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Recent Developments in the European Community

MEMO

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MAASTRICHT TREATY ON EUROPEAN UNION ENTERS INTO FORCE

The Maastricht Treaty on European Union took effect on November 1 after Germany, the last European Community member state to ratify, gave its go-ahead in October. This hard-won success holds out new hope that the European Community - now constitutionally a European Union equipped for introduction of a single currency and a common foreign policy - can wage a more coherent campaign against recession and high unemployment in Europe, and for peace outside its borders, particularly in former Yugoslavia. The Treaty amends and supplements the 1957 "Rome Treaties" which form the EC's basic constitution.

At a successful special European Council meeting in Brussels October 29, EC leaders agreed on key steps related to the Treaty's implementation. According to a communique released after the summit, these include:

Economic and Monetary Union (EMU): EC leaders reaffirmed their commitment to the goal of EMU as laid down in the treaty. An interim European Monetary Institute (EMI) will be seated in Frankfurt and will begin operations as scheduled at the beginning of the second stage of EMU on January 1, 1994.

Common Foreign and Security Policy: the European Council launched the policy by identifying (as required by the new treaty) the areas of foreign policy for joint action. These include stability and peace in Europe, the Middle East, South Africa, Russia, and the search for a durable negotiated settlement in the former Yugoslavia. The Communique includes a declaration on humanitarian aid for Bosnia.

Enlargement: the Council confirmed January 1, 1995, as the date for the next enlargement of the Community to include the four countries currently negotiating entry (Austria, Finland, Norway and Sweden). Accession negotiations should begin work on the place of the new members in the Community's institutions.

Growth and Employment: the leaders decided to devote the regular December Council in Brussels to the development of a growth, competitiveness and employment strategy. In this regard, they underlined the need for a "global, durable and balanced" agreement in the Uruguay Round negotiations.

Institutions: the thorny problem of where to seat 11 EC institutions was finally resolved. The most important decisions involve the location of the European Monetary Institute (Frankfurt), the European Environment Agency (Copenhagen), the European Foundation for Professional Training (Turin), the Office for Veterinary and Plant Inspection (Dublin), the European Drug Observatory (Lisbon), the European Agency for the Evaluation of Medicines (London), and Europol (the Hague).

Note: For background, see EC News, No. 50/93: MAASTRICHT TREATY TO ENTER INTO FORCE

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No turning back the clock in EC aviation liberalization....in an address to the International Aviation Club in Washington on October 8, EC Competition Commissioner Karel Van Miert said that although the airline industry worldwide was in deep crisis, re-regulation or massive injections of public funds would not lead to recovery. Government should limit its role to improving the infrastructure in which airlines operate. Effective liberalization relies on a strong competition policy. The EC, which now has an internal aviation market of 345 million consumers since January 1993, has addressed some specific competition issues, including market access (airline access to computer reservation systems and distribution services), market practices (such as below-cost pricing and corporate discounts), and slot allocation (now subject to a "use it or lose it" principle under a new EC regulation). On the position of non-EC carriers wishing to invest in an EC carrier, Mr. Van Miert said there was in principle no problem, adding that EC rules on licensing require an EC airline to be majority owned (more favorable to non-EC carriers) unlike US rules which allow smaller participation.

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EC-US relations....European Parliament President Egon Klepsch spoke on the topic "The Emergence of Post-Maastricht Europe: Implications for US-EC Relations" at an October 19 breakfast organized by the US Chamber of Commerce in Washington. In his remarks, President Klepsch explained the effect of "Maastricht" on internal and external EC decision-making: internally, the Parliament gains co-decision powers with the Council of Ministers in certain policy areas; externally, Maastricht gives the Parliament a greater say in international relations by empowering it to ratify all the EC's mainly political, economic and financial agreements with third (non-EC) countries. Because it is the EC's largest single trade partner, the Parliament is calling for increased cooperation and consultation with the United States, not only in trade, but also in security policy, international crisis management and burden-sharing. The Parliament, he stressed, is ready to make its contribution, initially through its Standing Delegation for Relations with the US Congress, which has held twice yearly exchanges of view with US counterparts since 1972.

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EC an active supporter of Middle East peace....in response to the September 13 signing of the peace accord by Israel and the Palestine Liberation Organization, the EC Council of Ministers immediately decided to increase the EC's 1993 aid allocation for the Occupied Territories from 70 million ECU to 90 million ECU (1 ECU = \$1.14 approximately). According to an EC Memo on European Community Aid to the Occupied Territories, the Community has been aiding the Palestinians since 1971. In the first 10 years, aid totalled \$ 132 billion and was used mainly to assist refugees in cooperation with UNRWA (United Nations Relief Works Agency). Since 1987, the EC has had a specific budget line for direct development aid to the Occupied Territories. The Memo, which says the Community is the main supplier of public funds to the Palestinians, explains how this aid is estimated, channelled directly to those who need it, and monitored by the EC Commission in Brussels.

Top EC foreign affairs officials attended the October 1 international donor conference in support of the Middle East peace process. The EC Commission has proposed a special aid package for the Occupied Territories of the West Bank and Gaza totalling 500 million ECU (not including EC member state monies) to be disbursed over five years (1994-98), half in grants from the EC budget and half in long-term loans from the European Investment Bank (see EC News, No 46/93).

EC outlines future links with South Africa....in response to the September 7 vote in the South African Parliament to establish a Transitional Executive Council (TEC) comprising all parties, the EC Commission has issued a proposal calling for gradual normalization of EC relations with South Africa. A Commission Communication to the EC Council of Ministers (COM (93) 460 final) suggests developing relations with post-

Apartheid South Africa in three stages based on enactment of the legislation establishing the TEC, implementation of the legislation, and establishment of democratic government in South Africa after elections in 1994. The Commission, which has proposed opening an EC delegation in South Africa, has also called for the removal of all international sanctions against the country. On October 5, EC foreign affairs ministers ended a ban on exchanges of military attaches and a freeze on official contacts and agreements in the security area.

Update on EC aid to the former Soviet Union.....the EC and its member states provide 73 percent of international assistance to the Commonwealth of Independent States (CIS) plus Georgia. According to a **Background Brief on EC Assistance to the CIS plus Georgia (1990-September 1993)** issued in October, most of this aid takes the form of loans and loan guarantees, followed (in order of magnitude) by European Bank for Reconstruction and Development operations, medical and food aid, technical assistance and strategic assistance (withdrawal of Soviet troops). The Background Brief also reviews the status of EC negotiations with five ex-Soviet Republics on individual Partnership and Cooperation Agreements.

Recent EC Publications

- **The Challenge of Enlargement: Commission Opinion on Norway's Application for Membership, Bulletin of the European Community, Supplement 2/93**

EC NEWS press releases issued during September and October

- . EC COMMISSION COMPETITION FOR LORENZO NATALI PRIZE, September 9, 1993
- . BRITTAN TO MEET WITH KANTOR, BROWN IN WASHINGTON, September 9, 1993
- . EC INCREASES AID TO MIDDLE EAST TO BOOST PEACE PROCESS, September 15, 1993
- . EC COMMISSION DECIDES BT/MCI ALLIANCE FALLS OUTSIDE SCOPE OF EC MERGER REGULATION, September 15, 1993
- . VICE PRESIDENT CHRISTOPHERSEN TO ATTEND IMF/WORLD BANK ANNUAL MEETINGS, September 22, 1993
- . STATEMENT BY SIR LEON BRITTAN ON GATT TALKS WITH KANTOR, September 28, 1993
- . EC COMMISSION FORWARDS PROPOSALS ON MIDDLE EAST TO SUPPORT PEACE PROCESS, September 30, 1993
- . TOP EC FOREIGN AFFAIRS OFFICIALS TO TAKE PART IN MIDEAST DONOR CONFERENCE, September 30, 1993
- . EC DECLARATION ON RUSSIA, October 4, 1993
- . EC TO STRENGTHEN TIES WITH DEMOCRATIC SOUTH AFRICA, October 5, 1993
- . COMPETITION VICE-PRESIDENT VAN MIERT TO VISIT U.S., October 6, 1993
- . MAASTRICHT EUROPEAN UNION TREATY TO ENTER INTO FORCE, October 13, 1993
- . EC ENVIRONMENT COMMISSIONER PALEOKRASSAS TO MEET WITH U.S. COUNTERPARTS, October 13, 1993
- . EUROPEAN PARLIAMENT PRESIDENT EGON KLEPSCH TO MEET U.S. ADMINISTRATION AND CONGRESS, October 15, 1993
- . SELECTION OF JOINT EC/US HIGHER EDUCATION CONSORTIA, October 18, 1993
- . THE URUGUAY ROUND: JUST AS IMPORTANT AS NAFTA - EXTRACTS OF A SPEECH BY EC VICE-PRESIDENT SIR LEON BRITTAN, October 18, 1993
- . EC TABLES DETAILED MARKET ACCESS OFFER IN GENEVA, October 22, 1993