European Dialogue

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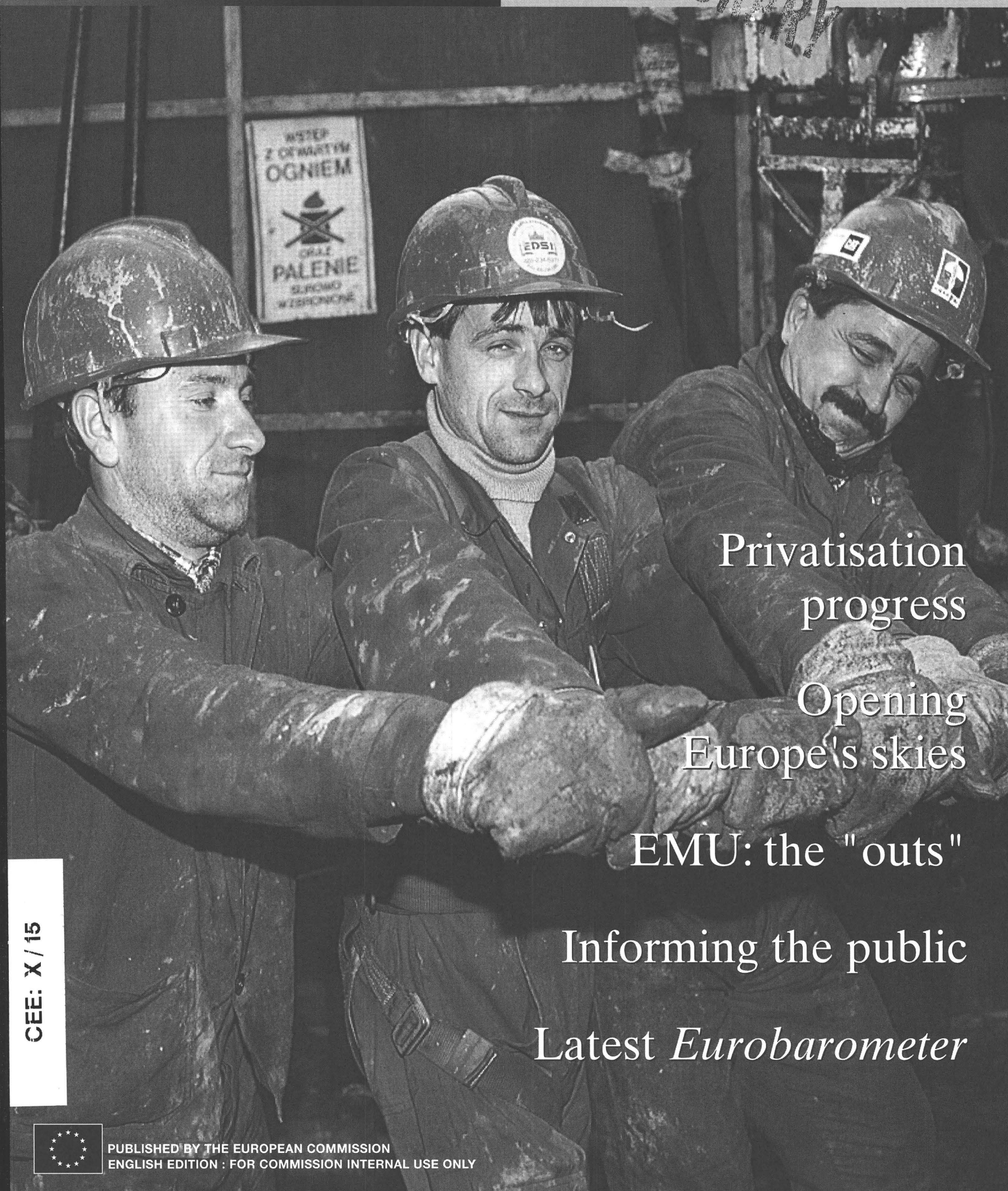

Privatisation progress

Opening Europe's skies

EMU: the "outs"

Informing the public

Latest *Eurobarometer*

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"Regions and cities: Co-operation beyond the borders of the Union"

EUROPEAN UNION

Committee of the Regions

June 11 and 12, 1997

Some forty projects from across Europe will be exhibited at the Committee of the Regions' next Forum, demonstrating what can be achieved from building economic partnership projects with third countries. It is the COR's fourth Forum, which coincides with the Plenary Session in the European Parliament.

Throughout its three years of existence, the Committee of the Regions has consistently supported the Enlargement process and the EU's policy of co-operation with third countries.

This Forum will give first hand evidence of the value of solidarity and cohesion to the implementation of the EU's Enlargement programme, and what can be gained from this decentralised co-operation with third countries.

The event provides the opportunity to take stock of past action, with a view to designing and managing future projects more effectively. It therefore enables exhibitors from the EU's regions and cities to report on the results of their work, to swap notes with their counterparts from other regions and localities, and to take advantage of top-level contacts with the European Commission administration.

The Forum will be officially opened by the President of the Committee of the Regions, Mr Pasqual Maragall, and will be visited by a Commissioner whose work is relevant to the theme. It will host an Information Meeting and Workshop for exhibitors to obtain the best expert knowledge in this field, and will accommodate local journalists from participating regions and cities, as well as representatives from the third countries themselves.

For more information, including details on how to visit the Forum
"Regions and cities: Co-operation beyond the borders of the Union",
contact the Directorate for Press and Communication,

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The Committee of the Regions is an advisory assembly of the European Union composed of 222 representatives of local and regional authorities. It was created by the Treaty on European Union and aims to defend the principle of Subsidiarity, which says that decisions should be taken at the lowest level of authority that can act effectively.

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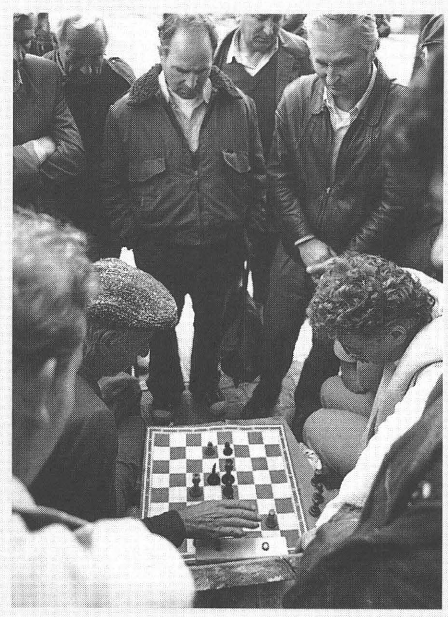


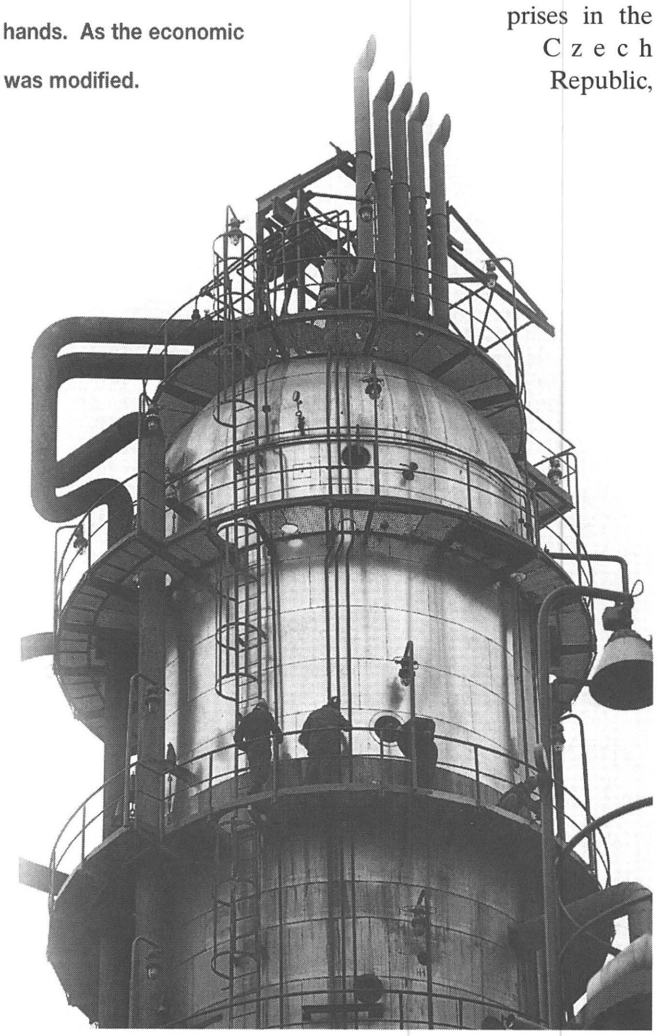
Europe struggles with privatisation and liberalisation

In Copenhagen EU leaders decided that in order to enter the European Union, candidate countries need a functioning market economy. What role does privatisation play in building a market economy in the transitional economies?

At the outset of the economic transition many believed the essential difference between a centrally planned and a market economy was that in one there was (almost) total state ownership of the means of production and in the other widespread private ownership.
In the transition economies, thousands of companies ranging from those employing over 15,000 down to the corner shop and newsagent were owned by the state. If the pace of privatisation in the transition economies moved at the same rate as in Britain, some estimated it would take up to 50 years to sell-off companies. But in Britain the sell-offs were conducted in a well-developed, functioning market economy. In the transition economies, the move to private ownership was a fundamental step on the road to building a market economy.

Many believed state-owned industries could not function efficiently and effectively unless transferred into private hands. As the economic transition progressed, however, this view was modified.

At the beginning of the economic transition process most international financial institutions and developed western economies saw privatisation as the key to the transition. It was universally agreed that something had to be done fairly early and done relatively quickly. On the other hand liberalisation was almost immediately and almost totally effected, with far-reaching effects in terms of exposure of companies to competition.
Many believed state-owned industries could not function efficiently and effectively unless transferred into private hands. As the economic transition progressed, however, this view was modified.
Property rights are at the heart of the incentive structure of market economies They determine who bears risk and who gains or loses from transactions. But does it matter whether property is public, private or something in between? The first test is whether privatisation improves performance.
Generally, but not always, private companies show higher productivity and better performance than public enterprises. More recent analyses of performance before and after privatisation in industrial and developing countries come out even stronger in favour of private ownership, concludes the World Bank.
The European Bank for Reconstruction and Development (EBRD) also came to similar conclusions. An analysis of the early evidence on privatisation and restructuring of former state-owned enterprises in the Czech Republic,



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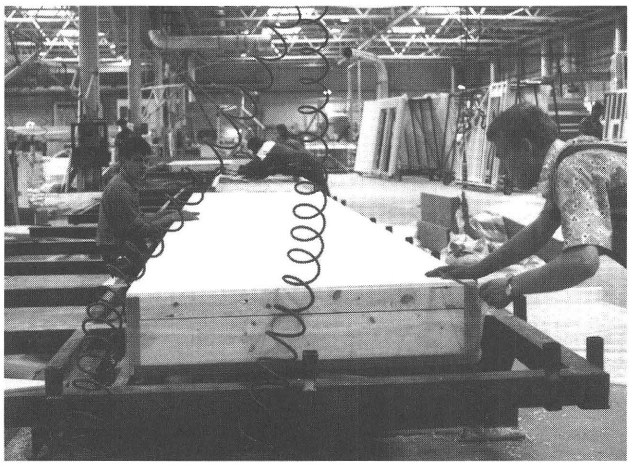
Hungary and Poland yielded several important findings. The mass privatisation programmes generally led either to insider ownership (by workers and managers) or dispersed outsider ownership at least initially.
The same kind and extent of reactive restructuring (involving reductions in real wages and employment) took place in state-owned, insider-owned and dispersed outsider-owned enterprises, mainly as a consequence of the hardening of enterprise budget constraints.
This underlines the importance of macroeconomic stabilisation, price and trade liberalisation and reform of banks and other financial institutions as means of enforcing market-oriented financial discipline on enterprises.
There was some evidence that effective corporate governance was necessary to deliver deeper restructuring and particularly new capital investment. It seems that more such restructuring may have been undertaken by enterprises with concentrated outside ownership, especially those owned by foreign investors and, to a smaller extent, companies controlled by investment funds or banks.



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Property rights are at the heart of the incentive structure of market economies. They determine who bears risk and who gains or loses from transactions.

This impression was reinforced in the 10 applicant countries because a lot of the early conditions set for bilateral and multilateral grants, loans and other financial support included targets for the percentage of private ownership. Some foreign investment were also eager to see signs of privatisation prior to their entrance to the market.
Early on in the transition process many of the transition economies saw privatisation as a race and vied with each other to claim the highest proportion of private ownership for their economy. The problem was what to count. Is a subsidiary majority private-owned but has a parent which is state-owned still private? How do you measure it exactly? Numbers are somewhat suspect.
There is now a greater realisation that privatisation is a significant step towards a market economy, but is not sufficient in itself.
A standard view among academics and policy-makers in the early days of the transition process was that faster privatisation would automatically lead to faster restructuring of enterprises, concludes a report* by EBRD.
"Several years into the transition, the relationship between privatisation and restructuring has proved to be more complex. Restructuring is multi-dimensional, encompassing reactive polices brought about by the hardening of companies' budget constraints (labour-shedding, wage reductions, plant closures); strategic aspects, including export reorientation, changes in the mix of products and changes in management structure; and deeper restructuring, generally involving substantial new investment that can deliver large improvements in enterprise performance and growth over the long run," says EBRD.
Successful enterprise restructuring depends not only on ownership (state versus private) but also on the structure of control and financial constraints imposed on enterprises. Mass privatisation programmes, which have left control either in the hands of private insiders (employees and/or mangers) or diluted among private voucher holders, have so far produced only limited, primarily reactive, restructuring, contends EBRD.
Privatisation with dominant outside ownership, especially in the form of foreign direct investment, appears to generate deeper restructuring which leads to significant performance improvements. A change of ownership from public to private is not a sufficient condition for comprehensive enterprise restructuring. Attention needs to be focused on effective corporate governance and how best to achieve it.
Within the European Union (EU), privatisation is not a membership requirement. There is no magic figure of private vs state ownership which EU officials are looking for or a set percentage of GDP produced by the private sector before the Union declares an economy well and truly a functioning market.
However, to become an EU member, a candidate country must have a functioning market economy. Most reckon that entails a certain proportion of the economy being in private hands.
Since 1989 the 10 candidate countries have embarked on various privatisation schemes.
Today they more or less have a proportion of private ownership which would meet any normal criteria of a market economy. However, privatisation or private ownership is not the only measure. Not all is perfect within these transitional economies and there are still significant problems which need to be ironed out before the definition of a functioning market economy can be applied to all 10.
Looking at the levels of privatisation in the Union and in candidate countries as a measure of the establishment of a functioning market economy is not comparable, given the different starting points and political priorities.

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For example, in Austria around 50 per cent of GDP is privately generated as against 60 per cent in Romania. This does not mean that Romania is more advanced in terms of private sector development. Privatisation is not the measurement of a market economy, but it is one of its elements.

Privatisation in the candidate countries has gone a long way and needs to continue further. But it is not enough to privatise. The emphasis is now shifting to other key related issues like corporate governance, improved management, protection of competition, further liberalisation and full implementation of legal reforms.

Within the Union liberalisation and deregulation, not privatisation, are the buzz words. Liberalisation is about allowing markets to operate, by removing price controls and allowing free trade — something which the transition economies did at an early stage of the transition. Now what the EU would like to see is more deregulation.

The Commission is insisting on the fulfilment of the Copenhagen competitiveness criteria. In this sense, given the background in the candidate countries, privatisation should be accompanied by other important reforms.

Successful enterprise restructuring depends not only on ownership (state versus private) but also on the structure of control and financial constraints imposed on enterprises.

While such goals are achievable, they will take time. Under central planning the state's control of production was complete, with only a few exceptions. When the 10 associated countries began the transition to a market economy, one of the primary goals, encouraged by the developed countries of western Europe, was wide-scale privatisation. But this privatisation of state-owned industry was far removed from the examples prevalent in the West.

This change in ownership structures was essential in the transitional economies. The first step was liberalisation of the market. Once that step had been taken it became increasingly difficult to control large parts of an economy that was constantly changing. According to the World Bank**, decentralising ownership is the best way to increase competition and improve performance. The question is not merely how much to privatise, but how and when.

Once the decision has been made to replace central planning with a market economy, the state soon runs into problems in how to manage its assets in a free economic environment.

Each country needs to take steps at a pace suitable for it alone. For privatisation the how and when must take into account various economic and social concerns specific to that country.

In some countries market-oriented reforms short of a massive shift in ownership can bring improvements, even though these may be difficult to sustain over the longer term, says the World Bank, while in others rapid and widespread privatisation is the only feasible course.

But ownership was only half the battle. What was really needed was competent management and effective corporate governance as well as a legal framework which ensured a level playing field for all participants. In the case of the 10 applicant countries this includes aligning legislation with that of the EU for such things as acceptable state aid.

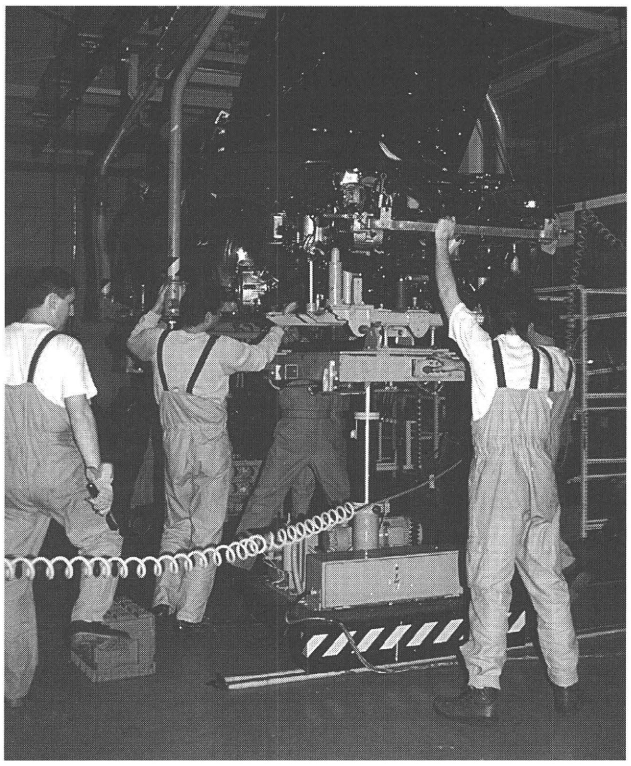
Other organisations, such as the World Trade Organisation, also have strict rules to ensure the free-flow of trade. These rules are aimed at promoting a market economy functioning within a competitive environment and do not explicitly call for private ownership.

But changing ownership structures does little for a company or industry where there is still no effective corporate governance or competent management able to face the challenges of an open market economy — one that is not protected as under central planning, from the competitive forces of a market economy.

A market economy also requires a minimum set of rules under which companies can operate.

In existing member states the emphasis is on conforming to the single market and in some cases deregulation of certain sectors in order to allow competition. This sometimes means that the Commission recommends privatisation, but not in all cases.

A functioning market economy does not necessarily mean that the state cannot retain significant interests in selected or some specific strategic sectors of industry, like energy, military production, transport and telecommunications —



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all sectors where the EU wants to see open to competition. The EU is neutral regarding the public and private sectors. Article 222 of the Rome Treaty says it should "in no way prejudice the rules in member states governing the system of property ownership".

In the transition economies deeper reforms were needed to increase competition, enforce financial discipline and open capital markets — that is, to reorient fundamentally enterprises and their incentive systems.

Studies by the World Bank and others indicate that most enterprises, whether state-owned or private, make efforts to restructure if ways to be financially rescued are closed to them and competition increases. Without subsidies or with severely cut state hand-outs together with more open markets companies—whether or not still state-owned—shed labour or reduce real wages or both.

For example, according to the World Bank, the largest 150 to 200 enterprises in the Czech Republic, Hungary and Poland reduced their work forces by 32, 47 and 33 per cent respectively between 1989 and 1993 as their sales fell by 40 to 60 per cent on average. The more advanced reformers sold large amounts of excess inventory and surplus assets.

The World Bank concluded that enterprises subjected to financial discipline showed a closer link between profitability and investment and a reorientation of goals from output targets to profits. Transition forced managers, for the first time, to focus on marketing and product quality.

The threat of privatisation could also push old-style managers into the new world of market economics. Polish managers interviewed in 1990, says the World Bank, had little doubt that if they failed to make their enterprises competitive, the company would close.

One of the strongest messages to emerge from transition to date is that governments that enforce financial discipline and foster competition will stimulate restructuring in enterprise, regardless of ownership.

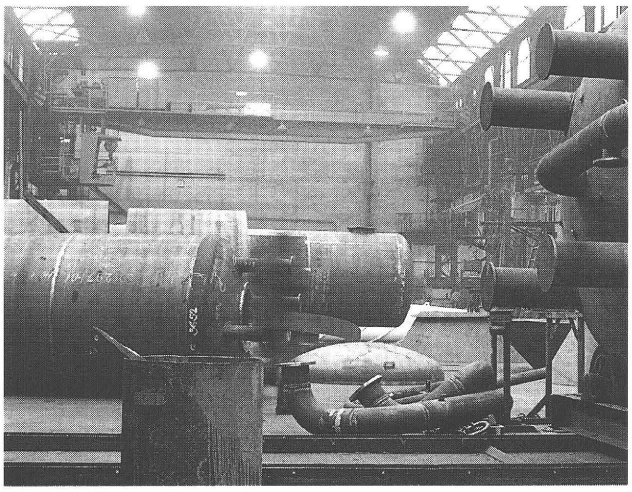
In addition to, or sometimes instead of, policies to introduce competition and increase financial discipline, some transition governments intervened directly to carry out targeted, top-down programmes to restructure enterprises, according to the World Bank study. "The problem is not with the near-universal practice of partial or complete pubic ownership of certain enterprises in infrastructure industries with natural monopoly characteristics. Transition economies' interventions in these sectors are generally in line with those in industrial market economies and in some cases ahead of them," says the report.

For example, Estonia and Hungary exploited the new opportunities for private sector involvement in infrastructure projects. The concern is with governments which extend their reach far beyond infrastructure enterprises to engage in industrial policy, arguing that transition justifies direct government intervention to give industrial enterprises — public or private — the time, protection and resources to become competitive.

In some cases the explicit goal was to improve performance without changing state ownership. Avoiding direct government intervention is likely to be the best approach in most case.

Tight, sustained macroeconomic policies can significantly reduce the scale of enterprise losses without direct intervention. they force money-losers to down-size and redundant workers to seek jobs in new private companies.

The majority of companies are now privately owned in most of the 10 applicant states. But privatisation in the applicants does not always lead to open competition.



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Privatisation so far in the transition economies has brought them broadly in line with west European economies in terms of what parts of the economy remained in state control and which are privately held. But that does not mean they are functioning market economies.

The EU demands a commitment to a free market, but not necessarily to full private ownership in the corporate sector. As far as liberalisation is concerned, much of what is happening in the transitional economies is going in the right direction.

The EU is neutral regarding the public and private sectors. Article 222 of the Rome Treaty says it should "in no way prejudice the rules in member states governing the system of property ownership".

In some sectors, like telecommunications and railways, for example, the 10 applicants are in some cases more advanced in deregulation than their western neighbours, but liberalisation of the market may be questioned.

The relatively advanced state of civil aviation encouraged the October 1996 meeting of EU transport ministers to grant permission for negotiations to take-off eastwards to extend EU aviation market rules (see article, page 7). "Nearly all the applicants have draft laws in place to free-up maritime transport, waterways, civil aviation, roads and rail transport," says one EU official. "But it is less clear how soon they will be able to implement and enforce the basic legislation."

On the other hand, more sensitive areas like energy, state monopolies and subsidies continue to characterise business practice. Although in formal terms foreign investors are being given similar access to markets as domestic investors, old monopolies still abound.

Fearful of public outcry at rising prices, many governments have continued to subsidise and protect their power plants from competition. Information is also difficult to verify. "We do not have a perfect view of the monopoly structure," says one European Energy Charter official helping the 10 applicants overcome these difficulties.

While Hungary is progressing fast, even top EU contenders like the Czech Republic, are proving slow to dismantle the existing structure. Poland is planning no significant policy initiatives before the turn of the century in this area.

But these criticisms appear less damning given the enormous resistance offered by France and other EU countries to electricity liberalisation, and continued delays on gas.

Competition Commissioner Karel Van Miert has pressed hard for deregulation and liberalisation of markets. This sometimes means that he favours privatisation as the best route to achieving that goal.

As the applicants are only too well aware, enforcement of rules and regulations is proving extremely difficult. Czech ambassador to the EU, Josef Kreuter, recently pointed to two major difficulties faced by his country in this regard. The first was the simple lack of trained staff to enforce the rules, especially given his country's tendency to remove officials associated with the past regime. The second was a tendency for what trained staff there were to move into the private sector, where wages were higher.

The ability and willingness to enforce competition, more than anything else, will form the bedrock of any EU opposition to premature enlargement.

Well planned privatisation can engender more dynamic and more involved decision-making, with better information flows and co-ordination. But a liberalised and deregulated economy complete with stable rules of the game are just as important to the building of a functioning market economy. ■

* *European Bank for Reconstruction and Development, Transition Report 1995, Ownership, governance and restructuring.*

** *World Development Report 1996: Transition Economies, Chapter 3, Property Rights and Enterprise Reform, World Bank.*

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Negotiations set to start on opening Europe's skies

Attention within the Commission is beginning to focus on the opening of air transport throughout all of Europe, including the 10 associated countries. Negotiations are expected to take time but will also help the 10 countries get ready for EU membership.

By the beginning of 1997, the question of how and when to reach open skies agreements with the 10 associated countries was on the agenda. In October 1996 transport ministers gave the Commission a mandate to extend the EU's own liberalisation reforms to the 10 associated countries This offers step-by-step access to west European markets, following the pattern of the EU's own three-stage liberalisation, and also follows on from a clause in each of the 10 Europe agreements calling for the application of EU rules to this sector.

First and second stage EU reforms, introduced between 1988-90, ended the setting of fares and airline capacity levels by governments and began to eliminate individual national restrictions on routes. The reform also began to apply single market rules to the allocation of take-off and landing slots and computer reservation systems.

The third stage of liberalisation, which took effect from January 1993, allowed free pricing of tickets, but with safeguards against a possible collapse in prices and excessive rises in basic tariffs. EU airlines were given full access to international and domestic routes within the Union, including those between states other than its home base.

Uniform conditions for setting up new airlines within the EU replaced the concept of national ownership.

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Uniform conditions for setting up new airlines within the EU replaced the concept of national ownership. What this meant was that an airline, like Virgin Express, which was established in Belgium, had EU nationality, not Belgian, and as such would have the same rights and conditions throughout the EU. The EU also set minimum financial viability criteria.

Cabotage — whereby an airline could offer scheduled flights within another member state — presently allows 50 per cent of an aircraft's capacity so long as the trip was combined with a route to the carrier's home country.

Full cabotage was allowed from April 1997. This means that an airline, such as KLM Royal Dutch Airlines, is now allowed to offer flights between Paris and Marseilles without restrictions. Extending single market rules to the civil aviation sector in the 10 associated countries will of necessity be on an individual basis. This reflects differing development levels of the economies, local airlines and ground facilities.

In March 1995 the European Commission formally requested the permission of transport ministers to begin negotiations on air transport agreements with Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia. This was in addition to commitments already contained in the Europe agreements to negotiate civil aviation accords based on reciprocal access to markets. Agreements already existed on the need to harmonise legislation in this sector and apply single market competition rules. The mandate was later extended to include Estonia, Latvia, Lithuania and Slovenia, which have also signed Europe agreements.

The mandate, finally approved in October 1996, allows the Commission to negotiate access to air routes in the EU and the 10 associated countries. "The idea is, over time, to move from the bilateral relationships that exist today to the point where the countries of central Europe and the Baltic states, in return for reciprocal access, benefit from the same rules governing air transport agreements as the EU member states," says the Commission.

The negotiations will also help the 10 associated countries get a key transport sector ready for full EU membership and ultimately will allow them to take advantage of the liberalisation measures the EU has already introduced.

Sue Cunningham Photographic

The 10 associated countries will be obliged by the commitments they gave in the Europe agreements to harmonise their safety standards, but some of the liberalisation changes are another matter. Ensuring non-discrimination on grounds of nationality, traffic rights, public service obligations, exclusive concessions, capacity and tariff conditions will have to be checked in other ways.

A country's application to the international safety watchdog, the Joint Aviation Authority (JAA), assessment by the JAA, candidate membership to JAA or its full membership will certainly be considered a plus point by EU negotiators.

What is agreed will depend on direct contacts made between the Commission and the associated country (although the Commission would like to conduct collective, rather than bilateral, negotiations) and how strictly the link is made between legal harmonisation and market liberalisation.

European airlines have been pushing their governments for years to create a common aviation area including not only the 10 associated countries but also Switzerland, Malta, Cyprus and Turkey.

The Association of European Airlines, which represents all European airlines, including the 10 associated countries' airlines, wants attention to be paid to such issues as subsidies and safety standards, so as to ensure that the opening up of competition does not lead to serious distortions or disruptions of the market. Any agreement will have to include effective enforcement and, if necessary, dispute resolution.

The negotiations are expected to take several years and will probably be staged according to the advances made in each associated country towards adopting and enforcing standards required by every EU member state as well as the demands of the Commission. ■

James Gwynn, Brussels

The Commission wants to negotiate agreements either multilaterally or bilaterally in line with procedures which have been strictly defined and are carefully watched by the Council and a special committee designated by transport ministers and known as the aviation group. Most member states are concerned primarily with safety standards within the associated countries.

In March 1996 the aviation group asked the Commission to present it with a detailed assessment of the bilateral agreements between the 10 associated countries and the member states and possible areas where access to each others' markets could be improved.The Commission stresses that any opening of the market should be undertaken in parallel with the approximation of the associated country's legislation with that in the EU aviation sector.

The Commission has made it clear that the effective application and enforcement by the associated country of equivalent technical and operational standards as those applied in the EU is a prerequisite for extending the EU's third stage liberalisation measures to the associated countries. Under third stage liberalisation, an airline is free to take on passengers in a country other than that where it is registered and fly them to another member state. So, for example, the Hungarian airline Malev, would be able to take on passengers in Vienna and fly them to London.

The general objective of the negotiations is to integrate the two markets — that of the EU and the 10 associated countries — and prepare the associated countries' civil aviation sector for the rigors of EU membership. To achieve this the Commission says staged negotiations will be necessary. A sudden change in the rules could lead to market disruptions which would damage both parties and could cause unfair competition.

"There will be a clear parallel between liberalisation and harmonisation, in particular in relation to safety," said the Commission in its mandate.

The Commission will not only take account of the associated countries' efforts in approximating their laws, but will also monitor how they are enforcing the measures. A regular assessment of their progress in this area will be provided at each stage of the talks.

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Bulgaria

The EU Phare programme has paid for a consultant to put together a project for restructuring Bulgaria's legal base in the transport sector and to harmonise it with the EU. One of the most difficult problems facing Bulgaria will be the financial health of its state-owned national airline, Balkan Bulgarian Airlines. Bulgaria has not yet applied for JAA membership, but is currently trained by JAA financed by the European Conference for Civil Aviation (ECAC), a pan-European body which sets safety and minimum technical standards (such as the layout of an airport) as well as the minimum training standards for ground crews and others involved in air transport.

Czech Republic

A civil aviation act was passed by parliament in July 1996. The law takes into account EU regulations on licensing, allocation of slots and technical requirements. The act also covers the question of slots and a co-ordinator has been appointed to deal with this topic. The domestic airline sector may take longer to deregulate than the international market. The Czech Republic is already a member of Eurocontrol and has presented a formal request to join JAA. Eurocontrol is a pan-European group and works at harmonising air traffic control systems. It has 22 members and was set up in 1960.

Estonia, Latvia, Lithuania

The Baltic states are at about the same stage in approximating their laws to those of the EU. None of the three is yet a member of JAA or has applied for membership. All of them take part in JAA training programmes and intend to join JAA by the year 2000.

Hungary

A new civil aviation act has replaced 15-year-old legislation in Hungary. A government decree has also been passed establishing an independent civil aviation authority, but how the body will be financed is still an open question for the authorities. Competition rules applying in the aviation sector are a concern, however. Under these rules Malev, the state airline, appears to enjoy more favourable treatment from the government than private carriers operating in the country. Hungary is a member of JAA.

Poland

Poland is working on legislation to bring it into line with EU membership requirements. Poland is somewhat behind other candidate countries in aligning its laws in this sector. It is a candidate member of JAA.

Romania

The transport ministry was presented with a draft civil aviation code, drawn up with the help of western consultants. But there have been delays in implementing the new rules fully. Poor safety standards remain a concern. The government has not yet applied to join JAA. Romanian civil aviation authorities are, however, trained by JAA under the auspices of ECAC.

Slovakia

Slovakia is working on putting into practice the EU's third stage of liberalisation measures. These will replace laws in force in the whole of Czechoslovakia since 1957. The country is getting its laws in line with the EU but a lack of administration staff is slowing down the process.

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Slovenia

Slovenia is a candidate member of JAA and expects to be a full member in one or two years. The country's safety standards are considered to be high compared with other applicant countries. ■

EU should look at the social dimension of enlargement process

The European Trade Union Confederation (ETUC) is looking forward to the next enlargement of the European Union, but wants to see more emphasis put on the social dimension. ETUC secretary general Emilio Gabaglio argues that too much emphasis is being placed on economics.

The planned enlargement of the European Union (EU) is a complement to the process of European integration. With the collapse of communist regimes in 1989, Europe is now facing the prospect of an extension of the Union to the east. The historic dimension of this process should not to be overlooked, but it is being supplanted by a purely economic outlook which in the opinion of the ETUC is concentrating more on an enlargement of the European internal market.

Restricting the integration process to a purely economic one is too narrow and will not meet the challenge arising out of continuing European integration: democratic, socially-just and economically-successful development.

Europe is now facing the prospect of an extension of the Union to the east. The historic dimension of this process should not to be overlooked, but it is being supplanted by a purely economic outlook which in the opinion of the ETUC is concentrating more on an enlargement of the European internal market.

With the prospect of European integration, people in the 10 associated countries are hoping above all for a better and freer life and for political stability. The step-by-step approach by the EU and the integration process already begun are fundamental components of the political, economic and social transformation in the applicant states.

The enlargement of the EU to include these 10 countries is not an act of charity, but corresponds to the existential interests of Europe. The involvement of the 10 in the Union is a pre-condition for a homogeneous continental development and to guarantee the chances of Europe as a global competitor.

Sue Cunningham Photographic

From the trade union viewpoint, the future of the European social model is of particular importance. Globalisation is accompanied by simultaneous regionalisation: on every continent, in particular in the two Americas and Asia, regional economic blocs and markets are being formed.

The EU is the only regional formation that clearly aims beyond market interests. It has created an institutional framework, has a directly-elected parliament, a social and structural policy and increasingly offers a framework for transitional industrial relations and results-oriented social dialogue.

It is hoped the treaty revision will reinforce this development and the Union will be given powers in the field of employment policy. This aspect should be a priority because in times of increasing mass unemployment, the public consent for progress on integration diminishes and the chances of seeing retrograde, anti-European ideologies emerge are greater.

The European model of development is coming under increasing external and internal pressure. Internal, because the cutbacks in public finances by a number of governments have not been used to bring about appropriate reforms in the welfare state, but rather have been exploited partially to eliminate basic and essential components of the welfare state. External, because objectively in the 10 associated countries, there is competition between the Europe model and other regional neo-liberal models of development, only aimed at establishing free markets.

The international financial institutions have a particular role to play in this. The conditions tied to their loans often work against the social dimension of the transformation and the realisation that it can only be successful if it is socially bearable, is only gaining ground slowly.

In the context of the next EU enlargement, the achievements of the associated countries should be continued. The approach in the Commission's White Paper on enlargement does not go far enough. It would retain only those social measures which are relevant to competition. This approach reduces the social dimension to a component of competition.

Of course the common market is an essential element in the construction of Europe, but the Europe model transcends the market and has an autonomous social dimension.

The European development model will be jeopardised if the enlargement process miscarries or leads to a slowing down of integration. The intensification of integration, on the other hand, would reinforce this development model and make it not only resistant to external pressure, but would enhance its role as a global reference model.

Sue Cunningham Photographic

The current prevailing wisdom in the debate about the costs of the next enlargement assumes that basically it can be paid for within the current financial framework of the Union. Actually the financial instruments of the Union, in particular the funding of the common agricultural policy (CAP), require a critical re-appraisal and fundamental revision, which is long overdue, irrespective of the enlargement issue.

Certainly the criteria for allocation of the resources in the structural and regional funds need to be corrected. However, it is completely illusory to believe the enlargement will not require any new budget resources.

Structurally weak regions in the EU will not be able to do without targeted support in an enlarged Union. As a result of enlargement, the EU will include more regions in crisis, unable to deal with their situation from their own resources or from their current national budget. The principle of showing solidarity in revenue sharing and the policy of targeted support for structural change and its social implications will be sorely tested in the context of enlargement to the east.

Between 1990-94, $9.4bn (Ecu 7.52bn) flowed into six of the candidate countries — a volume of money that corresponds to the domestic budget transfers from Germany to eastern Germany. The political significance of European integration will imply extraordinary efforts in the financial sphere. This will be an investment in the future of all Europeans, in stability and security, democracy, social and economic progress.

The majority of governments in the 10 associated countries consider the integration progress rather as an inter-governmental affair, which should be settled by politicians and experts. Only in two of the 10 associate countries were the federations of the social partners involved in drafting the positions in response to the Commission's comprehensive questionnaire (*European Dialogue*, 1996/6, page 13).

This is neither acceptable nor proper since it excludes a large proportion of society and gives the impression that integration is a secret process of only limited concern to the general public. Experience in western Europe has shown clearly that being close to the people and ensuring transparency, consultation and participation are prerequisites for the acceptance of integration. Finally, integration also means a transfer of sovereignty and changes in habits. This kind of transformation can only succeed if broad democratic participation is guaranteed. The promotion of participation is not only a matter for governments, but also concerns the European institutions and associations.

The European Trade Union Confederation (ETUC) has been carrying out an active policy of co-operation with the trade unions in the 10 associated countries. These federations take part in the work of ETUC bodies on an equal footing.

The ETUC has also adapted its working methods to the changed situation in Europe, and has set up a standing committee on integration and employed experts on the 10 associated countries in its secretariat in Brussels.

In the 11 countries applying for membership, the trade union federations affiliated to ETUC are setting up standing trade union committees on European integration, which have a co-ordination secretariat and specialised working groups (in particular for economic, social and legal policy) to represent specific interests of workers to their government and adopt public positions.

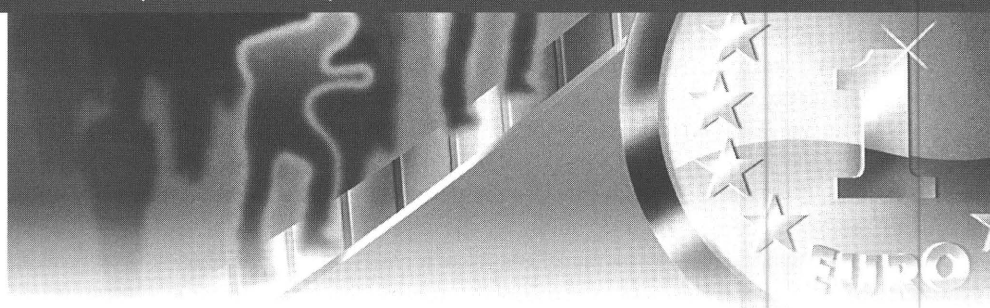
Integration will accelerate structural change in the applicant countries. This will generate social problems that can only be solved by social consensus. This will require stronger and more active social partners and government that are prepared to discuss ideas and not just see trade unions as a disruptive factor, but accept them as an essential partner.

At the same time the EU must devise a policy to support this process and which sees enlargement as more than an extension of the European internal market. ■

Emilio Gabaglio,
Secretary General of the European Trade Union Confederation, Brussels

Considering the problems of being in or out of EMU

Not all European Union members will enter economic and monetary union (EMU) in 1999. What should be the relationship between the "outs", still with their own national currencies, and the "ins" with their new single currency, the Euro? These and other questions are explored in this series of articles.



How can a safe passage to EMU for outsiders be reconciled with the European Central Bank's freedom to pursue price stability? The Maastricht Treaty implies the existence of an exchange rate arrangement for the euro with outside Union currencies: the observance of normal fluctuation margins around a recognised parity is a condition for later admission. But with the single currency, the existing European monetary system will cease to exist and be replaced by EMU itself. The treaty is silent on a plausible alternative. What is more, it is legally difficult to establish one since exchange rate arrangements in Article 109m are considered only in relation to non-EU currencies.

Conflicting interests make a solution difficult. Potential insiders want outsiders' exchange rates under control to deter competitive devaluations. But they fear that an arrangement with weaker currencies would pollute the purity and endanger the independence of the newly-created European Central Bank (ECB).

Potential insiders want outsiders' exchange rates under control to deter competitive devaluations. But they fear that an arrangement with weaker currencies would pollute the purity and endanger the independence of the newly-created European Central Bank.

For Britain, for which non-entry is a voluntary choice allowed by the opt-out clause and not the result of exclusion, participating in a system devised for countries with a derogation would blur its status. Non-participation may just be one opt-out too many.

For the outsider wishing to enter, but unable to do so because it does not fulfil the required conditions, the economic and political costs of exclusion are heavy: higher exchange rate volatility, greater exposure to external shocks, higher interest rates and diminished weight in EU decision-making. A link with the euro is desirable because it would alleviate those costs.

The basic choice is between doing without an exchange rate arrangement altogether or finding a successor to EMS. In the British (or Anglo-Scandinavian) view, a formal arrangement is neither necessary nor desirable: mandatory and co-ordinated inflation targeting for all members is thought a better and more effective way to achieve stability and convergence. But this solution has severe drawbacks.

Inflation targeting is a medium-term exercise, better suited perhaps to ensuring peaceful coexistence with currencies accepting indefinite outsider status, but less relevant to a country seeking later admission at a certain date. Its exchange rate stabilising effects are uncertain, especially in the presence of external shocks. The treaty conditions for admission include both an inflation target and an exchange rate condition. Hence the British position implies that one of the treaty provisions should be disregarded. But why only that one and not others that are equally questionable?

The majority of participants in the Verona Council opted for an EMS II. The known argument against the revival of a system to "fixed but adjustable parities" (the oxymoron that defines the EMS) is that it cannot be both credible and stable since unlimited and unconstrained interventions, preventing speculative attack from being self-fulfilling, conflict with a central bank's commitment to price stability.

The 1992 crisis is invoked as conclusive evidence. This is not

Sue Cunningham Photographic

fully convincing. After a remarkably tranquil life, EMS suffered from excessive inflexibility in the presence of a powerful shock and growing misalignments. Economic fundamentals are far more aligned now than they were in 1992.

More importantly a reconstructed EMS should not be a

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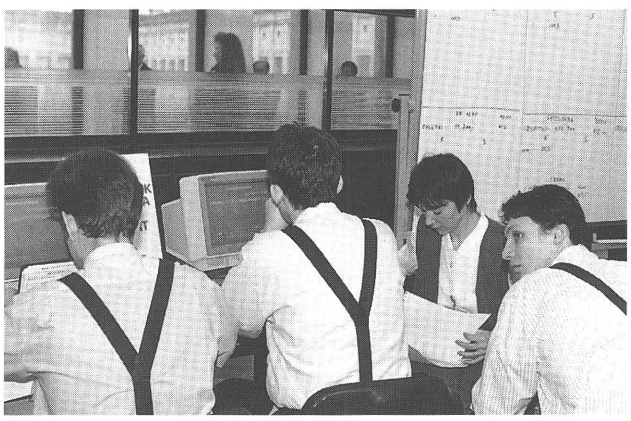
permanent arrangement. Rather it should be conceived as a bridge to the single currency: each country's degree of convergence to the conditions required for admission should become a crucial determinant of the credibility of its membership. For that to happen the system should be based explicitly on conditionality.

In Verona, agreement was reached on a few broad guidelines: the system will be flexible, anchored to the euro and with a band around central parities; it will be asymmetric, with the burden of adjustment falling on the outsider; and there will be compulsory bilateral interventions at the margin, but the European Central Bank can invoke a suspension clause when its control over monetary stability is at risk and it will have the power to trigger realignments.



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The risk of an unsatisfactory outcome is far from remote as many problems are as yet unsolved. In ascending order of importance, they are:

- Grid of parities or hub and spokes?: the latter would be more compatible with a flexible setting of the band widths.
- Width of the bands: conditionality tailored to the situation of each outsider would be better served by bands of different widths, according to each country's progress towards convergence.
- Membership — compulsory or optional?: unless the treaty is changed, membership should be compulsory for a country seeking later admission. No country should be denied membership; if its track record is bad, its currency can be assigned to the widest band, with no support unless that record improves.
- Interventions and conditionality: this is the key issue. The European Central Bank decision to invoke the suspension clause for interventions cannot be left to unmotivated discretion, but should be made and known to be contingent on precise conditions. Withdrawal of support if and when the European Central Bank judges that it conflicts with its ability to control the money supply is a sure recipe for trouble. As speculative pressure can always be brought to whatever point the European Central Bank considers to be the limit beyond which further support would cause loss of control over monetary conditions, markets will always win the day.

Pre-set conditionality based on an IMF-type programme for the extent and speed of convergence is the desirable alternative: compliance with the programme would entitle the outsider to unlimited support; lack of its would sanction unjustified under performance. This rule protects the performing outsider against unwarranted speculative shocks. At the same time it allows the European Central Bank to intervene less, as there would be no support for the under-performers, while the performing currency would not be attacked once markets are aware that support is unlimited

A conditionality rule raises an institutional problem. The treaty does not allow a repetition of the procedure that gave birth to EMS, with a Council resolution defining all the features of the system and an agreement between the participating central banks merely laying down the operating details. Following a lead by the Council, the essence of the arrangement will now find its place in an agreement between central banks.

But the definition of conditionality and the assessment of performance properly belongs to the Council and other EU bodies and not to an independent (and unaccountable) central bank. Thus a conditionality rule may require an extension of the provisions of Article 109m to EU currencies.

The difficult task ahead is to reconcile two seemingly conflicting requirements: providing the deserving outsider with a safe route to joining the single currency; and preserving the European Central Bank's freedom in the pursuit of price stability. By providing a transparent benchmark, a conditionality rule represents a sensible and acceptable compromise.

Attempts to tilt the balance towards the second requirement, by leaving the decision on intervention contingent on the European Central Bank's discretionary judgement about their effects on monetary conditions, would produce an intrinsically unstable system. It would also offer no benefit in terms of the size of interventions and could cause irretrievable damage to deserving outsiders. ■

Luigi Spaventa, Professor of Economics, Universita di Roma La Sapienza and former Minister of the Budget in the Italian government

Economic and monetary union

EUROPEAN CENTRAL BANK FACES CHALLENGING FUTURE

Even before it is born, the European Central Bank (ECB) may be a victim of its own weight. There is little appreciation of the considerable risks that Europe will face if it continues to ignore, as the Maastricht Treaty does, the need to establish the relationship between the "ins" and "outs" on safe ground.

There is little appreciation of the considerable risks that Europe will face if it continues to ignore, as the Maastricht Treaty does, the need to establish the relationship between the "ins" and "outs" on safe ground.

This is not a temporary arrangement: some countries may elect to remain out for a long time and new EU members will not always be able to join monetary union on accession.

Exchange rate stability is intimately linked with Europe's economic integration and is one of the pre-conditions for entry into EMU. Hence the euro must be part of an EMS II (exchange rate mechanism system). Leaving to each periphery country the responsibility to position its currency against the euro will not be enough.

The reasonable solution is to keep the EMS house open. Yet three main lessons must be drawn from the experience of EMS I:

- exchange rate adjustments should not be delayed when they are needed
- the ban must be wide enough to avoid jumps at the time of realignments
- interventions are needed to organise realignments, but may have to be massive given the free capital mobility.

There seems to be little disagreement about the two first lessons, but the third remains widely overlooked. Conventional wisdom has it that "proper policies deliver stable exchange rates". This simplistic view ignores the distinction between past policies and uncertainty about the future.

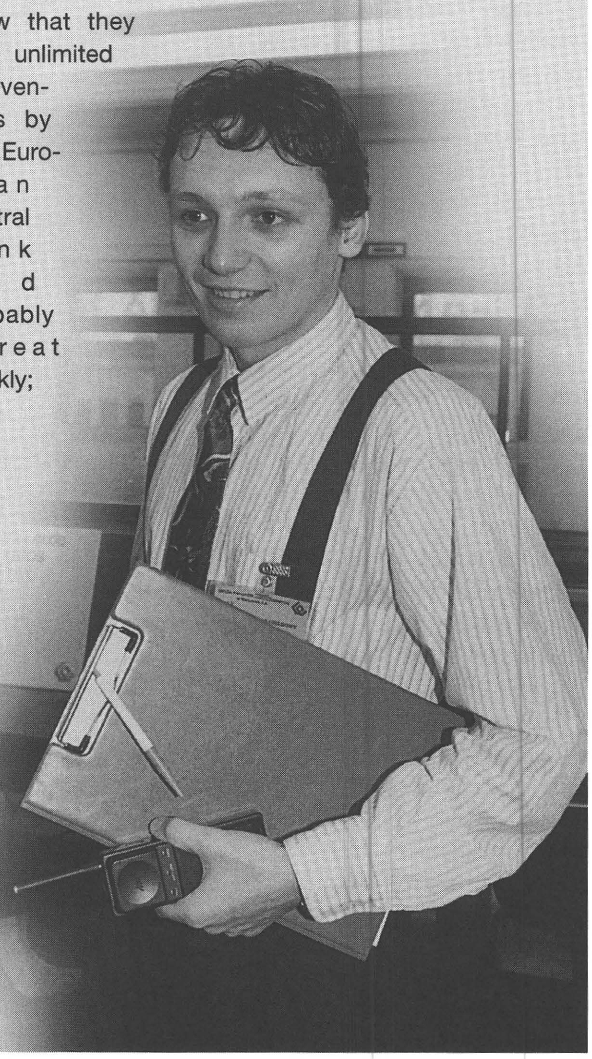
Potential economic, social or political difficulties occasionally cause markets to sell currencies that otherwise have sound fundamentals. With floating exchange rates, this results in wide and long-lasting cycles. With fixed exchange rates, the outcome is a speculative attack.

EMS I dealt with this risk by requesting unlimited support from all concerned central banks. But experience has shown what reason should have known: commitments cannot be unlimited. Yet the arrangement was realistic in one aspect: only unlimited interventions can preserve the system from collapse in the face of apparently unwarranted attacks. How can the circle be squared?

There is a simple solution: make interventions unlimited, but conditional. The arrangement would be limited to countries with a declared intention of joining monetary union within two years. During this period of transition they must in any case adopt a programme of convergence. This programme could be the basis of a contract with the European Central Bank: as long as a country satisfies the convergence criteria (which can be monitored on a quarterly or even monthly basis), it would benefit from unlimited support in the face of a speculative attack.

On the other side the European Central Bank would not be committed to support a currency when the country is failing to meet the terms of the contract. Such an arrangement has many merits:

- unlimited support would be used only in cases where an attack is clearly unjustified but where, should speculation win, the well-behaving country's chance of joining EMU would be ruined;
- the markets would know that they face unlimited interventions by the European Central Bank and probably retreat quickly;



Sue Cunningham Photographic

- the contract would greatly enhance a country's incentives to respect the convergence programme as it involves both adequate carrots (unlimited support) and sticks (conditionality);
- it does not require that all EMU countries participate in a tight EMS II. There can be wide band membership implying minimal restraint along with narrower convergence bands leading to EMU membership;
- it is limited in time, clearly designed to encourage convergence.

The main advantage of this arrangement is the lack of reasonable alternatives. One approach is to reject any form of exchange rate commitment. Yet free floating is known to be conducive to large swings that corrupt the game of international competitiveness. The answer then is to adopt inflation targets and presume that success in meeting these targets will automatically deliver a stable exchange rate against the Euro. There is no evidence that this has ever worked and heavy suspicions that it will not. Another approach considers that the first task is to protect the European Central Bank. In its first years of operation, the European Central Bank is often described as a weak untested institution, which will have to establish its reputation. Viewed this way any binding commitment is seen as a major threat which must be ruled out.

But there are serious reasons to believe that the fledgling European Central Bank will be recognised by the markets as an independent and powerful institution. Of course Goliath might be tempted to smash David to establish his manhood. Yet Europe's long-run stability stands to lose much more from repeated attacks at the periphery of EMU, leading to permanent division between the "ins" and "outs", than some slight doubts about the European Central Bank's reputation. ■

Charles Wyplosz, Professor of Economics at the Graduate Institute of International Studies, Geneva

The articles were based on papers first presented at a Centre for Economic Policy Research workshop in Rome in February 1996 hosted by Banca Nazionale del Lavoro. They were subsequently revised and were first published in a special issue by CEPR in June 1996. More information from CEPR (Tel: (44 171) 878 2900; Fax: (44 171) 878 2999; E-mail: cepr@cepr.org).

Stages of EMU

Late 1980s

EMU Stage 1
Late 1980s
Membership of Exchange Rate Mechanism

1994

EMU Stage 2
January 1 1994
Creation of European Monetary Institute. Stricter monitoring of countries' economies and deficits

1996

1996
Inter-Governmental Conference (IGC) to review Maastricht Treaty, European Commission and EMI to report on which countries have met Maastricht Treaty convergence targets.

1997

EMU Stage 3
1997
EMU can begin but only if government heads say most countries have met Maastricht criteria.

1st May 1997
British general election

Mid-1997
Likely conclusion of IGC

1998

1997/98
Decision on which countries have met EMU criteria. No majority needed.

1998
Creation of central bank running single monetary policy. Irrevocable locking of exchange rates and fixing of parities.

March 1998
French parliamentary elections

October 1998
German national elections

1999

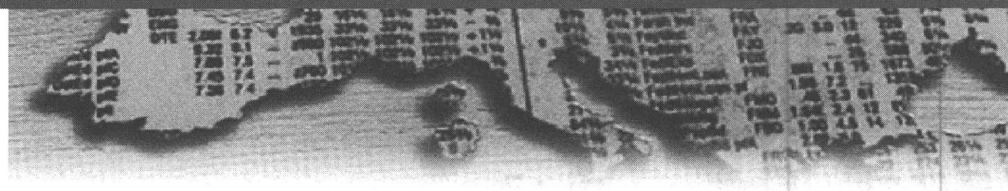
January 1 1999
Treaty date for launch of single currency

2002 2003

2002/03
Tentative timetable for introduction of euro notes and coins

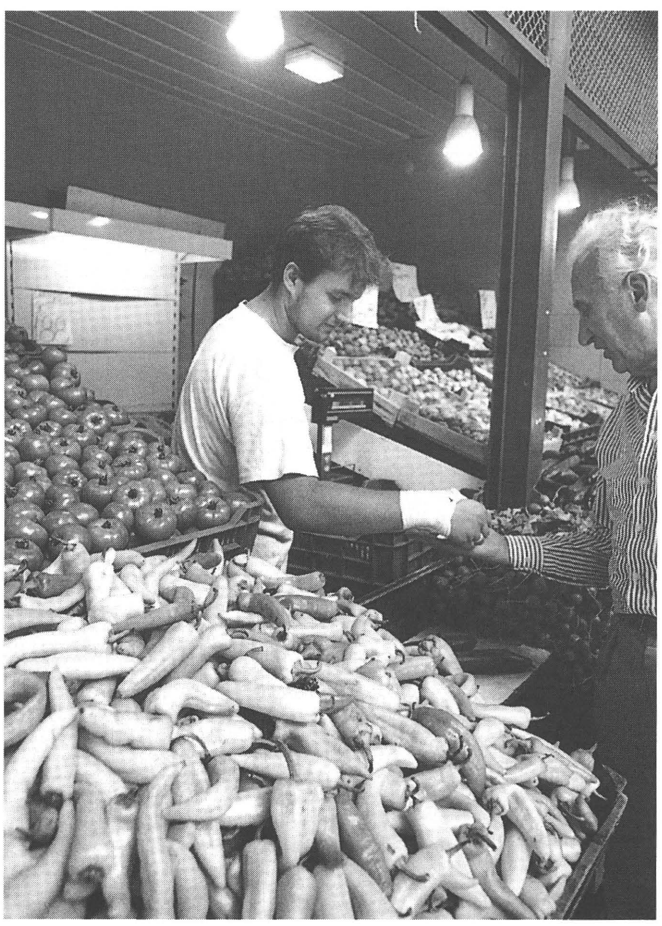
Source: Financial Times

in brief



CAP under pressure

International trade constraints, not budget pressures, are likely to force further reform of EU farm policies, according to the head of the analysis unit for Directorate-General VI (agriculture), Dirk Ahner. He says that a further switch to direct aid payments to farmers, rather than support through prices, could create problems other than the cost of the common agriculture policy (CAP). By making the level of spending more transparent, it could mean an increase in the level of opposition by taxpayers. Mr Ahner estimates the extra farm spending increase at Ecu 12bn-Ecu 13bn by the end of the first decade of the next century. The combination of pressure from new members and likely extra limits on EU exports as another round of world trade talks puts a new cap on export subsidies, would force the EU to impose an arable set-aside rate of 25-26 per cent, says Mr Ahner. Cuts would also be needed in dairy quotas and in the beef sector.



Sue Cunningham Photographic

Turkey pushes for membership

Turkey's Foreign Minister Tansu Ciller says her country is unhappy about the lack of progress on its bid for EU membership and says Ankara could block Nato enlargement plans unless the EU begins to take its application to join seriously. "Either Turkey is a full member or she will not hang in as a second-rate member," says Ms Ciller. "How do you think you can expand Nato without Turkey's permission? It cannot be separated, the expansion of Europe, the expansion of Nato — they are interlinked."

At an informal meeting of foreign ministers, Europe's "Big Five" powers said there were "no obstacles in principle" to Turkey's membership in the EU. Diplomats from Britain, Germany, France, Spain and Italy told Ms Ciller that Turkey's human rights record and policy on Kurds posed "difficulties" for membership. British Foreign Secretary Malcom Rifkind said Turkey's present relationship with the EU was unsatisfactory. "We believe Turkey should be treated in the same way as other applicant countries." Ministers said progress on territorial disputes with Greece and the Cyprus stand-off as well as improvements in human rights and the Kurds' situation need to be achieved before Turkey can become a full member. Ms Ciller says the informal talks showed that Turkey would not be overlooked for EU membership. "I am happy as far as the results of . . . meetings are concerned that the same criteria and the same standards will be [applied] to Turkey as to the other 11 countries seeking EU membership."

Problems also exist between EU member Greece and Turkey over the application of Cyprus to join the EU. The Council of Europe says that allowing Cyprus to join the EU could help resolve tensions over the island. "Membership of the EU will entail significant economic and political advantages for the two communities. It will be a major factor of stability," says a parliamentary assembly resolution.

The stand-off between Greece and Turkey over Cyprus could also knock off course plans for Nato enlargement. The EU has promised to begin membership negotiations with Cyprus six months after the end of the Inter-Governmental Conference, scheduled to end in June 1997.

Progress in relation to the search for a solution of the Cyprus question, according to the UN Security Council resolutions leading to a bizonal and bicommunal federation, will also be beneficial to the process aiming at integrating Cyprus as a full member of the European Union.

UN adds to enlargement debate

UN economists say EU leaders hoping to expand the Union in 2000 were over-optimistic. The Economic Commission for Europe (ECE) in a report says, "Even on a very optimistic view, assuming smooth negotiations and speedy ratification, the most advanced transition economy would be unlikely to join before the middle of the next decade. The expectations of various political leaders that some of the more advanced transition economies might enter the EU by 2000 appear to be very optimistic." The report says that "despite the considerable achievements of many of the transition economies, much remains to be done before they can function effectively as full members of the EU".
However, another view is expressed by a research group from the political centre of the University of Munich. It has published its 1996 integration report which argues in favour of early accession to the EU by the 10 candidate countries. It says the UN's analysis is wrong and its warning has sent a "bad economic and political signal" to the associated countries. The university report says the economic reforms have been a success in the transition economies and it is clear that they still have to put in considerable efforts to prepare for accession to the EU, particularly in adjusting legislation to EU law, modernisation of infrastructure, social security reform and development of a civic society.
Nevertheless, the Munich report says it is important to give these countries the prospect of clear and early accession. "Only a precise timetable and an early date for accession to the EU will be able to give governments and investors the security needed to carry out successfully the economic reforms in progress," says the report.
It also makes the point that the EU underestimates the economic advantage that could be achieved from enlargement eastward as "the integration of new economies will give fresh impetus to the whole European economy and will also encourage structural change in Europe".

Plans for flexible EU

The Commission has endorsed the idea of a flexibility clause in the revision of the Maastricht Treaty. The idea, first proposed by France and Germany, would help avoid national veto powers but would allow member states to adopt controversial policies without obliging more reluctant members to join in.
"It must be an instrument to facilitate European integration, not to hinder it," says Klaus van der Pas, chief spokesman for the EU Commission. He says the flexibility clause could not apply to the four freedoms which lie at the core of the EU: the right to unimpeded movement around member states for citizens, goods, services and capital.
The treaty review, known as the Inter-Governmental Conference (IGC) and planned to end at the Amsterdam June summit meeting of heads of state and government, is essential to streamline EU decision-making before enlargement negotiations begin.
Although the principle is controversial, in practice flexibility already applies in some areas of European co-operation. For example, Ireland, Finland, Denmark, Sweden and Austria stay out of involvement in questions of the Union's defence.
Britain and Denmark have opt outs from the plan to launch a common EU currency in 1999.
According to Dutch Foreign Minister Hans van Mierlo, his government will not draft a new EU treaty which allows flexibility in decision-making to result in a pick-and-choose situation.
His comment highlights the essence of the dispute over how to revamp the EU's decision-making rules so it can absorb new members without causing bureaucratic gridlock. The Dutch, who hold the Council presidency until July, are expected to finalise negotiations on the IGC.

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News in brief ... News in brief ... News in brief ... News in brief ...

Slovak Prime Minister Vladimir Meciar wants citizens to decide by referendum whether or not the country should join Nato and the EU. Slovakia does not want to join European structures as a beggar but as an equal partner, he says.

Toomas Ilves, Estonia's Foreign Minister, presenting the semi-annual report on the country's foreign policy to parliament said that although EU and Nato membership are the main objectives, it is also necessary for Estonia to have relations with Russia as a "normal, friendly western country" and not as a former colony or oblast (province).

Czech Prime Minister Vaclav Klaus and German Chancellor Helmut Kohl signed an accord in which Bonn expresses its regret for the Nazi occupation of the Czech lands between 1938-45 and Prague regrets the Czech post-war expulsion of ethnic Sudeten Germans. The Czech Republic was the last of Germany's neighbours without a post-war reconciliation agreement as questions over compensation for the Nazi occupation and seizure by the Czechs of Sudeten German property had not been resolved.

Nato has selected Poland as a site for a training centre for air force pilots from future member countries in central Europe. The centre, based at the air force academy in Deblin will train pilots from Poland, the Czech Republic, Slovakia and Hungary.

Hungarian Foreign Minister Laszlo Kovacs and his Romanian counterpart, Adrian Severin, have agreed to reopen the Hungarian consulate-general in Cluj and the Romanian consulate in Debrecen. Honorary consular offices are also to be opened in Gyor and Constanta. The agreement comes in the wake of the signing in 1996 of the Hungarian-Romanian basic treaty.

Nato's July 1997 summit meeting will decide which central European and Baltic state applicants will be invited to accession negotiations. Nato Secretary-General Javier Solana refused to reveal which countries would be selected, saying only that "one or more" would receive invitations.

A three-day conference on combating organised crime and corruption was held in Sofia at the end of 1996. The meeting was jointly sponsored by the Council of Europe and the EU. Ministers and experts from Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, FYR of Macedonia, Moldova, Poland, Romania, Russia, Slovakia, Slovenia, and Ukraine together with west European legal and crime experts attended.

Presidents Lennart Meri (Estonia), Guntis Ulmanis (Latvia) and Algirdas Brazauskas (Lithuania) signed a joint declaration calling for Baltic co-operation to be intensified and called on the EU to begin accession negotiations with the three countries not later than six months after the end of the Inter-Governmental Conference (IGC).

The Commission has opened a new service on Internet giving access to its daily press releases through the RAPID database. The database contains press releases from the Commission and several other EU institutions, such as the Council, Court of Auditors and Court of Justice. Most documents are immediately available in English and French and are translated as quickly as possible into the other EU languages. The service is free through the Commission's Internet server, Europa at http://europa.eu.int.

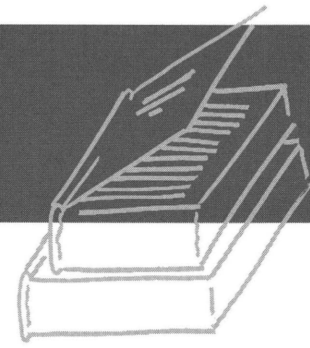
Latvia's Prime Minister Andris Shkele has signed three agreements with the EU for aid to improve border controls and communications. Funds totalling around Ecu 7m plus a share of a Ecu 14m grant to Latvia, Lithuania, Estonia and Poland are now available to improve communications and efficiency of state borders and to clean polluted areas of the Baltic Sea.

Bosnia-Herzegovina would like special associate member status with the EU. At a meeting in Sarajevo with the Dutch Minister of Co-operation, Jan Pronk, Bosnian authorities said that associated member status would be sought as soon as permanent and lasting democratic institutions had been established and the reconstruction of the country had advanced further.

The Council of Europe plans to create a new post — human rights commissioner. If agreed the commissioner would be responsible for assuring that judgements of the Council's European Court of Human Rights are carried out.

The EU is expected to give fresh EU aid to help Romania in its economic transition. Commission President Jacques Santer said the EU is encouraged by progress since Emil Constantinescu took over as president of Romania. The EU could release Ecu 70m in balance of payments aid once Romania has reached an agreement with the International Monetary Fund.

Bookcase



Coming to Terms with Accession edited by Lorand Ambrus-Lakatos and Mark Schaffer with contributions from Juergen von Hagen, Andrej Kumar and Elzbieta Kawecka-Wyrzykowska. Forum report of the Economic PolicyInitiative number two. Centre for Economic Policy Research (CEPR) and Institute for East-West Studies. Available from CEPR (Tel: (44 171) 878 2900; Fax: (44 171) 878 2999; E-mail: cepr@cepr.org). English only.

This second report by the forum, launched at the end of 1995, presents three different perspectives on how the EU and the 10 associated countries should come to terms with accession. Juergen von Hagen discusses how to deal with the uncertainty of how effectively the candidate countries can implement EU laws. Andrej Kumar considers how the next EU enlargement would contribute to the associated countries' ultimate goal of catching up with the most developed economies. Elzbieta Kawecka-Wyrzykowska argues that the next EU enlargement, by creating a larger common market, is clearly beneficial both for the current members of the EU and for the 10 applicant states.

Investments: evolution of transition economies according to the OECD by the OECD Centre for Co-operation with the Economies in Transition and the Turkish International Co-operation Agency. OECD (Tel: (331) 4524 9103; Fax: (331) 4524 7852).

A conference was held in early March in Istanbul on the creation of agencies to support investments and serve as an intermediary between foreign investors and host country administrations. The conference which focused mainly on former Soviet republics, also covered Bulgaria, Romania and Albania. Documentation from the conference is available from the OECD in Paris.

EU Encyclopaedia and Directory 1996. Europa Publications, 18 Bedford Square, London EC1B 3JN. English.

This volume provides information on the EU, including its new institutions such as the European Monetary Institute and Committee of the Regions. Some contact information on principal officials is given together with statistical information on the EU members.

Commi-Contact: a directory of the European Commission services. Eurosources, 26 rue du Noyer, B-1040 Brussels (Tel: (322) 735 8884). English and French.

This directory covers the Commission services and identifies over 5,000 officials. The directory has been put together with the help of journalists and information specialists. Telephone and fax numbers are given for most entries.

Assistance Programmes for Central and Eastern Europe and the Former Soviet Union. OECD, 2 rue André Pascal, F-75775 Paris Cedex 16 (Tel: (331) 4524 9689; Fax: (331) 4524 8177). French and English.

This is the OECD's first survey of assistance programmes of OECD countries and the European Commission to these regions. The survey describes the situation in 1995 as well as developments in earlier years. It focuses on bilateral assistance programmes but does not cover the assistance programmes of multilateral institutions such as the World Bank, European Bank for Reconstruction and Development and others.

Enlargement of CAP to the 10 Central and East European Countries. Club de Bruxelles, 52 avenue Adolphe Lacomble, B-1040 Brussels (Tel: (322) 743 1520; Fax: (322) 733 5050. English).

This is a collection of papers given at two conferences and two studies on agriculture, the agri-food industry and the enlargement of the Common Agricultural Policy. The book contains sections on the current state of relations between the EU and Europe agreement countries, problems related to enlargement, the 1992 agricultural reforms and how enlargement will affect Europe's agricultural policies.

Enlargement of the European Union: impact and implications for political institutions. Foundation Paul-Henri Spaak, 11 rue d'Egmont, B-1050 Brussels (Tel: (322) 511 8100). Two volumes, BFr 400 each. French.

This two-part study analyses the research done on enlargement and deepening the European Union. The research, carried out under the direction of Christian Franck and Mario Telo looks at the extent to which the political structures of Europe would be changed by enlargement and both the positive and negative consequence of enlargement of the Union eastwards. The studies examine the institutional evolution of the Union, the impact of enlargement on the European Free Trade Agreement (Efta) and the consequences of further enlargement on the Mediterranean countries. The second volume examines economic and monetary union, the concept of a multi-speed Europe and other related problems connected with further enlargement.

The TAIEX Letter is a monthly newsletter published by the EU Technical Assistance Information Exchange Office. The letter gives information on TAIEX activities and also publishes an insert, *AC Translators' Newsletter* which gives information from translators in associated countries.

More information on the publications from TAIEX Office, 80 Avenue de Cortenberg, B-1049 Brussels (Tel: (322) 296 7307 or 8; Fax: (322) 296 6840). ■

Informing the public is not easy

As European Union membership draws nearer, the candidate countries will need to think seriously about the type of information programmes they will need in order to tell the public about the Union. This is not an easy task, and as the newest members to the EU admit, the process of informing the public is never-ending.

The English lexicographer and man of letters, Samuel Johnson, maintained that "knowledge is of two kinds. We know a subject ourselves, or we know where we can find information upon it."

For Dr Johnson this may have been the case. But for most people there are at least three other kinds of knowledge: the knowledge of which we are unaware because we have no information; the knowledge which escapes one because "we know a subject ourselves" when our information is wrong or our deductions are incorrect and the knowledge we are too lazy or prejudiced to acquire information about.

Helping people to overcome these various obstacles and acquire valuable knowledge about the European Union (EU) will be a priority in the 10 applicant states over the next decade. As the next enlargement approaches the EU and the associated countries will together engage in a series of public diplomacy information and communications exercises on a unprecedented scale, to give the people of the region a better understanding of the EU and the implications of integration and membership for their countries and for them as individuals.

Sue Cunningham Photographic

Accession is the beginning of the story, not the end. Any analysis of the effectiveness of information exercises must take account of current thinking about the EU in the new member states.

The last similar series of exercises took place prior to the enlargement in which Austria, Finland and Sweden became members while Norwegians decided against EU entry. It would be wrong to draw too close a parallel between the challenges then facing these four candidates and those facing the countries attempting to join from central Europe and the Baltic states. But there are lessons to be learned from the experience of these member states and their experiences could hold valuable clues to the riddle of EU awareness-raising in the current associated countries.

Three out of the four last applicants made government neutrality, impartiality and transparency the foundation of their campaigns. The Scandinavian view was (and remains) that honesty and impartiality was the best policy. The Austrian government decided to take a pro-active approach and promote the merits of EU membership to its citizens.

The outcome for the Scandinavians was mixed. In November 1994, 51.8 per cent of the Swedish electorate voted "yes" to EU membership against 47.7 per cent "no". It is fair to say that when it voted, the Swedish electorate was as well informed and knowledgeable as it could be following a thorough and impartial information exercise.

In October 1994, 57 per cent of the Finnish public voted in favour of membership (43 per cent against). Like the Swedes the Finns considered that they had run a good information exercise based on an honest presentation of the facts and a refusal to raise false expectations. In retrospect Finns admit that the government made one major mistake, which was to close the exercise down immediately after the referendum.

In Norway, where the referendum was most sensitive following the 1972 rejection of entry into the common market, Norwegian diplomats and politicians still maintain the government did everything right in its information campaign about EU membership.

But the referendum vote was "no" (only 47.8 per cent supported membership compared with 52.2 per cent against). By contrast when Austria's public voted in June 1994, the government and other advocates of membership got what they wanted — 81 per cent of electorate participated in the referendum and gave a "yes" (66.4 per cent; 33.6 per cent "no") to EU membership.

Accession is the beginning of the story, not the end. Any analysis of the effectiveness of information exercises must take account of current thinking about the EU in the new member states.

According to opinion polls of the three nations which joined the EU in January 1995, the people of Finland are generally the most content with their new EU status. Finns consistently express hope for the future and speak relatively positively about the benefits of EU membership, according to *Eurobarometer* polls. By late 1996 Finns were still saying they would vote "yes" in a referendum for remaining in the EU (57 per cent compared with 30 per cent who would vote "no").

As the next enlargement approaches the EU and the associated countries will together engage in a series of public diplomacy information and communications exercises on a unprecedented scale, to give the people of the region a better understanding of the EU and the implications of integration and membership for their countries and for them as individuals.

The Swedes and Austrians are less happy about membership. Both have consistently been pessimistic about the future and disappointed in the benefits of EU membership. In autumn 1996 only 38 per cent of Swedes polled by *Eurobarometer* and 45 per cent of Austrians said they would vote to stay in the Union, compared with 49 per cent and 31 per cent respectively favouring withdrawal. Other ad hoc polls have painted an even gloomier picture, particularly in Austria.

It would probably be wrong to conclude that the Finns got it right, the Austrians and Swedes made some mistakes and the Norwegians got it all wrong — particularly on the basis of an analysis which can, in any case, only be a snap-shot of four complex situations.

External factors had a major impact on the decision of individual about voting in the referendum and external events and circumstances have played a major role in determining the subsequent perspectives of the three nations which did join the EU. For example, the economic and political imperatives which persuaded Finns to vote for membership have remained positive factors in their thinking about the EU since they joined.

But the provision of information and the knowledge it creates also plays a vital role in the process of preparing for accession. "Sex isn't the most important thing in marriage, but if it doesn't work, then generally the marriage doesn't either," according to one marriage counsellor. Although membership to the EU is not quite the same, the analogy does define the role of information in the integration process.

Overall the Swedish strategy was the perfect model for Sweden. But the economic down-turn since 1995, entirely independent of EU affairs, has created a negative Swedish public attitude to the EU. Austrians accept that their government made some mistakes, such as closing down the information programme immediately after the referendum (a failing shared by the Finns) and the promises (by only some) of unrealistic, undeliverable benefits.

A complaint made in a 1995 opinion poll illustrates the information deficit. An Austrian bought a car full of wine in Italy at half the price he would have paid in Vienna. He could see no difference in the before and after effects of EU membership. Nevertheless, Austrian government representatives maintain that, on balance the course taken by Austria was the right one for Austria.

The Norwegian exercise demonstrates the need to mobilise lobbies and begin information activities early as well as the need to attract charismatic leadership to communicate with the public. "What is said is not always as important as who says it and how it is said," comments Thorstein Wangen, Norway's European Movement secretary general. This view is shared by the Finns.

The Austrians point out that this poses a problem for the advocates of membership since, while it is easy to find arguments against EU membership, explaining difficult messages in simple terms is hard.

Swedes, Finns and Austrians all consider, with the wisdom of hindsight, that too much emphasis was placed on the economic merits of membership and not enough on the political ones.

All players emphasised the importance of visits to Brussels in creating better understanding of the EU and, therefore, greater sympathy for its institutions. The visit of a group of Danish trade mission members to Brussels in 1972 underlines this point. As the flight left Copenhagen a vote was taken on whether Denmark should join. Seventy per cent of the journalists accompanying the mission said "no". On the return journey, after the group had met with then Danish ambassador, and subsequently Denmark's first Commissioner, Finn Gundelach, in Brussels the question was repeated and 70 per cent said "yes". ■

Reports by Patrick Brooks, Brussels

Sue Cunningham Photographic

Swedish efficiency couples with information

Sweden's information strategy about EU integration and accession was typically efficient, even-handed and impartial. The government approach was to "give broad, comprehensive and neutral information to the general public . . . contribute to improving knowledge of a general nature and . . . support non-governmental organisations in their campaign activities prior to the referendum," according to a book on the subject published in Sweden.

Between 1992-94 the Swedish parliament voted around Ecu 21m for these purposes. It was divided equally between official information and non-governmental organisations (NGOs) with "yes" and "no" groups sharing equally.

On the official side the government information machinery under the supervision of the Foreign Affairs Ministry, published a magazine about the EU and accession as well as various fact sheets and booklets.

It established a popular telephone information hot-line and computer databases.

It also set up study circles in which EU issues were discussed.

The government commissioned major research to provide the best possible basis for the information exercises. Many of the findings were self-evident such as the fact that the press and media had a dominant position in forming public opinion. But much of the research and analysis by experts such as Ake Daun was far-reaching and identified both the main influences on Swedish thinking and the main forces for determining it.

The Swedish strategy recognised that knowledge cannot be achieved as a result of information alone and that moulders of public opinion would be the key figures in the lead up to the referendum.

The strategy placed emphasis on the popular associations and movements to which Swedes traditionally belong and which act as the melting pots for public opinion. Many of these were funded from public funds.

One major private sector action, considered to have had significant impact, was the visit of 2,000 Swedish teachers to Brussels.

The Swedish strategy was not without some danger, as public opinion trends of the period demonstrate.

Sue Cunningham Photographic

The Swedish strategy recognised that knowledge cannot be achieved as a result of information alone and that moulders of public opinion would be the key figures in the lead up to the referendum.

Only two months before the referendum, polls showed the opponents of membership leading.

The issues were many and complex. Swedes were concerned that EU membership would dilute the excellence of their policies, particularly social welfare and environment. On the other hand they also wanted their country to be part of western Europe.

The regional perspective was complicated. The North voted "no" to show opposition to Stockholm and the south voted "yes" in the hope of diminishing Stockholm's influence.

Political events also played a significant part, such as the return to office in September 1994 of the Social Democrats. ■

FINNS STUDY HISTORY

In Finland the government began the process of public awareness-raising by studying the examples and the lessons provided by history. It concluded that public information about the EU should not be a government project which would inevitably provide a government vs political opposition confrontation, but rather a national project, based on the principle of honesty and integrity of information and not promising the undeliverable.

> **The decision on political neutrality was honourable, but there was enlightened self-interest involved.**

The decision on political neutrality was honourable, but there was enlightened self-interest involved, too. The government coalition of centre (agrarian) and conservative parties had a division of view which would have been brought out into the open by an angry political debate.

The government also recognised that the influential role of the press and media was central to the issue and in many respects more powerful than political partisan debate. A further, major consideration was the concern that too much intercession by the politicians and other leading figures could result in a perceived division in society, with the elite promoting the case for EU membership and ordinary people speaking out against it. The government concluded that such a presentation could only be harmful.

The constructive response was to establish a chain of 20 information centres around the country from which the public could obtain information about the EU and the implications of integration and membership. These centres, operating under the supervision of the Foreign Affairs Ministry, recruited unemployed people as staff and drew information about the EU from a wide range of sources, giving both the pro- and anti-EU picture.

Parliament gave non-governmental organisations money, placing equal emphasis on the "yes" and "no" movements.

The campaign relied on the press and media's own interest in the issues. The only commercial television air-time purchased during the campaign was in late 1994 to urge people to exercise their right to vote.

Underlying political and economic factors strongly motivated Finnish voters. EU membership gave Finland new hope in the 1990s. Following the break-up of the USSR, Finns felt only the EU could provide both a political and economic focus. ■

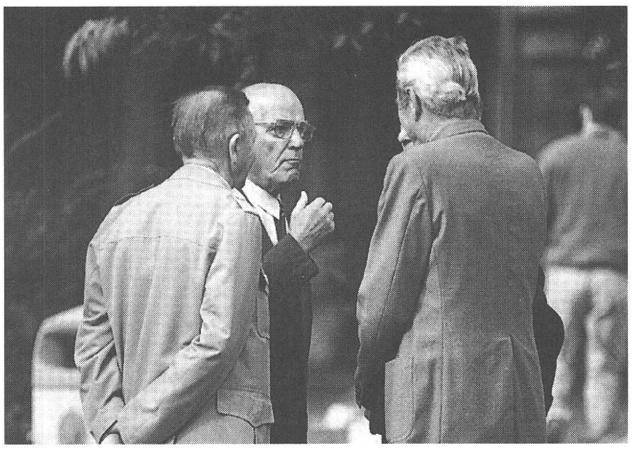
Norwegians reject membership

Norway's 1994 referendum was always haunted by the memory of 1972 when, according to the Norwegians, the government had been "authoritarian and arrogant in its attitude to the electorate". It told people to say "yes" to EU membership. Faced with such dictates, the Norwegians decided to vote "no" instead.

In 1992-94 the government of Ms Gro Harlem Brundtland scrupulously maintained strict impartiality in the public debate. While there was a partisan political debate within parliament between all parties, the debate was never transferred to the public stage in a political form.

Instead the government funded the activities of non-governmental organisations (NGOs), such as "Nei til EU" (No to EU) and "Europabevegelsen" (European Movement) and let the two sides fight it out.

The contest was never actually equal. To begin, the "no" group had begun to gather momentum in 1989, when the idea of a further enlargement was first raised. Norwegians also say social history favoured the "no" group, a reformed nineteenth century anti-centrist, anti-bureaucratic alliance of agrarian, left-wing groups and other elements.



Sue Cunningham Photographic

The early start gave the "no" group a significant political advantage since, as Thorstein Wangen, secretary general of Europabevegelsen remembers, "It made it too easy for them to box us in, to label us even before we'd got going."
They reinforced this advantage by recruiting a number of charismatic public figures, such as Ms Anne Enger Lahstein, leader of the Centre Party, who became known as the "No Queen". Her approach was direct and down-to-earth. With an excellent television manner, she gave the impression of talking directly to the audience.
By contrast the Europabevegelsen was led by a professor of theology who mastered the complexities of the issues involved and won many of the public debates on points. But as one Norwegian observer remarked, he failed to win public hearts and minds. "The 'yes' lobby was too keen to win the debate, not keen enough to convince the audience."
The "no" group made particularly good use of the media and press, despite the fact that at the outset almost all newspaper, television and radio favoured membership. All these channels were central to the national debate. Although little use was made of the press and media by publicity means, they were particularly powerful as the channels through which the issues were aired and made public.
The decisive issues were fisheries and agriculture. On both these subjects Norwegians admit that the "yes" lobby had the best arguments, but Norwegian gut feeling disqualified them. Dislike of the Maastricht Treaty and a sense of being on the periphery were also decisive.
Norwegians in Kirknes in the north live as far from Oslo as Oslo is from Rome. Few of them saw any advantage to having decisions governing their futures taken even further away than they already were. ■

Geo-political changes influenced Austria

While Austrians took careful note of the lessons of history, their interpretation of past events and their application to Austria differed from that of the Scandinavians. So, too, did the Austrian strategy.
The break-up of the Soviet Union caused Austria to reassess its geo-political and economic place in the world. It concluded that EU membership was the best course to pursue. By 1990 there was a broad consensus within the governing Socialist/Christian Democrat coalition which commanded two-thirds of all seats in parliament, that Austria should join the EU. Only the Greens and marginal communist party opposed the idea.

The break-up of the Soviet Union caused Austria to reassess its geo-political and economic place in the world. It concluded that EU membership was the best course to pursue.

The Austrian employers' organisation and trades unions also unanimously favoured EU membership.
This consensus was largely shared by Austria's powerful press and media, a crucial factor in a society where press and media are influential and where one paper, *Kronen Zeitung,* has a daily circulation of 2.5m.
Working from this position of strength, the Austrian government rejected the idea of running a neutral and even-handed information exercise in favour of a positive campaign to persuade the public of the advantages of EU membership.
The Government employed a press relations agency to develop and implement an aggressive, positive campaign promoting the message "all alone — or together".
Emphasis was placed on the argument that Austria's livelihood was determined by its membership of the European Economic Area (EEA), so should Austria not have its say in the process of governing the grouping? The government, via its press relations agency, bought television and radio air time and space in newspapers to promote this and other messages.
Some ministers went even further. They persuaded the Austrian public that EU membership would mean that "Mr and Mrs Austria" would have more money each month as a result of joining the EU.
On a more traditional information level, the government printed and distributed large numbers of brochures and leaflets covering all aspects of EU activity and arranged a massive programme of visits to Brussels for a wide variety of groups — mainly opinion-makers of one sort or another — giving each of them tailor-made visit programmes.
Between September 1993 and June 1994 the Austrian mission in Brussels received 12,000 visitors and showed them around EU institutions. Austrian officials placed heavy emphasis on the importance of this exercise to persuade sceptics, particularly the influential journalists.
The government, however, committed what it now sees as one large error of judgement in the exercise. Having achieved the desired result — a "yes" vote for membership — it stopped the information programme. ■

REFERENDA ARE TRICKY THINGS

In June 1992's Danish referendum on the Maastricht Treaty, the 50.7 per cent "no" vote was a nasty shock to both the Danish government and the EU.

The referendum was mandatory under the Danish constitution, but the government, believing that after the 1986 referendum on the Single European Act, the vote on Maastricht was a formality, adopted a remote and authoritarian stance. This strategic misjudgement was compounded by a well-intentioned decision to inform the electorate about the issues by providing copies of the treaty on request at local post offices. The document, virtually unreadable even to experts without accompanying copies of the Treaty of Rome and other accords, proved inflammatory to an already doubting Danish public.

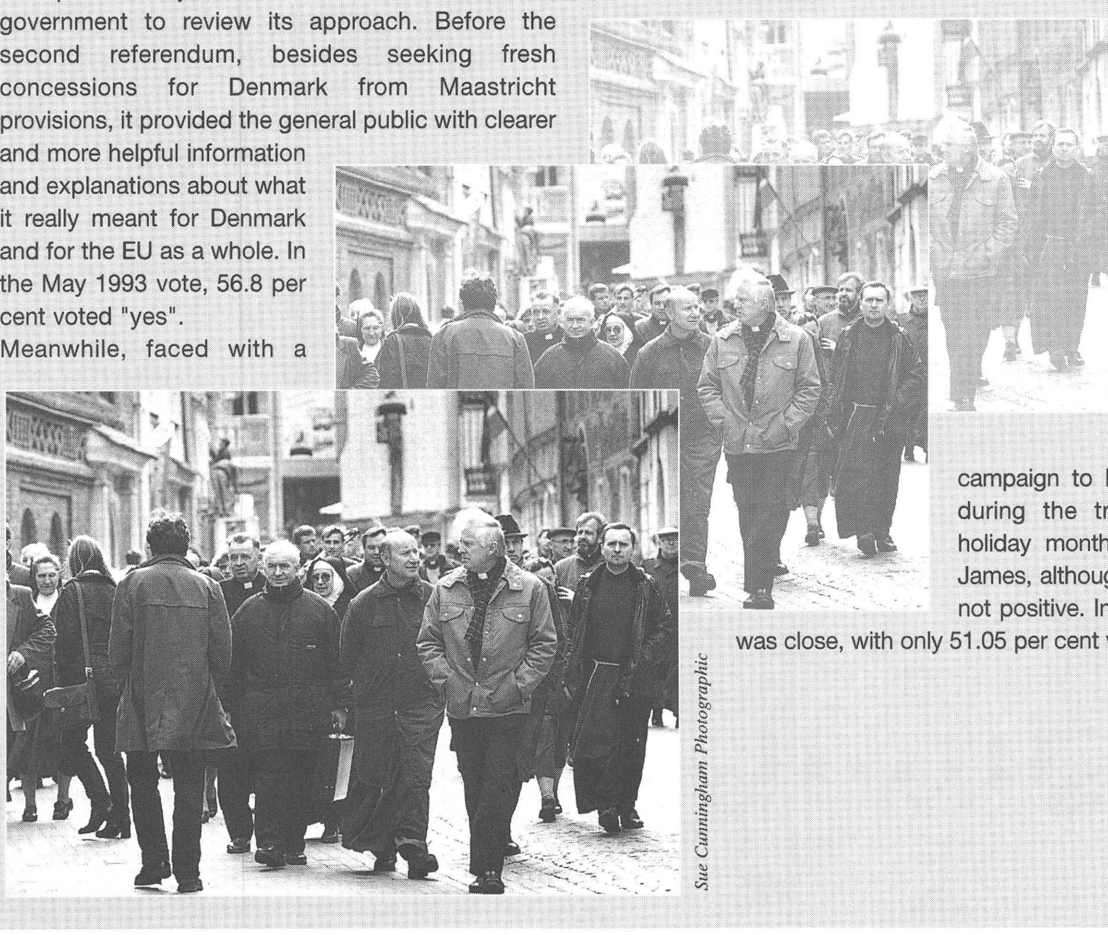
The referendum brought opposition to Maastricht and the EU in France out into the open and in so doing helped it to organise and co-ordinate its attack.

The public's rejection of Maastricht forced the government to review its approach. Before the second referendum, besides seeking fresh concessions for Denmark from Maastricht provisions, it provided the general public with clearer and more helpful information and explanations about what it really meant for Denmark and for the EU as a whole. In the May 1993 vote, 56.8 per cent voted "yes".

Meanwhile, faced with a nation-wide debate and controversy, the French government announced in spring 1992 that France, too, would go to the polls to decide on participation in Maastricht. It is still not entirely clear why the government took that decision, given there was no legal or political obligation to do so.

The referendum brought opposition to Maastricht and the EU in France out into the open and in so doing helped it to organise and co-ordinate its attack. A major force to emerge was the British businessman and Euro-MP, Sir James Goldsmith, now living in France. The 1992 referendum proved to be the springboard for Sir James's Europe of Nations party in the European Parliament and his latest foray into British politics, the Referendum Party.

In a hard fought media and press campaign, the government doubled the stakes by making the referendum effectively a vote of confidence in it. The eye-catching European Affairs Minister Elisabeth Guigou and others took the campaign to France's beaches during the traditional August holiday month. But so did Sir James, although his impact was not positive. In the end the vote was close, with only 51.05 per cent voting "yes". ■



Sue Cunningham Photographic

What the candidates think about the EU

Monitoring changes in the opinion of citizens in the candidate countries is important in signalling shifts in perceptions and notions of the EU. The latest issue of *Central and Eastern Eurobarometer* shows that people in the 10 candidate countries have revised their thoughts about the EU in just one year.

According to the latest issue of *Central and Eastern Eurobarometer,* people in Poland (70 per cent) and Romania (80 per cent) are the most likely to vote for European Union membership. They also have the most positive image of the EU (58 and 65 per cent respectively). Five other countries show relative majorities in favour of EU membership, ranging between 43-49 per cent. The EU's image has improved significantly over a year ago in Bulgaria and Romania by 15 points and in Poland by 12 points. The decline in the EU's image in the Czech Republic has bottomed out and the situation remains largely stable in Hungary, Slovakia and Slovenia.

The three Baltic states now have the least number of people positive about the EU among the 10 candidate countries. There have been substantial falls in the number of citizens who would vote for EU membership in Estonia (down 15 per cent), Latvia (down 13 per cent) and Lithuania (down seven per cent) compared with a year ago.

The EU's image has also worsened in Latvia in particular, down nine percentage points. Public support for Nato membership has fallen in Estonia (down 15 per cent) and in Lithuania (down 10 per cent), compared with a year ago.

Public support for Nato membership is weaker than that for the EU in all countries, except in Estonia. Both Romania (76 per cent) and Poland (65 per cent) are solidly in favour, but there is a big gap in the popularity of Nato between those countries and the rest. Although there is no relative majority against Nato membership in any country, the large number of undecided creates a cloud of doubt concerning the results if referenda ever take place in these countries. Decision-makers and opinion-formers in the region, however, are much more positive. Eighty per cent of them have a positive impression of the EU and only three per cent are negative while among the general public, 49 per cent are positive and only six per cent are negative. Absolute majorities of decision-makers and opinion-formers are positive about the EU everywhere, even though in Estonia they are more reticent with 50 per cent positive and 43 per cent neutral. As within the EU itself, it will be important to monitor closely whether decision-makers and opinion-formers are in step or not with the views and interests of their general public on EU matters as they come closer to their goal of full EU membership.

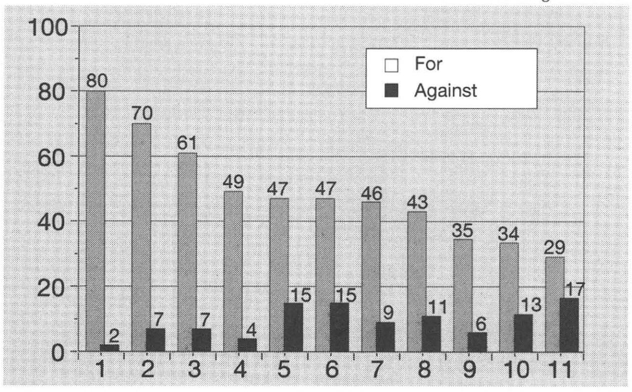
Central and Eastern Eurobarometer N° 7 interviewed 1,000 people in each country face-to-face in their homes during November 1996. For the first time a sample of 150 persons in each of the 10 candidate countries (250 in Poland) of "decision-makers and opinion-formers having an impact on European integration", were questioned at random largely by telephone during the same period.

A full version of Eurobarometer is available in English. More information from George Cunningham (Fax: (322) 299 9288; E-mail: george.cunningham@dg10.cec.be).

*Referendum on EU membership in candidate countries** (*in per cent*)

Question: If there were a referendum tomorrow on the question of your country's membership of the EU, would you personally vote for or against membership?

** those who have the right to vote.*

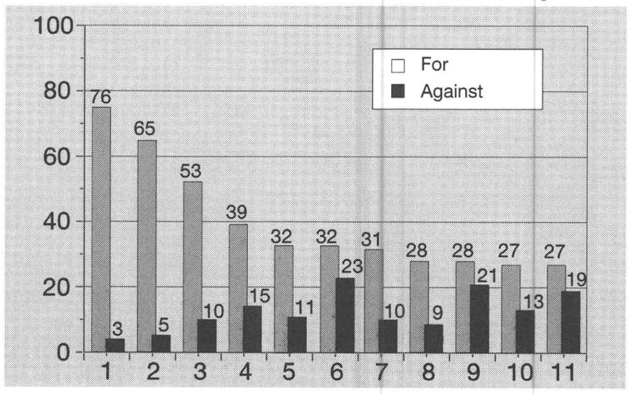


1. Romania *2. Poland* ***3. Candidate countries*** *4. Bulgaria*
5. Slovenia *6. Hungary* *7. Slovakia* *8. Czech Republic*
9. Lithuania *10. Latvia* *11. Estonia*

*Referendum on Nato membership in candidate countries** (*in per cent*)

Question: If there were a referendum tomorrow on the question of your country's membership of Nato would you personally vote for or against membership?

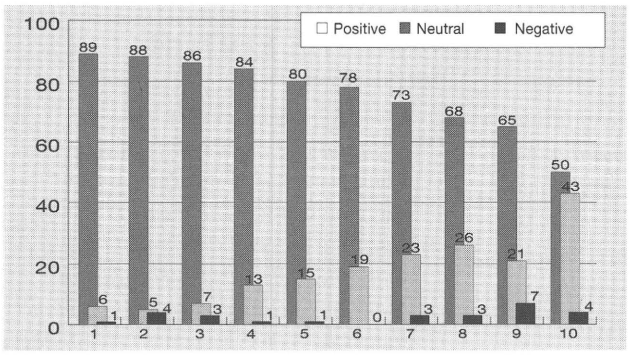
** those who have the right to vote.*



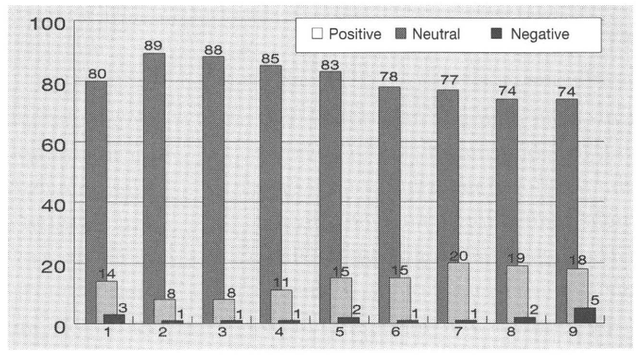
1. Romania *2. Poland* ***3. Candidate countries*** *4. Slovenia*
5. Estonia *6. Hungary* *7. Latvia* *8. Lithuania*
9. Czech Republic *10. Bulgaria* *11. Slovakia*

Image of EU among candidate countries' decision-makers and opinion-formers * (*in per cent*)

Question: Are your impressions of the aims and activities of the EU generally, positive, neutral or negative?



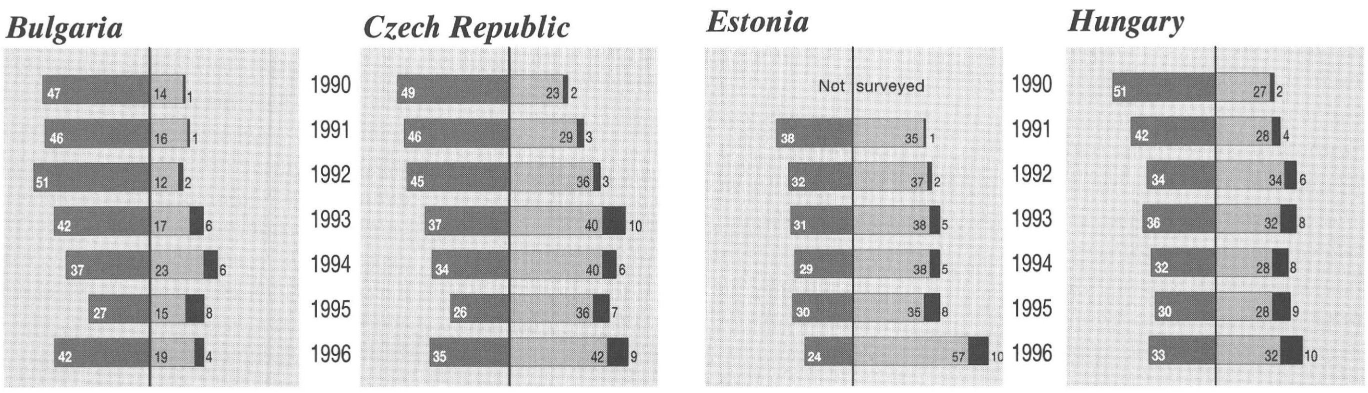
1. Romania *2. Poland* *3. Hungary* *4. Slovakia*
5. Bulgaria *6. Lithuania* *7. Slovenia* *8. Czech Republic*
9. Latvia *10. Estonia*

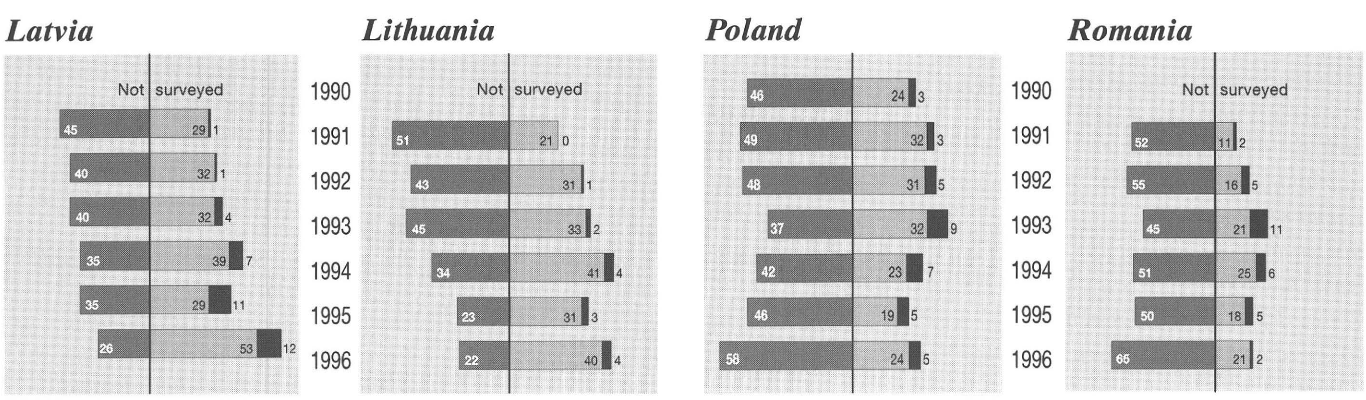


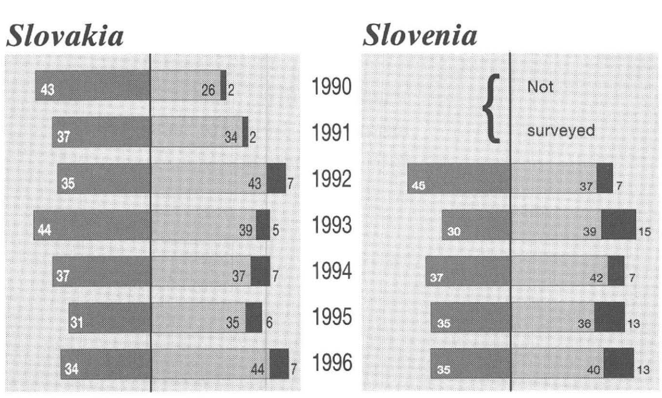
1. Decision-makers and opinion formers *2. Parliamentarians* *3. Non-governmental organisations (NGOs)*
4. Academics *5. Political parties* *6. Local government*
7. Journalists *8. Central government* *9. Private sector*

European Union's image among candidate countries' general public (*in per cent*)

□ Positive ■ Neutral ■ Negative



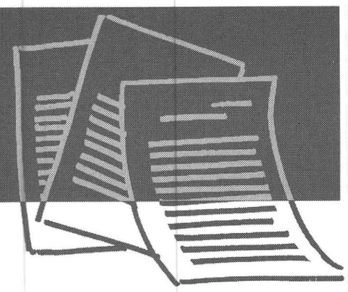




Sue Cunningham Photographic

Source for all tables: Central and Eastern Eurobarometer *N° 7*

Letters to the Editor



TO THE EDITOR

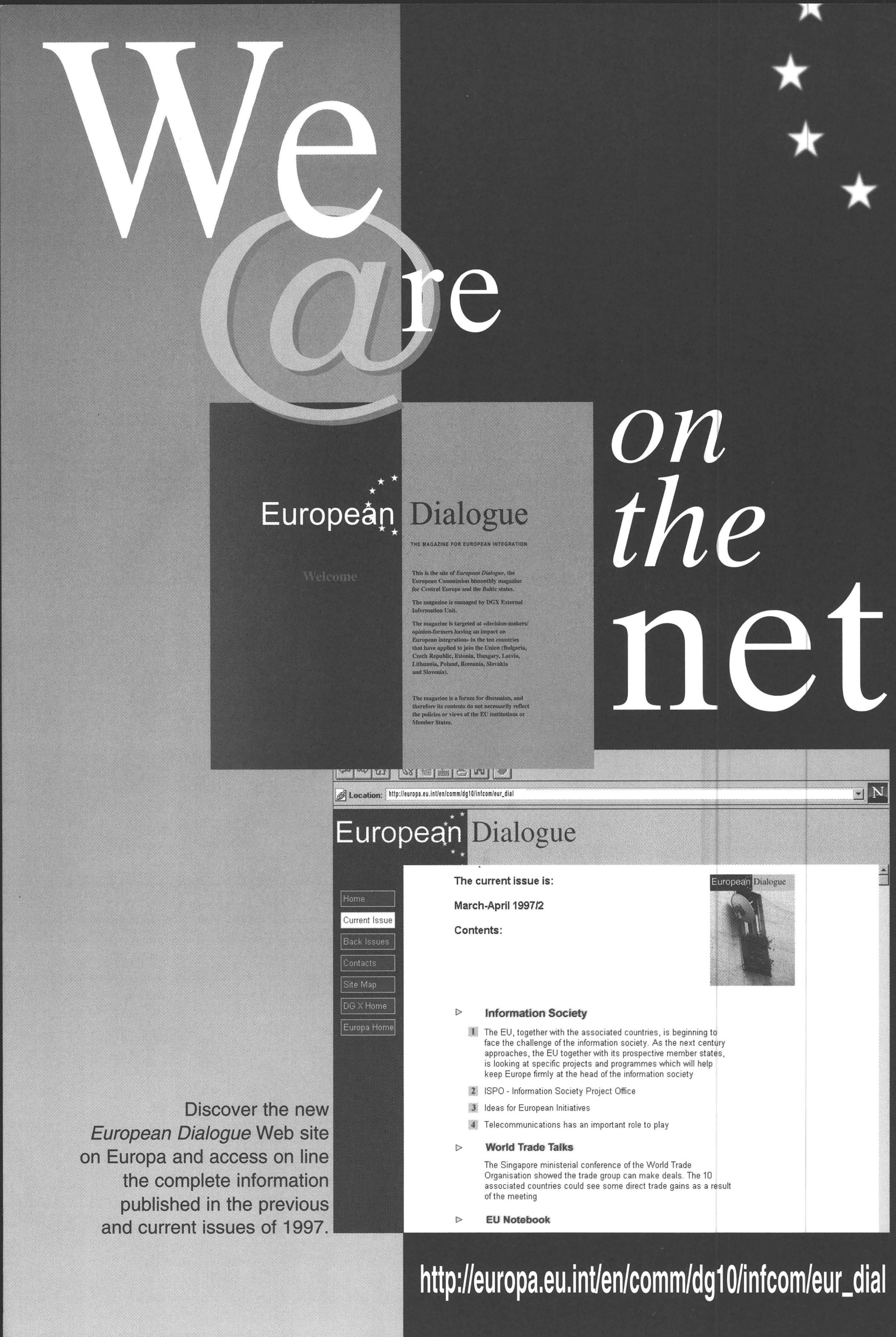
European dialogue between the EU and the countries of central Europe and the Baltic states in the area of higher education is facilitated by the EU educational programmes. One of the features of the Tempus-Phare programme is individual mobility of university lecturers.
I had a chance to spend almost four weeks at two European colleges training teachers of music: Hilversum Conservatory, which is a part of the Musical College in Amsterdam and the Musical College in Cologne, Germany. In both countries the future teachers of music for higher grades of primary schools and for comprehensive secondary schools (in Slovakia there is no musical education at secondary level), are educated at musical colleges rather than at universities as in Slovakia. Some differences stem from this institutional distinction, which determines where the focus of the education is — whether in the artistic or in the pedagogical area.
Everything one comes across in these countries is inspiring — the country itself, the people, the system of higher education. From my point of view as a head of department of musical education at the teaching faculty of Pavol Jozef Safarik's University in Presov, I was most interested in the policy of education of music teachers, content of individual subjects, graduate's profile and his/her opportunities to find work, the educational practice in primary schools and secondary comprehensive schools and the forms of artistic work in ensembles.
Advanced technical equipment and sufficient material sources, recording studios, computer equipment reflecting the needs of musical education, libraries with the latest CD releases including several recorded versions of the same composition — all this provides excellent conditions for the student of music and that was what I envied most about my Dutch and German colleagues.
In the area of music teachers' training there is much we can offer each other. At various meetings experts are generally very interested in our system of primary artistic schools and their four artistic branches. These schools provide musical education also for students who later decide to become music teachers. For us the experience of western teachers of music in the area of popular music and the use of computers during musical education lessons is most important.
Such opportunities to obtain new information and contacts, opportunities for mutual constructive confrontation provided by the European programme Tempus-Phare for co-operation in higher education are of invaluable importance on the road to sharing experience of educational programmes in Europe.

Irena Mednanska
Head of Musical Education
Vice-Dean of the Faculty of Pedagogy
Pavol Jozef Safarik's University, Presov
Slovakia

TO THE EDITOR

In the May-June 1996/3 issue, my attention was drawn to the article: Romanians and Hungarians try to agree on history. *The theme is very much the order of the day and I fully share the hope that the Hungarian historians will accept the action plan suggested by the Romanian side to the Romanian-Hungarian commission of historians.*
In the article one detail is striking: "Statistics show that 2m Hungarians now live in Romania". According to the latest population census in Romania (January 1992), the number of Romanian citizens of Hungarian origin was 1,624,959. It is possible that in the four years since, the number of these residents of Hungarian origin increased by one or two per cent, although such an increase would be unlikely considering the general demographic trend in Romania.
According to the Romanian Statistical Yearbook 1995, *between 1992-94, 9,238 Hungarian emigrated from Romania — almost 0.6 per cent of the total registered in January 1992. The natural increase could either replace or supplement slightly this decline of the Hungarian population due to emigration. But there could in no way be any serious reason to justify the claim that 2m Hungarians might now live in Romania.*
It's likely that the figure was rounded up. This practice is particularly common among Hungarian authors. As their works are often used as sources of information, these figures acquire an unjustified status and give a distorted image.

Vasile Sandru
Romanian Institute for International Studies, Bucharest
Romania


We @re on the net
European Dialogue
THE MAGAZINE FOR EUROPEAN INTEGRATION
Welcome
This is the site of European Dialogue, the European Commission bimonthly magazine for Central Europe and the Baltic states.
The magazine is managed by DGX External Information Unit.
The magazine is targeted at «decision-makers/opinion-formers having an impact on European integration» in the ten countries that have applied to join the Union (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia).
The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the policies or views of the EU institutions or Member States.
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