeit or pirated goods, and demanded a tightening of the new Regulation proposed on measures to prohibit the release for free circulation, export or transit of such goods. European Commissioner Christiane Scrivener could accept most of Parliament's amendments, and pointed out that the proposals made by the Commission already strengthened the 1986 Regulation, in particular as far as the speeding up of procedures is concerned. From now on, customs authorities should be able to decide by themselves whether to confiscate counterfeit goods. The Commission, stressed Ms Scrivener, is willing to vigorously fight "fraudulent imports". Major amendments approved by Parliament consisted of asking the Commission to coordinate action to combat trade in counterfeit and pirated goods and in asking Member States to impose penalties to "punish the offender" (while the proposed regulation speaks merely of penalties "to discourage further transactions of the same kind").

During the debate, all Members spoke in favour of swifter and more determined action against what some of them called "acts harmful to society" or "economic delinquency". Most of them pointed out the harm done to employment in Member States, while others noted that counterfeiting could also be a hazard for public health (for example if it has to do with pharmaceutical goods or unsafe goods). ■

THE EUROPEAN PARLIAMENT WANTS THE MOSCOW CENTER FOR SCIENCE AND TECHNOLOGY TO BECOME OPERATIONAL AS SOON AS POSSIBLE

In its February plenary session, the European Parliament approved a Commission proposal on a Protocol allowing the provisional application of the agreement on the establishment of an International Science and Technology Center in Moscow. The agreement has been ratified by all the parties (the European Union, the United

States and Japan), except the Russian Federation, which has a direct interest in the initiative. The European Commission suggested the implementation of the agreement through a Protocol, aware of the fact that ratification by the new Russian Parliament might still take some time, and the European Parliament, fully backing its

rapporteur, Dutch liberal Jessica Larive, gave a favourable opinion to the suggested Protocol. Commissioner Ruberti was happy about this, and thus hoped that the Center would become operational soon.

Ms Larive, who has just visited Moscow, told the plenary that a building is already available

there for the Center, and that projects are already examined on an informal basis, and seem, in general, to correspond to the objectives agreed when it was decided to set up the new Center. The main goal of this initiative was to stop the "brain-drain" in the nuclear and high-technology sector of the former Soviet Union. Also there is a need to integrate researchers, scientists and experts into the international scientific community, in particular to give scientists who possess knowledge and skills about weapons of mass destruction or missile delivery systems, the opportunity to use their skills for peaceful

goals, and to support, in the former Soviet Union, research and technological development such as nuclear safety, environmental protection and energy production. Ms Larive, reminding Parliament that projects should above all be to the benefit of Russian scientists, and contribute to the solution of problems encountered by the Russian Federation, said that at least 3 000 Russian scientists could work in the Center. At the same time, she was worried about the Center's budget. The Union will contribute to the budget, about 20 million ECU per year, and Ms Larive fears that financing on a yearly basis threatens the continuity of the Center's operations.

The new Center's priorities, said Ms Larive, should be to: - improve nuclear safety by closing down and dismantling the oldest and unsafest nuclear power stations (RBMK), and speedily adjust other nuclear power stations to conform to Western safety standards; - start dismantling and destroying nuclear, chemical and biological weapons, and take the necessary measures in order to control and store plutonium which will be released during this destruction, as well as radioactive waste; - launch and support a programme of energy savings. ■

ECOFIN STRESSES THE NEED TO IMPROVE ECONOMIC AND MONETARY COOPERATION, RELATIONS WITH EASTERN AND CENTRAL EUROPE DISCUSSED

The first Council of Economy and Finance Ministers of the European Union (ECOFIN) which took place under Greek Presidency initially gave the Twelve, the opportunity to comment on the presidency's priorities in this field, priorities which were largely shared by all the participants, though the emphasis varied from country to country. As far as external aspects of economy and financial policy are concerned, all ministers agreed that greater efforts are required in order to meet the challenge of change in Central and Eastern Europe.

"We must do everything we can in order to contribute to reform there", said Dutch Finance Minister Mr Kok, and Mr Clarke, Chancellor of the Exchequer, stressed once again the need to open up more generously Western markets to the goods coming from these countries. Belgian Finance Minister Mr Maystadt wanted in depth reflection on this subject, after the first free discussion that he had with his colleagues at the informal Ecofin meeting that took place in Genval on 9 and 10 October, with himself in the chair. Ms Jelved, Danish Economy Minister, called for stability in the region: we need peace in order to have prosperity, she pointed out, mentioning in particular the former Yugoslavia. German Secretary of State for the Economy Mr Eekhoff, speaking in general terms, hoped that the Union would not, in the future, opt for a "defensive" attitude, but would, on the contrary,

fully realize that it will have to be more and more outward-looking.

Ms Jelved was also among those who stressed the need to make the present second phase of Economic and Monetary Union (a phase which started simultaneously with the Greek presidency), a period of better cooperation, on the economic as well as on the monetary front. Several Ministers expressed a similar wish, and Mr Maystadt also thought that himself and his colleagues should probably devote more time, in the forthcoming months, to the follow-up of the broad economic guidelines set by the December European Council for the whole of the Union. The Maastricht Treaty, in its article 103, makes economic policy a matter of European interest, and it will be important to see how this new possibility is put into use. Council's President Mr Papantoniou also stressed this, and said that one of the priorities for the next months would be to prepare the discussion on the broad economic guidelines at the next summit, in Corfu on 24 and 25 June.

Trans-European Networks

The Greek presidency wants to ensure a good follow-up to the December summit's conclusions, which means among other things, Mr Papantoniou told his colleagues, accelerating the procedures which will allow the launch of the first projects on

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trans-European networks (Mr Papantoniou particularly stressed the importance of the links that these large networks should create with Central and Eastern Europe). Some participants, such as Spanish Finance Minister Solbes Mira, pointed out that the selection of projects should bear in mind the necessary balance between the Union's Member States, while Mr Clarke said that the most important thing was to choose "cost-effective" projects. Germany's Mr Eekhoff warned against excessive optimism, saying one should not over-estimate the impact of trans-European networks on employment: it will take years and in some cases decades before this impact can be felt, he noted.

"ECOTAX"

Some Ministers stressed the need of introducing an "ecotax" (an idea which didn't progress much under the Belgian presidency and will probably not under the Greek one, but should have a better chance under the next presidency, which will be German). This was particularly so in the case of Ms Jelved, who called for an environment-friendly growth. Others wanted greater Union involvement in the fight against fraud to the detriment of the Union's budget, and Commission's Vice-President Henning Christophersen said that changes in legislation would probably be necessary, so that "people are not tempted to commit fraud". Irish Finance Minister Mr Ahern emphasized the need to solve another problem, drug-trafficking, which is particularly important for a country like his, with its many external borders, and stressed the European dimension of the solutions to this problem.

INCREASE IN DUTY FREE ALLOWANCE IN "DUTY-FREE" SHOPS

On the basis of the agreement in principle reached at the end of last year, the Finance Council has finally adopted, on 14 February 1993, the new duty free allowance system. The new measures have to be applied by the Twelve Member States by 1 April 1994. They include:

- a rise in duty free allowances for travellers from third countries from Ecu45 to Ecu175. This concerns both normal and duty free purchases. An important derogation to the new regime has been granted to Germany, which can maintain until 1 January 1998, the current limit of Ecu45 as allowance for travellers from Eastern Europe.

- the increase from Ecu45 to Ecu90 in duty-free allowances for travellers acquiring goods in duty-free shops during intra-Community trips. These allowances will disappear from 15 June 1999.

We remember that inside the Union, purchases under normal tax conditions are not subjected to any limit or any payment of VAT at the border.

TACIS SUPPORTS RE-TRAINING OF RUSSIAN OFFICERS

Sixteen thousand officers of the Russian Army will be re-trained in the next three years under the TACIS program. The contract, worth Ecu12m, has been awarded to a European consortium led by Elea-Olivetti, the Italian company's training branch, and including the German firm Gopa, the French one Sodeteg and the Italian Isvor-Fiat.

The principle objective of the initiative is to improve the

qualifications of 400 teachers who will work in 15 training centers set up in different regions of Russia. The officers will be retrained at the training centers. In training the Russian officers, instructors will take into account local manpower needs.

To this aim, it is foreseen that teachers should become self-sufficient in the development of curricula to match local economic needs. In particular, 32 teachers will receive specialized education in this field, and a smaller number will be trained as employment counsellors.

The Russian authorities involved in the implementation of the project are the Russian State Committee of Higher Education and the Ministry of Defence.

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