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AN ENLARGEMENT TRIFECTA

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Accession Talks Proposed with Six More Countries . . .

After less than a month in office, the new European Commission boldly proposed on October 13 that EU accession negotiations should be opened in 2000 with all candidate countries that fulfill the so-called Copenhagen criteria (i.e. respect for democracy, the rule of law, human rights and the protection of minorities), and that are ready to take measures to comply with the economic criteria.

Hence, in 2000, **Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia** should join the membership talks that started in 1998 with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia (see EURECOM, January 1998). The Commission's proposal will go to the European Council summit in Helsinki on December 10-11 for a decision by the EU heads of state and government.

Turkey should also be considered a candidate country, but negotiations can only start when it meets the political criteria (which it does not at present). Meanwhile, the Commission proposes an enhanced political dialogue between the EU and Turkey (with particular reference to human rights), the possibility for full Turkish participation in all EU programs and agencies and the beginning of the analytical screening process for harmonizing Turkish laws with the EU's *acquis* (body of law).

For countries of the **former Yugoslavia**, EU membership will be an open possibility, but under strict conditions. In addition to the Copenhagen criteria, these countries would have to recognize mutually each other's borders, settle all issues vis-à-vis the treatment of national minorities and pursue economic integration in a regional framework.

Commented new EU Enlargement Commissioner **Günther Verheugen**: "This strategy will help strike a balance between two potentially conflicting objectives in the enlargement process: speed and quality. Speed is of the essence because there is a window of opportunity for enhanced momentum in the preparations for enlargement . . . Quality is vital because the EU does not want partial members, but new members exercising full rights and responsibilities."

The crises in the Balkan region have created a new momentum in the enlargement process and have magnified the essential contribution of European integration to peace and prosperity in Europe. In no case, however, should the Commission's recommended approach lead to a stalling of reform in candidate countries.

The Commission recommends that talks should follow a **differentiated approach**, allowing each candidate to progress through the negotiations as quickly as is warranted by its own efforts to prepare for membership. So, instead of opening an equal number of "chapters" (31 in total) for all candidates, the EU would decide to start negotiations on a particular chapter after an assessment of a country's progress in the relevant field. The chief advantage of this new procedure: each country will be able to proceed on merit, including the possibility for members of the new "class" to catch up with the others.

The Commission welcomed that some candidates have already set themselves **target dates**. But before the EU can consider setting target dates, it first needs a more complete assessment of each candidate's situation, both in terms of progress in the negotiations and in preparations for membership. Only then can the EU ensure that any target dates would be realistic.

Concerning **transition periods**, for areas linked to the functioning of the single market, regulatory measures should be implemented quickly, and any such periods should be few and short. For those areas requiring considerable adaptation, effort and/or important financial outlays (e.g. environment, energy and infrastructure), transition arrangements could be spread over a definite period of time, provided that alignment is underway and that commitments to plans for alignment are detailed and realistic.

. . . And Progress Reports on Candidates Released

At the same time, the Commission unveiled its annual reports on the candidate countries' progress toward EU membership.

On the **political front** (i.e. the "Copenhagen" criteria), the reports conclude that significant progress has been made across the board. Notably, **Slovakia** has markedly strengthened its democracy. Areas (and countries) where continuing attention is required include the reform of childcare institutions in Romania, linguistic rights of minorities in **Estonia** and **Latvia** and the strengthening of judiciaries and the fight against corruption in all countries. In addition, the Commission stresses the need for further efforts to protect minority rights, especially of the Roma population in many of the candidate countries.

On the **economic criteria**, most countries made positive strides, an important outcome in the face of the external shocks

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from last year – the Asian, Russian and then Kosovo crises – as well as a corresponding worldwide slowdown in economic growth. All candidates except **Slovakia, Lithuania, Bulgaria** and **Romania** are considered to have functioning market economies – to a greater or lesser degree. Even then, **Slovakia** and **Lithuania** are close, and **Bulgaria** has registered substantial improvement (from a very low base). In contrast, **Romania's** economic situation is very worrying: sustained efforts will be needed to achieve a functioning market economy.

In 1998, average real GDP growth for the ten Central and Eastern European countries (CEECs) was 2.2%. **Hungary** (5.1%) and **Poland** (4.8%) maintained the highest growth rates. And despite greater investor caution about emerging markets in general, the overall volume of foreign direct investment into the CEECs increased last year. Inflation was also lower than expected.

On legal and institutional preparations, progress varies greatly among the candidate countries. **Hungary, Latvia** and **Bulgaria** have maintained a good pace of legal approximation, while **Slovenia** and **Slovakia** have stepped up their efforts considerably. **Hungary** has also developed a reasonable track record in establishing and strengthening institutions to implement and enforce laws, an area where **Latvia** needs serious attention so that its good record in legislative transposition is not marred. Sluggish approximation in **Poland** and the **Czech Republic** persists, and efforts in administrative strengthening have been sketchy. Administrative and judicial capacities in **Romania** remain weak. An acceptable closing date for **Bulgaria's** Kozloduy nuclear power plant must also be addressed.

As regards the challenge of adopting and applying EU environmental laws, none of the countries made much headway. Unquestionably, the environment chapter will be one of the most difficult to negotiate in the accession talks.

All the country progress reports are available in full at http://europa.eu.int/comm/enlargement/report_10_99/intro/index.htm.

WISE MEN'S REPORT KICKS OFF INSTITUTIONAL DEBATE

Of course, a greatly expanded EU implies significant institutional changes – especially with voting weights and procedures in the Council of Ministers – which the Treaty of Amsterdam failed to address (see EURECOM, July/August 1997).

As a first down payment on the debate going into next year's Intergovernmental Conference (IGC) on these "open issues" (see EURECOM, June 1999), an independent "Wise Men's" group, tapped by Commission President Prodi to study the institutional implications of enlargement, recently published its report.

Written by former German President Richard von Weizsäcker, former Belgian Prime Minister Jean-Luc Dehaene and Lord Simon (a former British trade minister and former chairman of BP), the report asserts that preliminary, substantial reform in advance of enlargement is required if it is to succeed, including further expansion of qualified majority voting in EU decision-making, with very limited exceptions.

For the Commission's part, although it is not yet ready to comment on the report's "concise", "clear" and "interesting" recommendations, it will give them serious consideration when formulating its own position for the IGC. (As EURECOM went to print, the Commission released its contribution to the IGC preparations. EURECOM will revisit this next issue.) Further, it fully endorses the Wise Men's view that the end of 2000 should be the absolute deadline for the IGC's conclusion. Meeting that deadline would allow enlargement to proceed as planned as soon as the candidate countries themselves are ready to join the Union.

President Prodi hopes the first accessions will take place in the lifetime of the present Commission, which runs until January 2005.

For a copy of Wise Men's report, *The Institutional Implications of Enlargement*, please go to <http://europa.eu.int/igc2000>.

AMENDED RULES FOR GMO LABELING

In what should enhance legal certainty for both economic operators and EU consumers, the EU's Standing Committee for Foods (comprised of member states' representatives) has endorsed two Commission draft Regulations on the labeling of genetically modified organisms (GMOs).

First, the Commission has proposed completing existing GMO labeling rules (see EURECOM, December 1996 and October 1997) with a *de minimis* threshold for the accidental content of genetically modified material. Above this 1% threshold (for each ingredient, individually considered), companies would have to provide information labels. The threshold aims to solve the problem faced by operators who have tried to avoid GMOs, but who due to accidental "contamination" still find themselves with a low percentage of GM material in their products. This would only apply to materials already authorized for human consumption in the EU (e.g. corn and soybeans), under the following conditions:

- that the origin of the GM material has to be clearly accidental;
- that the proportion of GM material accidentally present **cannot exceed 1%** of each ingredient individually considered, which means that the GM material's proportion in a product composed of several ingredients will be much lower;
- that this approach should serve as a model for all similar "novel" foods.

The draft measure does not, however, lay down rules for companies to label their foods as GMO-free, something which the Commission is currently studying for possible future legislation.

Second, the Commission has also put forward draft labeling rules for foods containing additives and flavorings produced from GMOs.

At present, additives and flavorings are not covered under the Novel Foods Regulation, because their safety requirements are already laid down in specific legislation. However, this has had the undesired effect of omitting additives and flavorings



produced from GMOs from the Regulation's labeling rules.

The proposal would ensure that GMO-derived additives or flavorings are labeled in the same way as other genetically modified ingredients, i.e. when they contain or consist of GMOs; when they raise a particular safety (e.g. allergies) or ethical concern; and when they are not "equivalent" (i.e. in terms of DNA or proteins) to their conventionally produced counterparts.

The Commission believes that clear labeling rules will help assuage growing consumer unease about the safety of foods derived from GMOs. The new legislation should be in place by the end of the year.

SHORTER DUAL CIRCULATION PERIOD FOR EURO IN 2002

At the November 8 Ecofin Council meeting, EU finance ministers decided important details for the **introduction of euro notes and coins in January 2002**, the final and most visible step in the changeover to a single currency – and an unprecedented logistical challenge.

In close cooperation with the national central banks, and in line with the views of the European Central Bank (ECB), the member states agreed that:

- they will do their utmost to ensure that the bulk of cash transactions can be made in euro within a fortnight after January 1, 2002;
- the period of dual circulation of the old national currencies and the new euro notes and coins will last between four weeks and two months (rather than the full six months possible under the Treaty). Thereafter, member states may facilitate the exchange of old notes and coins;
- a sufficient quantity of euro banknotes and coins for circulation in the first days of January 2002 will be provided to financial institutions and certain other groups, notably cash-in-transit companies and retailers, some time before January 1, 2002. However, such "front-loading" must not lead to putting euro notes and coins in circulation before January 1, 2002.

QUOTES

"The Balkan crisis is not over. Slobodan Milosevic is still in power in Yugoslavia; Kosovo has not been pacified; tension is rising in Montenegro. The process of disintegration can be reversed only by holding out the prospect of integration with Europe." **George Soros.**

"I will not pretend that enlargement to the East is completely without risk. The window of opportunity could easily slam shut again. All that is needed is for public opinion in the candidate countries to give way to frustration, or public opinion in the member states to decide that the risks of enlargement outweigh the opportunities." **EU Enlargement Commissioner Günther Verheugen.**

"Being an enthusiastic member of the EU does not mean relinquishing our special relationship with the United States any more than being a member of NATO means losing ties with Australia and

New Zealand. We are a better ally – and will be listened to more attentively in Washington – as a key player in the EU than as a semi-detached member, half in, half out." **EU External Affairs Commissioner Chris Patten** commenting on the UK's role in the EU in a speech to the Confederation of British Industry.

"To prevent an enlarged Europe from grinding to a halt, increased flexibility is the only realistic alternative to ever closer integration... This is the approach that retains the greatest degree of national independence and which is supported by the mainstream majority of the British public." **UK Conservative shadow Foreign Secretary John Maples.**

"If I am asked what my main priority is over the next few months, the answer has to be 'it's Seattle, stupid'." **EU Trade Commissioner Pascal Lamy** on the launch of a new WTO Round.

In other euro-related news, the **Greek government announced its intention to apply to join EMU** (economic and monetary union) sometime between March 5 and 12 next year. Relatedly, the Commission also formally recommended to the Council that **Greece** be taken off the list of having an "excessive deficit" under the Maastricht criterion. In fact the general government deficit in Greece has been reduced from 13.8% of GDP in 1993 to 2.5% in 1998, well below the 3% reference value established in the Treaty. It is expected to fall further over the next two years. Commented Economic and Monetary Affairs Commissioner **Pedro Solbes Mira**: "This is an important step in Greece's efforts to join the single currency. Greece has made considerable and continuous progress in recent years towards correcting fiscal imbalances...and reducing its debt."

The Ecofin Council will decide on the Commission's recommendation on November 29 (by qualified majority).

Finally, the EU finance ministers postponed a decision on legislation to regulate

entities issuing electronic money (see EURECOM, September 1998) after last-minute objections from the ECB. The ECB is concerned that under the current directive, if electronic money grows in popularity, it would escape the close scrutiny of conventional banking functions and eventually weaken the ECB's monetary policy.

Electronic money is defined as monetary value stored on a chip card (i.e. an "electronic purse" or pre-paid card) or on a computer memory (network or software money) which is acceptable as a means of payment by undertakings other than the issuer.

...IN BRIEF

...All eyes are now turning to Seattle, where the WTO will hold its Ministerial Conference at the end of this month to (hopefully) launch a new Round of multilateral trade negotiations. According to EU Trade Commissioner **Pascal Lamy**, who will lead the EU's negotiating team in Seattle, harnessing the positive effects of glob-



alization in the "Millennium Round" can and must be the objective. To ensure that free trade makes a real contribution to sustainable development, issues such as the environment, culture, health and food security must be addressed. Another key aim: to integrate developing countries fully into the world economy, so that they derive the full benefits of globalization. On **November 22, 1999, between 1:00 PM and 3:00 PM (EST)** Commissioner Lamy will be available to address all of these questions via an **Internet chat session** organized by the Commission (see <http://europa.eu.int/chatlamy/index.htm> for details) Questions can be sent in advance to the following mailbox: Chat-Lamy@cec.eu.int. For more details on the EU's approach to a "comprehensive" Round, please visit the following address: <http://europa.eu.int/comm/dg01/dg1newrond.htm>.

...Following extensive contacts with all interested parties, the Commission has proposed a **modification of the EU's banana import policy**. It aims to bring the regime into line with WTO commitments – thereby ending US sanctions (see EURECOM, April 1999) – while respecting the Lomé Convention, the interests of ACP (African, Caribbean and Pacific) countries and EU producers and consumers. Without going into the (gory) technical details, the two-step approach would first

involve a modified transitional tariff rate quota system until January 1, 2006, with the distribution of import licenses partly on a "first come, first served" basis, and partly through a "striking price" system. After the transition period, a tariff only system would automatically enter into force; the level of tariff would have to be negotiated under GATT Article XXVII, and ACPs would be given an appropriate tariff preference. Still, the member states and the European Parliament must first agree on the changes before the proposal can go to the WTO for endorsement.

...On November 9 in Washington DC, US Secretary of State **Madeleine Albright** hosted the first biannual EU-US Minister-

ial meeting under the new Prodi Commission. Representing the EU – in the new Troika format – were Finnish Foreign Minister **Tarja Halonen** (representing the EU Council presidency), EU Council Secretary General (and High Representative for the EU's Common Foreign and Security Policy) **Javier Solana** and EU External Affairs Commissioner **Chris Patten**. The former Yugoslavia and the Stability Pact for Southeast Europe figured prominently in the wide-ranging discussions, as did the upcoming WTO Ministerial meeting in Seattle. Albright called it a "great pleasure" to spend three productive hours "with three of the finest international officials in the world today."



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