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TOGETHER IN EUROPE

EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

RELATIONS WITH THE COMMUNITY

SHAPING OF STRUCTURAL DIALOGUE FOR ACCESSION

On 4-5 October the EU Council of Foreign Ministers is to make further steps in shaping the strategy for future accession of central and eastern European countries.

In July the European Commission has approved a document on "Preparing the Associated Countries for Accession". This also includes Annexes with specific proposals. The EU Council dealt with the general approach during its meeting in early July and returns to the full paper in early October. It is believed that this policy debate will concentrate on "building up of the structured relationship and dialogue" by determining the type of the joint meetings which will best suit the accelerated preparation of the accession.

The Commission proposal for structured dialogue with the associated countries for example proposed annual meetings at European Council level, semi-annual meetings for General Affairs and Justice and Home Affairs Councils, annual meetings for ECOFIN, Transport, Telecommunication, research, Environment, Culture and Education Councils. As we go to press, it is believed that the Council discussion will not concentrate only on the Commission's proposal, but that there is also a specific, relatively short paper prepared by the German Presidency of the EU. This paper is somewhat (but not fundamentally) different to the Commission's proposal.

It may be suggested that the discussion on October 4-5 will be more or less an exchange of views. The Ministers will have no problem in shaping the scope of the dialogue, but this is only an initial part of the overall strategy for the accession which itself needs fundamental consideration, as not only the accession itself, but already its process, will have significant impact of the Community's individual policies (common agricultural policy and regional policy are the most visible examples).

The Council is likely to engage in more decisive discussion on this topic during the next meeting on October 31. At that stage, not much time will be left to approve the policy and the strategy for the approval by the EU heads of States and Government during their Essen Summit in early December. The EU Council of October 4-5 also has other key points on its agenda : **a decision will have to be made on the start up of negotiations on a Europe Agreement with Slovenia.** On the eve of the meeting, Italy has been maintaining its reserve, but started to suggest a change in the policy. ■

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FREE TRADE AGREEMENTS WITH THE BALTIC STATES

The Free Trade Agreements between the EU and The Baltic states, which should enter into force on January 1 1995, were initialled with Latvia on 20 June, Lithuania on 27 June and Estonia on 13 July. In previous issues of Together in Europe we discussed the initialling of Free Trade Agreements with Latvia, Lithuania and Estonia. The structure of the agreements is very similar and is based on the models of the Interim agreements concluded with the six associated central and eastern European countries. Briefly the Agreements comprise the following elements:

Human Rights clause and encouragement for regional cooperation among the three.

All three Agreements state in Article 1 (3) that each Party regards the implementation of the Agreement as a decisive step towards the early conclusion of a **Europe Agreement** between each of the Baltic States and the EU. However, in contrast to the Agreements with Estonia and Lithuania, only in the agreement with Latvia is there a joint declaration which states that "all the necessary steps (will be taken) with the aim of negotiating and concluding a Europe Agreement as soon as possible in recognition of the fact that Latvia's ultimate objective is to become a member of the EU".

Preferential agreements: Establishment of Free Trade Zones on industrial products. With all three, the EU eliminates all import and export duties and quantative restrictions upon the entry into force of the agreement, whilst the regimes of the three Baltic states differ. Estonia, which applies practically no tarde restrictions, grants reciprocity upon entry into force of the Agreements, but for sensitive products, Latvia will maintain export and import restrictions for up to four, and Lithuania for up to six years.

Trade in textile products will be ruled by specific provisions. Concerning tariff aspects, the EU has granted Latvia and Lithuania consolidation of the GSP regime while Estonia will benefit from zero tariffs for all textile products. Quantative aspects are governed by protocols: with Estonia a protocol was concluded during the negotiations; with Latvia and Lithuania, the existing agreements have been taken over as Protocols.

Concessions by both parties on **sensitive products** such as agricultural, processed agricultural and fisheries products are covered by separate Annexes and Protocols, as are Rules of origin and customs cooperation provisions.

It is through this potential minefield of annexes that we will try to distinguish the various ramifications concerning trade provisions of the Agreement for each country.

Free Movement of Goods

The Community and the three shall gradually establish a free trade area in a transitional period lasting a maximum of four years in the case of **Latvia**, and six years in the case of **Lithuania** starting from the entry into force of the Agreement. The Community and **Estonia** will establish a free trade area upon the entry into force of the agreement.

Industrial Products

Latvia, Lithuania: Customs duties on imports applicable in the Community to products originating in Latvia, Lithuania and Estonia shall be abolished upon entry into force of the agreement. Quantative restrictions on imports to the Community and measures having an equivalent effect shall be abolished on January 1 1995 with regard to products originating in Latvia, Lithuania, and Estonia. Customs duties on imports applicable in Latvia to products originating in the Community other than Annex II and III products shall be abolished. (Examples of such products include: Portland cement, Kitchen ware, Sports footwear, footwear, laundry machines, tumble dryers, telephone apparel). Regarding Lithuania Annexes I & II apply to footwear, soap, pipes HiFi, Tvs, office furniture, and Annex IV, this includes used motor cars on which will be imposed duties of 5% for motor cars older than seven years but less than ten years and 10% for motor cars older than ten years. This will be 0% within six years from 1 January.

Customs duties on imports applicable in Latvia & Lithuania to products originating in the Community which are listed in Annex II shall be progressively reduced as follows:

- one year after the entry into force of the agreement, each duty shall be reduced to 50% of the basic duty.

- two years after the entry into force of the agreement the remaining duties shall be abolished.

Customs duties on imports applicable in Latvia & Lithuania to products (in Annex III) originating in the Community shall be reduced as follows:

- two (three for Lithuania) years after the entry into force of the agreement, each duty shall be reduced to 50% of the basic duty, and four (six for Lithuania) years after entry into force, remaining duties shall be eliminated.

- Customs duties on imports applicable in Lithuania to products originating in the Community which are listed in Annex IV shall be abolished at the end of the sixth year.

Quantative restrictions on imports into Latvia & Lithuania of products originating in the Community and measures having an equivalent effect shall be abolished from January 1.

For Estonia, restrictions on imports will be abolished immediately.

Any charges "having an effect equivalent to customs duties on imports" shall be abolished.

Customs duties on exports and equivalent charges shall be abolished with the exception of Annex IV products for Latvia (mainly wood products), Annex V products for Lithuania (wood and non-ferrous scrap) shall be abolished. Annex IV duties will be abolished by Latvia at the latest by the end of 1998 (2000 for Lithuania). Quantative restrictions on exports to Latvia & Lithuania and to the Community shall be abolished by the Community on 1 January 1995. Regarding Estonia, the Community and Estonia shall abolish, upon the entry into force of the agreement, any customs duties and quantative restrictions on exports.

If the general economic situation is favourable, each party will reduce customs duties in trade more rapidly than mentioned above.

Textile products of Latvian & Lithuanian origin (Annex V & VI respectively, textiles) and from Estonia, shall benefit from a suspension of customs duties on imports into the Community. Annexes V & VI are an exhaustive list of textile products originating in Latvia and subject to Community tariff ceilings. Protocol 1 lays down the other arrangements applicable to the textiles products. It takes into account the "serious social and economic" problems affecting the textile industry in both importing and exporting countries and aims to eliminate risks of market disruption on the market of the Community and Latvia. The two parties agreed:

liberalization of trade in textile products listed in Annex I of the protocol. Again this proves to be quite substantial and amongst others, includes cotton yarns, synthetic fibres, T-shirts, shirts, jumpers, blouses, trousers, toweling, bed linen, man made fibres etc. The Protocol states that exports from Latvia & Lithuania to the Community of these products, and originating in Latvia, shall be free form quantative limits, but these could be introduced if the Community finds that the level of imports of products in a given category exceeds, in relation to the preceding year's total imports into the Community, certain rates.

Agriculture

The provisions will apply to agricultural products originating in the Community and in Latvia, Lithuania and Estonia. Agricultural products here exclude fishery products. Protocol 2 deals with trade arrangements for processed agricultural products. Trade liberalisation applies only to processed agricultural goods. As from the date of entry into force of the agreements no quantative restrictions shall apply to imports into the Community of agricultural products originating in Latvia nor to imports of agricultural products originating in the Community. The Community and Latvia shall grant each other the concessions referred to in various annexes: for example imports into the Community of honey, certain root vegetables (cucumbers etc.) import of bovine meat, sheep and goat meat, skimmed milk, milk and butter, cheeses are subject to specific duties. The Community and Latvia shall examine product by product and on a reciprocal basis, the possibilities of granting eachother further concessions. If, given the sensitivity of the agricultural sector, imports of products originating in one party causes serious injury to domestic producers in the territories of another party or disturbances in any sector of the economy the parties will take appropriate measures through consultation to find appropriate solutions.

Fisheries

The Community and Latvia, Lithuania, and Estonia shall grant eachother concessions referred to in:

Annexes XII and XIII (Latvia): products originating in Latvia for which the European Community grants Tariff quotas: for example Cod, 1000 tons @ 6%, brisling, sprat, breeding materials, herring, squid, mackerel.

Annexes XIV and XV (Lithuania): Eels, plaice, cod, pollack, carp.

Annex VI (Estonia): Cod, 1000 tons @ 6%, brisling, sprat, breeding materials, herring, squid, mackerel.

Title III of the Agreements deals with payments, competition, right of establishment and other economic provisions. The agreements include important provisions on safeguard clauses and anti-dumping. Certificates of origin for the three countries are of

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EU TRADE WITH LITHUANIA: TOTALS 1992 to FEBRUARY 1994
'000 ECUs

	EXPORTS		IMPORTS	
	1992	1993	1992	1993
1 Live animals; animal products	3293	7012	7849	11286
2 Vegetable products	81998	37907	7169	20319
3 Animal or vegetable fats & oils, products of; prepared edible fats; animal/vegetable waxes	269	4841	9	5
4 Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes	28469	108429	8315	8264
5 Mineral products	3217	5058	206557	316922
6 Products of the chemical or allied industries	10616	21576	40779	55711
7 Plastics & articles thereof; rubber & articles thereof	5073	11425	752	2214
8 Raw hides/skins, leather, furskins & articles thereof; saddelry & harness; travel goods, handbags etc.; animal gut	597	3831	5522	13031
9 Wood & articles of wood; wood charcoal; cork & articles of; manufactures of straw, of esparto or of other plaiting materials; basketware & wicker work	205	2066	5717	17483
10 Pulp of wood or other cellulosic material; waste & scrap of paper/paperboard; paper & paperboard & articles thereof	1955	9202	1056	2167
11 Textiles & textile articles	13256	41976	14178	51740
12 Footwear, headgear, umbrellas, walking sticks, whips, riding crops; prepared feathers and articles made therewith; artificial flowers; articles of human hair	2252	6517	659	1963
13 Articles of stone, plaster, cement, asbestos, mica, similar materials; ceramics, glass & glassware	678	2664	645	1073
14 Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof; imitation jewelry; coins	56	2192	1177	7093
15 Base metals & articles of base metals	2349	8048	126574	102100
16 Machinery & mechanical appliances; electrical equipment, parts thereof; sound recorders/producers, TV image & sound recorders & reproducers, parts & accessories of such articles	37134	68908	4123	6007
17 Vehicles, aircraft vessels & associated transport equipment	16304	74477	2176	8962
18 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; clocks & watches; musical instruments; parts thereof	5037	10050	234	859
19 Arms & ammunition; parts & accessories thereof	884	5146	132	13
20 Miscellaneous manufactured articles	1781	10235	3618	8093
21 Works of art, collectors' pieces & antiques	78	20	63	401
22 Not classified elsewhere	9679	36567	4450	5131
TOTALS	225180	478147	441754	640837

EU TRADE WITH LATVIA: TOTALS 1992 to FEBRUARY 1994
'000 ECUs

	EXPORTS		IMPORTS	
	1992	1993	1992	1993
1 Live animals; animal products	2928	8793	2333	5151
2 Vegetable products	49931	19243	372	3905
3 Animal or vegetable fats & oils, products of; prepared edible fats; animal/vegetable waxes	240	3431	62	101
4 Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes	15328	62359	3304	3371
5 Mineral products	2207	2697	351946	372381
6 Products of the chemical or allied industries	9291	13968	10249	24990
7 Plastics & articles thereof; rubber & articles thereof	2429	4401	1598	1784
8 Raw hides/skins, leather, furskins & articles thereof; saddelry & harness; travel goods, handbags etc.; animal gut	504	1963	5138	10343
9 Wood & articles of wood; wood charcoal; cork & articles of; manufactures of straw, of esparto or of other plaiting materials; basketware & wicker work	424	471	7825	44902
10 Pulp of wood or other cellulosic material; waste & scrap of paper/paperboard; paper & paperboard & articles thereof	2250	3060	177	553
11 Textiles & textile articles	9615	25502	10516	28917
12 Footwear, headgear, umbrellas, walking sticks, whips, riding crops; prepared feathers and articles made therewith; artificial flowers; articles of human hair	3516	6394	4091	7501
13 Articles of stone, plaster, cement, asbestos, mica, similar materials; ceramics, glass & glassware	790	2377	315	818
14 Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof; imitation jewelry; coins	5550	224	150	3507
15 Base metals & articles of base metals	2336	8473	50011	98924
16 Machinery & mechanical appliances; electrical equipment, parts thereof; sound recorders/producers, TV image & sound recorders & reproducers, parts & accessories of such articles	25707	51148	4215	5295
17 Vehicles, aircraft vessels & associated transport equipment	22530	56255	1807	1478
18 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; clocks & watches; musical instruments; parts thereof	2596	6539	1011	366
19 Arms & ammunition; parts & accessories thereof	1494	5055	38	35
20 Miscellaneous manufactured articles	2401	10490	4635	7819
21 Works of art, collectors' pieces & antiques	103	32	31	815
22 Not classified elsewhere	8658	17719	6212	6572
TOTALS	170828	310594	466036	629528

EU TRADE WITH ESTONIA: TOTALS 1992 to FEBRUARY 1994
'000 ECUs

	EXPORTS		IMPORTS	
	1992	1993	1992	1993
1 Live animals; animal products	966	4238	4929	6950
2 Vegetable products	42867	11189	1006	1131
3 Animal or vegetable fats & oils, products of; prepared edible fats; animal/vegetable waxes	539	4591	5	12
4 Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes	19940	61163	1988	1735
5 Mineral products	1249	2905	13699	33212
6 Products of the chemical or allied industries	4441	12059	11354	17761
7 Plastics & articles thereof; rubber & articles thereof	1395	4920	1084	1426
8 Raw hides/skins, leather, furskins & articles thereof; saddelry & harness; travel goods, handbags etc.; animal gut	407	618	2630	3813
9 Wood & articles of wood; wood charcoal; cork & articles of; manufactures of straw, of esparto or of other plaiting materials; basketware & wicker work	156	394	3190	14634
10 Pulp of wood or other cellulosic material; waste & scrap of paper/paperboard; paper & paperboard & articles thereof	1620	4123	274	1447
11 Textiles & textile articles	4323	14247	5249	22499
12 Footwear, headgear, umbrellas, walking sticks, whips, riding crops; prepared feathers and articles made therewith; artificial flowers; articles of human hair	846	1981	1059	1913
13 Articles of stone, plaster, cement, asbestos, mica, similar materials; ceramics, glass & glassware	654	1719	1338	1934
14 Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof; imitation jewelry; coins	813	314	114	8074
15 Base metals & articles of base metals	2562	8385	35807	45254
16 Machinery & mechanical appliances; electrical equipment, parts thereof; sound recorders/producers, TV image & sound recorders & reproducers, parts & accessories of such articles	21962	25234	1363	1670
17 Vehicles, aircraft vessels & associated transport equipment	11720	23172	3304	1680
18 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; clocks & watches; musical instruments; parts thereof	1346	5748	171	809
19 Arms & ammunition; parts & accessories thereof	41	473	39	0
20 Miscellaneous manufactured articles	1227	3937	4781	8136
21 Works of art, collectors' pieces & antiques	56	107	52	213
22 Not classified elsewhere	6302	19714	1494	7391
TOTALS	125432	211231	94930	181694

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overwhelming importance: the bulk of the Baltic Countries' exports to the EU consist of products re-exported from Russia. These issues will be discussed in a later issue, as the date of the entry into force of the Agreements draws closer.

Developments in trade between the EU and the Baltic Countries

Trade between the European Union and the three Baltic States has expanded rapidly. EU imports from the three countries reached a value of ECU 1.5 billion in 1993 while exports were worth some ECU 1 billion, thus the EU had trade deficit with the three states of ECU 0.5 billion. Lithuania is the overall biggest trade partner, but in terms of EU imports, imports from both Lithuania and Latvia were nearly identical and amounted to between ECU 630-640 million from each country. In 1993 EU exports to the three countries expanded in absolute terms by some ECU 480 million, while the increase in imports amounted to ECU 450 million. In the preceding pages "Together in Europe" presents detailed breakdown of EU trade with individual Baltic countries. The data are our calculations from the EU statistical data base Eurostat.

During the last two years, Baltic States exports to the EU were marked by several specific features due to their geographical position and link to Russian and CIS traders. In the case of EU imports from Lithuania and Latvia the biggest imported commodity in both 1992 and 1993 was **minerals.** These products presumably mostly represented re-exports from Russia and perhaps other CIS countries. Of the total value of imports from the three countries of ECU 1.5 billion in 1993, imports of mineral products shared over ECU 720 million ie 49.7 % of total imports from the Baltic countries. In addition, **metals** were the second biggest export article to the EU (total value of nearly ECU 250 million). Both minerals and metals thus shared 66% of all EU imports from the three Baltic States. Exports of metals and minerals actually help to maintain high trade surplus of the Baltic States with the European Union. Without them the Baltic countries would have had trade deficit close to ECU 0.5 billion.

The third biggest import article was **textiles and chemicals** (worth around ECU 99 million each).

The EU's biggest export to the Baltic States was **agricultural products**, and in particular **processed food**, whose exports alone were worth over ECU 230 million in 1993 (ie over 25 % of all exports). Other major exports consisted of machinery and electrical equipment, followed by exports of vehicles. The value of EU vehicle exports grew by 200 % last year and reached some ECU 150 **million. Textiles** are the other major export article. There was also a steep increase in EU 1993 exports of miscellaneous manufactured articles, but the volume involved continues to remain rather limited. The review of the composition of EU exports to the Baltic States is also made difficult by the relatively high volume of "non-classified" articles sharing some 8 % of total exports. ■

EIB LOAN TO IMPROVE RUNWAYS AT VILNIUS AIRPORT

The EIB has announced its first loan project in Lithuania. Ecu10m will be provided for the modemisation and upgrading of Vilnius International airport. The loan will be used by the Vilnius Airport State Enterprise to finance the renovation and strengthening of facilities at the airport. The finance will cover the rehabilitation of the runway, lighting and drainage works to help the airport meet the required standards of service and safety to perform at both a regional level and as a feeder to Copenhagen and Frankfurt. The EIB has already been involved in this sector in Bulgaria, Hungary, Poland, Romania and the Slovak Republic. Since lending started to eastern Europe, the EIB has granted Ecu1.83bn for projects in Poland, Hungary, Czech Republic, Bulgaria, Slovakia, Romania, Slovenia, and the Baltic States. For the 1994-96 period, a total of Ecu3bn has been earmarked for projects in the region. ■

ENERGY CHARTER'S FIRST IMPLEMENTATION TREATY TO BE SIGNED IN DECEMBER

Mr. Charles Rutten, Chairman of the Conference on the Energy Charter announced in Brussels on September 19, that the signing of a definitive version of the text of the First Implementation Treaty of the Energy Charter will be signed in Lisbon on 17 December. The final text has been send this month to all participating states.

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The Treaty will go into force immediately once signed. However, it is expected that several states may have reservations. Portugal, Hungary and Japan have already announced that they cannot be bound by the Treaty before the national ratification procedure is complete. United States shall still decide one of the key problems: should the individual states from which USA consists be bound by the Treaty? The solution of this problem is of key importance for other **federal** states (Russian Federation in particular).

Readers will recall that the plenary meeting of the Energy Charter Conference concluded negotiations on the Treaty of the European Energy Charter on June 10. This was followed by "cleaning-up" of the texts approved at the last minute.

The First Implementation Treaty involves :

– the principle of **national treatment** for foreign operators as regards to **access to resources**

– the implementation and respect of the **GATT principles as regards market access,** even by countries which are not yet GATT members (this in particular concerns Russia, Ukraine)

– freedom of transit

– settlement of disputes

It is foreseen that negotiations on the **Second Implementation Treaty** will start in January 1995. The first steps will involve the nomination of the new chairman of the new Conference. Also it is expected that the current secretariat based in Brussels will be requested to continue. However, the principal task of the current Secretariat is likely to be the implementation of the First Implementation Treaty.

The key important factor of the **Second Implementation Treaty** will be that it shall expand national treatment to **provisions related to pre-investment phase.**

It is hoped that the second Treaty could be negotiated during the next three years. The delays in the agreement on the treatment of foreign investors in the pre-investment phase could have very negative impact on possible investment decisions especially concerning Russia. ■

COMPOSITION OF THE NEW COMMISSION

We reported in our last issue on the likely composition of the new European Commission. The government of the Netherlands has officially announced that it has appointed Mr. Van den Broek as the Dutch Commissioner in the future Commission. Also, the Portuguese government confirmed that Mr. Pinheiro will be Portugal's candidate. There is much debate in Portugal as to whether Mr. Santer had offered Pinheiro the agriculture portfolio, and this had been rejected by the government.

Two candidates of Italian nationality have yet to be named, as well as one from Denmark (to replace Vice President Christophersen who will not be confirmed because of the results from the Danish elections). The names of potential commissioners from the four new accession countries are pending on the results of the referendums which are still to be held in three of these countries.

Candidates already appointed include: Martin Bangemann and Monika Wulf-Mathies (Germany), Edith Cresson and Yves Thibault de Silguy (France), Sir Leon Brittan and Neil Kinnock (UK), Manuel Marin and Marcelino Oreja (Spain), Karel Van Miert (Belgium), Padraig Flynn (Ireland), Christos Papoutsis (Greece), Joao de Deus Pinheiro (Portugal), Hans Van den Broek (Holland) and the President Jacques Santer (Luxembourg).

Regarding Italy, the prime minister said that he would appoint Mario Monti on condition that he be entrusted with major responsibility in the economic sector. Mr. Berlusconi said that much would depend on the eventual departure of Mr. Christophersen. The second candidate will be either Mr. Ruggiero (if he is not appointed director of the WTO), or Enrico Vinci.

The Danish candidate is Mrs. Ritt Bjerregrad. The presence of another woman in the Commission is regarded as being important in relation to obtaining a favourable vote of the Socialist Group on the EP. The other Danish candidates are Mr. Bjorn Westh and Mr. Svend Auken.

In applicant countries, the Norwegian prime minister has announced that his candidate for Commissioner of Norwegian nationality is Mr. Stoltenberg, currently UN mediator in the former Yugoslavia. ■

DEVELOPMENTS WITHIN THE EC

THE DEBATE ON THE FUTURE SHAPE OF EUROPEAN UNION IS NOW LAUNCHED

Well-ahead of the Intergovernmental Conference of 1996, the debate on the shape that an enlarged European Union might take in the future has started. Some contributions to the debate have become more subtle as the texts that brought it about have been read more carefully. This is the case of two of the European Commissioners who have expressed an opinion on the CDU/CSU document launching the controversial idea of a "hard core" within the Union, Belgian Socialist Karel Van Miert, responsible for competition policy, said the next enlargement (to the East) will have to go hand in hand with a "radical, and thus explosive, reform of the Union's structures and institutions", speaking at the "Kreisky Forum" in Vienna. Karel Van Miert finds "naturally shocking" the "arbitrary fashion" in which the German paper outlines the composition of this hard core (Germany, France, Belgium, the Netherlands and Luxembourg), mentioning, for example, the efforts made by Spain and its "faithfulness to the European concept of integration". But the Commissioner, who, obviously, has thoroughly read Mr Lamers paper, also admits that this document stresses that the suggested "hard core is an open structure", and "unreservedly" supports the idea that no single country should be allowed to block through its veto further progress by other countries which want to proceed at a faster rate. The idea of a "looser and wider Community" is, on the contrary, a "return to the past" and to the political games of some large countries like Germany, France, Britain and Russia. Therefore, Mr Van Miert sees in the Lamers paper "one of the most important and in-depth analyses of the future European Union" that he has read in recent years.

Another European Commissioner, Dutch Christian Democrat Hans van den Broek, who is in charge of foreign and security policy, was just as explicit in his rejection of a "pick and choose" approach (favoured by John Major). The "most reluctant actor around the table" should not be allowed to dictate the pace for European integration, he said during a conference in the Netherlands, and found that this should apply in particular to his own field of policy. Thus, he stated that "more flexibility could be useful in making common foreign and security policy more effective", and thought that the unanimity principle (still applied to this policy) should not be interpreted dogmatically. On the contrary, Mr van den Broek thinks that all Member States should adopt common objectives in this field, but that, in implementing those objectives, the countries "willing to develop far-reaching instruments should not be hampered from doing so by others".

In the European Parliament, the warmest reaction to the German suggestions (which have until now retained more attention than Balladur's idea of a Europe in three "circles", probably because the Lamers paper goes deeper and is much more detailed) came from former Belgian (Christian Democrat) Prime Minister Wilfried Martens, now chairman of the European People's Party group. The document, he said, does not aim at creating a "closed club of privileged nations", and does not mean "granting extra rights, but assuming new duties". Mr Martens was happy to see that the leaders of a party running the government of the largest Member State in the European Union clearly showed their attachment to "federalist reforms", and found that "it is time that the partisans of a federal Europe made themselves heard and took up the offensive".

Other reactions in European capitals were not as warm, but didn't really take into account the fact the the inner "core" intended by the CDU/CSU is explicitly open to those who want and can be part of it. Thus, Portuguese Prime Minister Anibal Cavaco Silva's outcry was: "The Twelve are the hard core of Europe!". On the contrary, French Foreign Minister Alain Juppé, who had rather vigorously distanced himself from the German position and from any "federalist" vision, later admitted that it could be a good thing to have what he called more "solidarity" between certain countries which wanted to do more and faster. There he mentioned Economic and Monetary Union (which is obviously a case for different speeds, which are allowed by the Treaty), while Italian Under Secretary of State for Foreign Affairs, Livio Caputo, deplored exactly this aspect of the German paper, saying that it was wrong to place the monetary integration chapter "at the centre of future European developments". On the other hand, Mr Caputo, who expressed himself at a meeting of conservative

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"Euro-sceptics" in Oxford, also stressed that Italy, which for the first time was not included in the idea of an inner core, "has always been in the front line" in the process of European integration, and wants to continue this position. Mr Caputo took the opportunity to try to reassure Italy's partners about the warmth of the present government's European feelings, stressing that there are "goals of European interest", or "European public goods" (an expression used by the Foreign Affairs Minister Antonio Martino) which cannot be effectively pursued by national governments. Mr Caputo rejected a two-speed Europe, but also a "pick and choose" approach (thus implicitly criticizing the views of his British hosts).

Even Juan Carlos, King of Spain, made a sort of contribution to the debate, saying, at the opening of the Academic Year of the College of Europe, in Bruges, that supranationalism was the "true secret of the success" of European integration, and that "eminent political decisions" will be necessary in order to strengthen the "de facto solidarities" generated by the original integration process. ■

STRONG APPEAL BY PRESIDENT DELORS FOR A NEW MODEL OF SOCIETY, AND WARNING THAT ECONOMIC EUPHORIA MIGHT JEOPARDIZE STABILITY EFFORTS

During a lively exchange with MEPs in September, at a brief plenary session in Brussels, president Delors stressed once again his vision of a more compassionate European society which would not forget those who cannot maintain a fast pace. Taking stock of the work done on the European Commission's White Paper, he noted that the current economic recovery was stronger than foreseen early this year (according to him, several signs show that this might be the beginning of a new cycle of growth), but repeatedly warned European leaders and business people not to relax their stability efforts and not to forget the need to go on fighting unemployment. Supposing that the countries of the European Union can sustain a 3% growth for a period of ten years, this would increase employment only by 1%, he said, and therefore noted once more how essential it remains to reform the employment system, giving priority to human resources. We must change our "order of priorities", he said, and aim at offering the unemployed first "a job, an activity and training, and unemployment benefit only as a last resort". Once again, the European Commission's president stressed that this will require considerable changes, particulary concerning the reduction of labour costs (which does not mean reducing direct wages, but reducing social charges: according to president Delors, these should be cut by 1-2% of GDP), the transfer of wage costs to the "polluant factor", and new working time arrangements. While dealing with the latter controversial question, Jacques Delors tried to demonstrate with figures the extent to which the pattern has already changed over the years. Thus, he reminded MEPs that at the beginning of the century the average working time was 3000 hours a year, while now it is 1600-1800 hours, and also anticipated that while a worker who, today, "is lucky enough to have a job throughout his working life" will have worked about 70,000 hours, this figure will be only 40,000 hours in twenty years. Therefore, Mr Delors showed himself open to suggestions such as those made by former (socialist) French Prime Minister Michel Rocard, now Member of the European Parliament, who thought it useful to explore ways of increasing employment by encouraging progressive retirement or through a gradual and negotiated abolition of overtime (according to Rocard, in France this would create 500,000 jobs). "Diversity should be encouraged", said Jacques Delors, noting that right now "some want to work more", while others prefer part-time work. The Commission's president stressed the social dimension of the White Paper, regretting that chapter 10 of this document, called "Towards a New Model of Development", had been seriously noticed, at the Corfu summit, by only "one country". Otherwise, he said, we are working on these issues against a "wall of indifference, hostility and scepticism on the part of most of our leaders". The majority of Parliament, though, has very different views, and president Delors' words were welcomed by very warm applause.

Asked about Economic and Monetary Union, Jacques Delors showed himself quite optimistic as far as the convergence criteria on public deficits are concerned, saying that the level of public deficits, which are now 6% on average, could fall to 4% in 1997, which would be very close to the 3% set up by the Maastricht Treaty. These criteria should not be used as a scapegoat, said president Delors answering French MEP Charles De Gaulle (grand-son of general De Gaulle) who claimed that the convergence criteria are responsible for "economic stagnation an unemployment in Europe". On the contrary, he noted, history proves that a stable currency leads to better results in terms of employment, while "manipulating" currency is a very risky business. We need a stable currency "at the service of employment", and not "a strong currency to display in a window", he said. What Jacques Delors worried about was, the risk that the European Union, in the third stage of EMU, will lack "an economic power" capable of acting as a counterweight to the future European central bank. Economic coordination is only at the early stages, he regretted.

Another concern of president Delors is the possible lack of financing for the major trans-European networks. If, at the Essen summit, we realize that financing is insufficient, he stressed, the Commission will be obliged to tell European leaders that "there will be no trans-European networks". And Jacques Delors didn't hide his impatience with ministers who on the one hand make a dogma of their refusal to let the Union launch bonds ("we are lending to Poland, to Hungary, we are providing balance of payment assistance to third countries, but apparently we don't have the right to borrow for Europe", he exclaimed), and on the other hand fear that the Union might go too heavily into debt (while it could borrow for the very long-term and at very advantageous conditions, noted Mr Delors).

At the Brussels plenary session, Mr Delors answered many other questions, including one on the possible economic effects of enlargement. The accession of the four new members who have completed their negotiations, he answered, will not provoke any "major economic upheavel", but a further opening to Central Europe, while requiring sacrifices from the present Members, could clearly mean an extra impetus for growth. ■

FIRST CONCISE SUMMARY OF THE COUNCIL DIRECTIVE (WITHOUT UNITED KINGDOM) ON THE INSTITUTION OF A EUROPEAN WORKS COUNCIL OR A PROCEDURE WITH A VIEW TO INFORMING AND CONSULTING WORKERS IN COMMUNITY-SCALE UNDERTAKINGS OR GROUPS OF UNDERTAKINGS

On 22 September, the Council adopted the above Directive and many reactions, most of them positive, have already been expressed. In order to provide immediate and concise information, we reproduce below the first summary which was drawn up by the Council's press service:

"The Directive provides for a European Works Council or an information and consultation procedure to be established in each Community-scale undertaking and each Community-scale group of undertakings after agreement between the central management and a special negotiating body.

For the purposes of the Directive:

*- **'Community-scale undertaking'** means any undertaking with at least 1 000 employees within the Member States and at least 150 employees in each of at least two Member States;*

*- **'Community-scale group of undertakings'** means a group of undertakings with the following characteristics:*

= at least 1 000 employees within the Member States;

= at least two group undertakings in different Member States; and

= at least one group undertaking with at least 150 employees in one Member State and at least one other group undertaking with at least 150 employees in another Member State.

The subsidiary requirements laid down by the legislation of the Member State in which the central management is situated will apply

- where the central management and the special negotiating body so decide, or

- where the central management refuses to commence negotiations within six months of the initial request to convene the special negotiating body, or

- where, after three years from the date of this request, they are unable to conclude an agreement establishing a European Works Council or an information and consultation procedure, and the special negotiating body has not taken the decision not to open negotiations or to terminate the negotiations".

Member States have two years in which to transpose the Community directive into their national legislation.

__Portugal__ abstained during the final vote.

The __United Kingdom__ does not take part in this Community legislation pursuant to the social policy agreement of the Maastricht Treaty. ■

RACISM/XENOPHOBIA ADVISORY COMMITTEE HOLDS CONSTITUTIVE SESSION

The advisory committee set up by the European Council in Corfu to discuss how to step up the fight against racism and xenophobia held its constitutive session 19 September under the chairmanship of Jean Kahn, President of the European Jewish Congress. He stated that:

The advisory committee plans to put forward concrete proposals to the Heads of State and Government in order to allow them to better combat racism and xenophobia. Situations such as those prevailing in the former Yugoslavia and Rwanda require everyone's vigilance to prevent feelings of hate towards foreigners from developing in a Europe of Sixteen. To this end, it plans to rally to the task all "social actors", the "civic society", NGPs to the service of human rights, and bodies representing migrants and "all those considered different".

At procedural level, the committee has decided to: i) organise round table discussions with the social actors of the sixteen; ii) call for statistics on racist and xenophobic acts; iii) establish three sub-committees which must draw up the following points: a) communication/information - The media are an adequate vector for transmitting certain information on the way to fight racism and xenophobia. One must also avoid information that incites racism. Furthermore, communication between governments must be improved (some states have a tendency to minimise, if not deny, the existence of racist or xenophobic acts. b) education/training c)policy/justice.

In answer to questions on the possible "role of alibi" that could be assumed by his committee, Kahn recalled that it was comprised of eminent and independent personalities who will express concrete proposals. If these are retained, there will be proof that it was not an alibi, "otherwise, as we are independent, we will be able to denounce it".

EU LAUNCHES SECOND PHASE OF DEMOCRACY PROGRAMME FOR EASTERN EUROPE AND THE NIS

The European Commission has selected over a hundred projects as part of the EU's programme for promoting democracy in the countries of central and eastern Europe and the New Independent States.

Under the PHARE and TACIS Democracy Programme, Ecu10m will be spent over a period of 12 months to support bodies which promote and strengthen democracy in these countries. The programme, launched as a joint initiative with the European Parliament, aims to underpin democracy in these countries by supporting human rights, penal reform, media independence, trade union reform, education, ethnic and minority rights, legal reform, improvement of parliamentary practices and local government and a hist of other elements that form the bedrock of a "solid functioning democracy".

The programme channels its support through non-governmental organisations, and complements other PHARE and TACIS programmes promoting stable and open societies in central and eastern Europe and the NIS.

Examples of the projects chosen include:

Ukrainian prison project to train prison officers; Consumer advice centres in Slovenia; Women's rights in Russia will involve the integration of the Russian Women's organisation ZhIF with similar organisations in eastern and western Europe; International Centre against Censorship (Albania, Slovakia and the Czech Republic; Anti-racism in Hungary; Defending ethnic minorities in Hungary, and building up the Human Rights Documentation Centre in Prague.

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