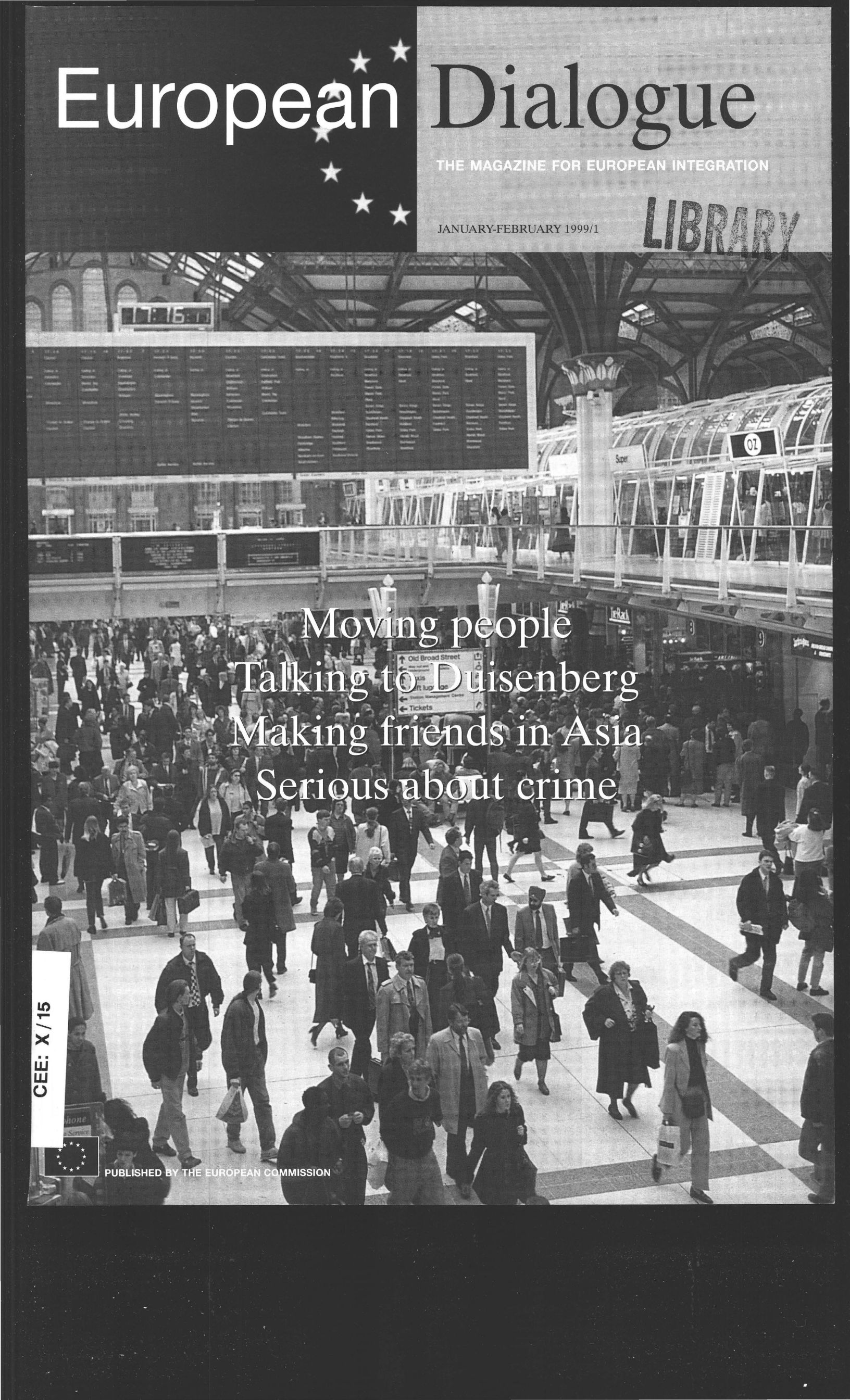


# European Dialogue

THE MAGAZINE FOR EUROPEAN INTEGRATION

JANUARY-FEBRUARY 1999/1

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Moving people  
Talking to Duisenberg  
Making friends in Asia  
Serious about crime

CEE: X/15



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# LEONARDO DA VINCI ACTION PROGRAMME FOR THE IMPLEMENTATION OF A EUROPEAN UNION VOCATIONAL TRAINING POLICY 1995 – 1999

## *Why the Leonardo da Vinci programme?*

In light of the challenges facing Europe on growth, competitiveness and employment, the Leonardo da Vinci programme aims to enable young people, employees and companies to benefit from, rather than to be dominated by, the impact of ever more rapid technological and industrial changes.

## *Which countries, activities and themes are covered by the Leonardo da Vinci programme?*

The Leonardo da Vinci programme operates in the 15 Member States of the European Union as well as in Norway, Iceland, and Liechtenstein. Access to Leonardo da Vinci will later be extended to the associated central and eastern European countries (since 1.10.1997 including also the Czech Republic) and to Cyprus and Malta.

Leonardo da Vinci supports three kinds of activity:

- **transnational pilot projects and multiplier-effect projects** which aim to develop, exchange and disseminate knowledge and experience;
- **transnational placement and exchange programmes;**
- **transnational surveys and analyses.**

## *Which activities are supported under the Leonardo da Vinci programme?*

Leonardo da Vinci emphasizes the value of the transnational partnerships which bring together all vocational training players, especially companies and social partners. The programme's activities can be grouped under the following four stands:

**Stand I: support for the improvement of vocational training systems and arrangements**

**Stand II: support for the improvement of vocational training measures, including university/industry cooperation, concerning undertakings and workers**

**Stand III: support for the development of language skills, knowledge and the dissemination of innovation in the field of vocational training**

**Stand IV: support measures**

More detailed information, especially on how and when to take part in the Leonardo da Vinci programme as well as further information for applicants can be obtained from:

**National Training Fund  
National Coordination Unit the Leonardo da Vinci Programme**

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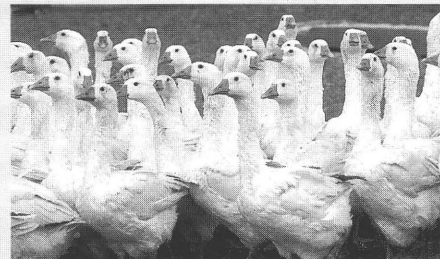


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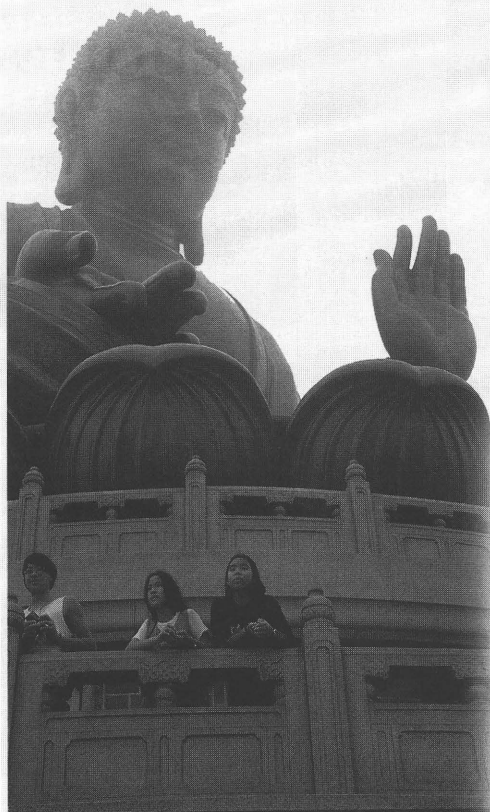
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## Complications surround *acquis*

Free movement is one of the basic rights of an EU citizen. However, it is a complicated subject and the laws making that free movement possible are complex. There are still gaps in implementation within the existing 15 member states.

When the Berlin Wall was breached in November 1989, many central and

east Europeans believed restrictions on the movement of people between countries had taken a giant step forward. Most people in the candidate countries had severe travel restrictions imposed on them by the communist regimes up to 1989. They saw one of the benefits of the over-throw of communism as freedom to travel.

While free movement is not the main reason why these countries want to join the EU, all 10 candidates expect to be granted this right upon accession.

However, before the Union is ready to extend this right to new members, several conditions need to be met, not least of all is adoption and implementation of the EU *acquis* (body of law) surrounding this fundamental right.

The subject is also a highly charged political issue. Some member states are worried that enlargement of the Union will lead to a mass influx of cheap labour from the new member states. Whether this is likely to happen or not is almost immaterial, what the member state governments and their public believe will matter more.

"We need to be extremely careful and cautious on this issue," explains one Commission official. "At the end of the day this is a purely political question. The feeling is that the issue will be resolved in the last weeks of the negotiations. It will be a political deal, probably part of a package that will include other difficult items, like environment — just like all other negotiations."

Looking at past enlargements — particularly the accession of Spain, Portugal and Greece — may give some hints as to what to expect with the next enlargement. There are both similarities and differences. Since 1989 the applicant countries have made great progress in establishing functioning market economies and democratic rules and in some cases may be in better economic shape than, for example, Spain, Portugal or Greece were on accession.

Nevertheless, there are concerns in some member states that the difference in economic prosperity between existing EU members and new entrants may lead to migration flows that could increase unemployment in the present members.

When Greece, Spain and Portugal joined the Union, such migration flows were forestalled through inclusion in the accession treaties of restrictions on the free movement of workers for a set period of time. The biggest difference between past and present enlargements, however, is the relationship which exists between the EU and the applicant states. Both technical and financial support is being offered to the present applicants prior to membership in an effort to close the economic gap existing between the candidates and existing member states as well as to help



Sue Cunningham/SCP

implement the Union's laws which are more complex and extensive than in previous enlargements.

The Europe agreements are one of the main ways the EU can tighten and expand its relationship with the candidate countries. Although the agreements do not allow for unlimited migration and employment of persons from the candidate countries as this comes within the jurisdiction of each member state, it does provide a forum for discussion of the issue.

So far no existing member state has been able to implement fully the Europe agreement clause dealing with free movement. This is mainly because of the high unemployment within the EU and the fear that unrestricted access to candidate countries to the employment market in the Union could worsen the unemployment situation.

Migration from the new members is often seen as a dangerous potential source of job losses in the present EU member states. But migration is more than an economic issue. Apart from job security, political, social and cultural aspects play an important role. Other problems and social tensions are often channelled into fear of free migration.

The scope of potential migration following the next enlargement is unknown. Existing survey results and estimates prior to liberalisation are not necessarily reliable indications of what will happen.

In any event free migration is not seen as one of the main motives for the candidates seeking EU membership. Although it is an important question of prestige and a powerful card to play in the accession negotiations, it could be to the advantage of the new members to restrict this right for a set period of time. The economies of the applicant countries are more likely to suffer a brain drain and loss of a valuable part of its young mobile workforce if early, unrestricted liberalisation of labour markets is granted.

**Lifting the issue of migration from the level of emotional political clashes and addressing it as a practical problem which can be tackled with appropriate policy tools is one way the concerns of existing member states could be neutralised.**

The gains in terms of transfers and occasionally enhanced skills of returning migrants should be viewed against the loss in terms of education expenditures spent on migrants in their home country. It will most probably not be difficult to agree on a slow and gradual liberalisation of labour markets in the accession negotiations.

Lifting the issue of migration from the level of emotional political clashes and addressing it as a practical problem which can be tackled with appropriate policy tools is one way the concerns of existing member states could be neutralised. Experience from earlier enlargements shows that rising incomes in the new members, improved security and political stability — all of which come with full membership — reduce the incentive to migrate.



Sue Cunningham/SCP

The impact of economic and monetary union on labour markets and wages in the participating countries will most likely have a much stronger effect than that of enlargement. Most traditional economic policy tools influencing developments in the economies of participating countries will practically no longer be applicable. The major part of the pressure for adjustment can only be absorbed through changes in wages and/or productivity. Countries lacking the necessary flexibility will suffer with or without enlargement of the Union.

During the 1990s migration from the applicant countries to the EU has been relatively small. Of the 19m foreign citizens living in western Europe, less than five per cent are from the applicants. Their share in the total population of western Europe amounts to a mere 0.23 per cent.

However, migration from the applicants has had a much greater impact on Austria than in any other EU member state. The number of people from Bulgaria, Hungary, the Czech Republic, Slovakia, Poland and Romania employed in Austria totalled 43,300 in 1997 compared to 5,000 in 1981. The number of all foreigners legally employed in Austria doubled in the period 1988 to 1997 from 151,000 to almost 300,000. Migration from the applicant countries is important, but it is not the sole reason for the increase of foreign employment in Austria. Other fears within the EU member states relate to the differences in economic development between the current members and the applicants. Gaps in per capita GDP involve wage differentials which some member states believe could potentially create a strong motivation for migration. Labour cost advantages in the applicant countries, especially in labour-intensive industries, could also be a factor which could lead to relocation of production sites from the relatively high wage EU countries to the applicant countries once they become Union members.

Migration, increased import competition and relocation of production sites may lead to the loss of jobs in the EU. Even now, prior to enlargement, under the current



conditions of industrial free trade and free movement of capital, the pressure for adjustment is great. The more rigid the labour markets remain in the present member states, the stronger the incentive for cost-conscious companies to relocate production. This in itself is not a consequence of enlargement. Without accession of the applicant countries this problem will still exist.

The main job of the candidates in the medium-term, says the Commission, is simply to adopt the *acquis*. "By the medium-term we mean starting at the end of 1999, when we expect the candidates to really start focusing on this issue and tackling decisively this whole area. It means being able to implement the employment chapters of the treaty, putting together a national action plan and taking into account the employment guidelines as well as the question of the *acquis*," says one Commission official.

The main problem for the candidates, say most Commission officials, is putting into place the existing *acquis* and reinforcing border controls, as once the new members join the Union the EU's external borders will shift.

**There are concerns in some member states that the difference in economic prosperity between existing EU members and new entrants may lead to migration flows that could increase unemployment in the present members.**

"There are gaps in every respect relating to this issue in the candidate countries," admits one Commission official. "Legal, institutional and staffing problems have surfaced already. Generally some candidate countries are more advanced in this area, but in general it is something where most of the countries need substantial improvement. To be fair, not so much effort has been put into the question of border management and control, for example. That's because these countries have other, more pressing matters to deal with. But by the end of this year, they'll have to start seriously addressing the issues connected with free movement of people, migration, asylum and border management."

The Luxembourg General Affairs Council meeting held in October 1998 also highlighted the need for more emphasis on border management and encouraged closer co-operation between the existing member states and applicant countries. Some candidate countries are already making progress in this area, but more

needs to be done. For example, the new Hungarian government has placed more emphasis on this issue and has allocated more resources to border management and fighting organised crime.

Already some of the candidate countries are being targeted by those seeking a better life. As the economies of the candidates improve and stabilise, they will be seen by less developed countries as safe havens and targets for migration — both legal and illegal. This will also prompt the candidate countries to strengthen border control and implement legislation to control the movement of third country nationals before and after EU membership.

The legal basis conferring clear, direct rights to EU citizens comes from articles 48, 52 and 59 of the Rome Treaty. The right of free movement of persons is based on two main provisions. One is article 7a in part one of the treaty establishing the European Community (principles). It is one aspect of the single market and is designed to establish the right for EU citizens and nationals of non-member countries to cross the Union's internal borders without being checked.

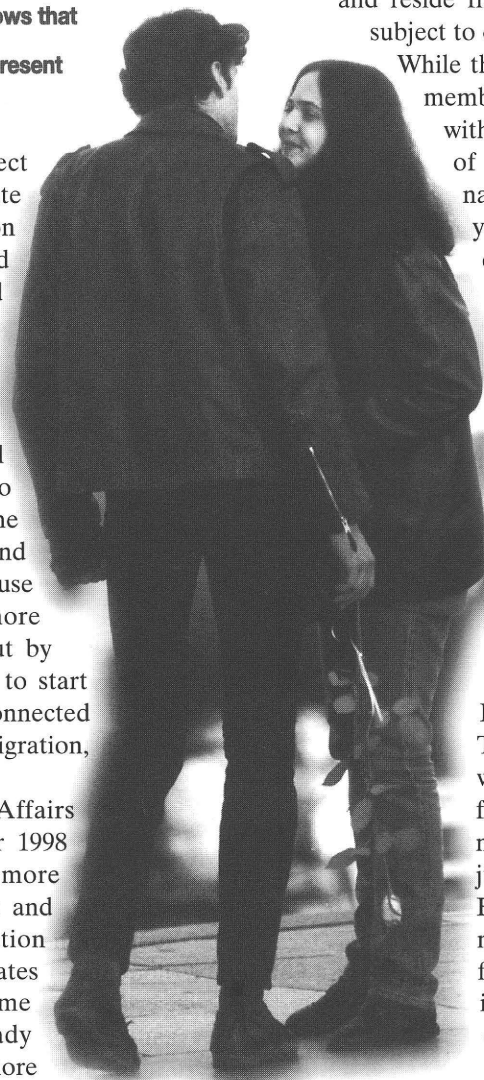
The other is article 8a in part two of the treaty (citizenship of the Union). This gives every EU citizen the right to move and reside freely within the territory of member states, subject to certain conditions.

While the rights deriving from article 8a apply in all member states. The free movement of persons within the meaning of article 7a — the abolition of checks on all persons, whatever their nationality, at the internal frontiers — has not yet been fully implemented. Doing away with checks on persons is conditional on the introduction of a large number of secondary measures, some of which have yet to be approved and implemented by member states.

To some extent that objective has been achieved by the majority of member states under the Schengen Convention (see separate article).

The Amsterdam Treaty aims to make this objective easier to achieve within the EU by including a new chapter on "an area of freedom, security and justice" and incorporating the Schengen *acquis* into the European treaties.

The entry into force of the Amsterdam Treaty will mark the end of the current co-operation framework for justice and home affairs. The new treaty will bring asylum, immigration and judicial co-operation in civil matters into the EU's sphere of competence. On the free movement of persons, the new treaty provides for the incorporation of the Schengen *acquis* into the framework of the EU and binds any candidate for EU membership to accept the provisions concerned in full on accession.



The free movement of workers is another freedom enshrined in the treaty. Freedom to practice certain professions (such as those in the legal and health areas) may, however, be subject to certain conditions, such as qualifications. Depending on the specific case, these may be dealt with through co-ordination or by applying the principle of mutual recognition.

Freedom of establishment is also guaranteed under the treaty and covers the economic activity of self-employed persons and companies. The free choice of residence may be subject to minimum conditions regarding resources and health insurance where the person does not exercise an economic activity in the country concerned.

At the beginning of the European Community the Treaty of Rome saw the free movement of persons primarily in economic terms. It was mainly concerned with the rights of entry and residence of economically active citizens of member states.

The idea behind the chapters of the EEC Treaty dealing with the free movement of workers, freedom of establishment for the purposes of pursuing occupational activities and, to a some extent, freedom to provide services, was to mobilise human resources.

The effect of 30 years of secondary legislation and judgments by the European Court of Justice has been that the right of workers to move freely has increasingly expanded to cover Union citizens generally. This expansion is also the result of the Council adopting three directives in 1990 conferring more general rights of entry and residence on students, retired people and any other citizens with the means to support themselves.

The Maastricht Treaty reflects this broadening of views, providing for the right of every citizen of the EU to enter and reside in another member state.

By including the right of free movement and residence in another member state as one of the rights of Union citizenship, the Maastricht Treaty confirms a new objective — the extension of the right of entry and residence to all member state nationals without discrimination.

Eliminating entry formalities in other member states encourages EU citizens to feel that they share a common area.

The right of entry, however, has not entirely removed identity checks at internal borders. The Commission wants to see the principle of movement free of checks at internal borders extended to all the member states.

The removal of checks cannot take place at the expense of security. Within the framework of the third pillar (justice and home affairs), action by member states aimed at establishing an area of freedom, security and justice attests their desire to reconcile freedom of movement and protection against crime, drugs and illegal immigration. This is why it is important for the member states to reach agreement on the details of border controls at the EU's external borders.

Once the Amsterdam Treaty enters into force, EU decision-making procedures will be applied to these areas, which will be contained in a new chapter — the progressive establishment of an area of freedom, security and justice.

**The scope of potential migration following the next enlargement is unknown. Existing survey results and estimates prior to liberalisation are not necessarily reliable indications of what will happen.**

In the first five years after the treaty comes into effect, specific institutional provisions will apply in the first pillar (for example, member states will share the right of initiative with the Commission). After that time, member states may submit proposals to the Commission, but it is not obliged to put them forward.

The Schengen Convention is incorporated in the draft treaty by means of a protocol. This means it will become part of the institutional framework of the EU.

It is clear that the EU rules and regulations which allow for the free movement of people are complex. They extend not just to workers, but to a wide range of people including pensioners, students and those not engaged in economic activities.

Much needs to be done in the candidate countries to bring their legislation, institutions and level of staff dealing with these issues up to EU standards. Over the next few years, as the negotiations intensify, there will be a flurry of activity in this area. At the same time the situation in existing member states is not ideal and will also need to be improved in terms of implementing existing EU regulations and European Court of Justice judgements.

At the end of the day, however, it will be up to the candidates to prove to the existing EU members that they are prepared to deal adequately with the responsibilities that this freedom entails. ■

# Free movement of people

## Schengen area outlook

Germany's position as current president of both the Schengen group (July 1998-June 1999) and holder of the rotating six-month EU presidency puts it in a good position to push for integration of Schengen into the overall EU framework.

One of the priorities of the German Schengen presidency with regard to external relations will be to help candidate countries adopt the *acquis communautaire* in the justice and home affairs field, including the Schengen Convention which will be part of the *acquis* at the time of the entrance of the first new members.

Diplomatic and government circles have often presented Schengen as the testing ground or precursor for the free movement of persons.

Applicant countries, say the Germans, should first put into place effective judicial and police institutions, including the legal framework, and ensure effective controls at their external borders, particularly with eastern Europe. These one day will become the external EU borders.

Germany also plans to keep the momentum moving on pre-accession work in this area by organising a joint meeting of the candidates at the level of the Schengen executive committee and informing the candidates of the results in future of all meetings of the executive committee.

As part of its initiative, the Germans also organised a conference held in late September 1998 to which the customs authorities of the Schengen countries and the candidate countries were invited.

Diplomatic and government circles have often presented Schengen as the testing ground or precursor for the free movement of persons, because



Sue Cunningham/SCP



Sue Cunningham/SCP

it was originally meant to come into force before the 1992 deadline for completion of the EU single market and to serve as a model and experiment for the European partners.

The Schengen agreements of 1985 and 1990 were intended to facilitate the application of the principle of the free movement of persons under the EC Treaty. The agreements cover all nationals of EU member states, regardless of whether they are members of Schengen. All are subject to the same checks on crossing one of Schengen's external frontiers.

Within the Schengen area the principle of free movement applies.

Free movement for non-EU nationals is for a period of up to three months, but precisely how this will work in practice has yet to be agreed as there are significant existing differences between the countries.

The abolition of border controls, however, does not bring to an end policing powers or the right of individual member states to insist that individuals must hold, carry and present identity documents.

A computerised database – the Schengen Information System (SIS) – has been set up, but has been highly controversial as regards the protection of personal data. The system requires appropriate legislation in each of the states that are party to the Convention.

The SIS has also served as a model for the European Information System (EIS), which will involve all EU member states and will replace the SIS if the convention on the crossing of external frontiers, or some other instrument, is adopted. ■



## Easier visa procedures

**O**n the question of visas, the EU has a common and binding list that all member states must use for third country nationals entering the territory of any member state. The regulation ((EC) 2317/95, OJ L 234, 3.10.95), is based on article 100c of the EC Treaty, and at present lists 98 countries whose nationals must be in possession of a visa when crossing the external borders of member states.

Member states decide whether or not visas are needed by nationals of third countries not on the common list and of stateless persons and recognised refugees. Whenever a member state decides to impose visa requirements, it must notify the Commission and publish the information in the Official Journal.

Five years after the entry into force of the regulation (2000), the Commission is to draw up a progress report on the harmonisation of member states' visa policies for third countries not on the common list. The regulation allows further harmonisation between individual member states, going beyond the common list.

Another regulation ((EC) 1683/95, OJ L 164, 14.7.95) lays down a uniform format for visas. Under the regulation a "visa" means an authorisation given by or a decision taken by a member state which is required for entry into its territory for an intended stay in that member state or in several member states of no more than three months in all or transit through the territory or airport transit zone of that member state or several member states.

In March 1996 the Council adopted a recommendation relating to local consular co-operation regarding visas (OJ C 80, 18.3.96).

**Member states decide whether or not visas are needed by nationals of third countries not on the common list and of stateless persons and recognised refugees.**

This says consular services should strengthen through an exchange of information and on co-operation on the issuing of visas. National security, public order and the prevention of clandestine immigration are seen as the main reasons for such co-operation.

The Council also adopted a joint action in March 1996 on the basis of article K.3 of the Treaty on European Union on airport transit arrangements (OJ L 63, 13.3.96). This lists countries whose nationals are subject to an airport transit visa for access to the international areas of the airports of member states. The list comprises 10 countries which the EU subjects to this visa requirement. Thirteen Member States (Britain and Ireland are exempted) have, by way of a declaration, undertaken to subject nationals of Bangladesh and Pakistan to the airport transit visa requirement. ■



Sue Cunningham/SCP

## Member states work together

There are several programmes in which member states participate to strengthen judicial and other co-operation in the area of free movement of people.

One of these programmes is Grotius which supports initiatives by public institutions or private bodies which try to raise awareness among various legal practitioners of the legal and judicial systems of member states.

The Grotius-programme (1996-2000) fosters mutual knowledge of legal and judicial systems and facilitates judicial co-operation between member

states through training, studies and exchanges for legal practitioners such as judges (including liaison and contact judges), advocates, bailiffs, solicitors, researchers, investigation services, ministry officials, court interpreters and other officers of justice).

Another programme, Odysseus (1998-2002), promotes training, information, study and exchange activities to improve co-operation between member state administrations in the areas of asylum and immigration policy and policing external borders. As it is a multi-annual programme, it is expected to be extended in future to the candidate countries. ■



## Free movement of people

### Who is an EU citizen?

The EU Treaty introduced the concept of citizenship of the Union. This of course supplements national citizenship. But EU citizenship reinforces and confirms basic rights of any citizen — freedom of movement and freedom of residence in any member state. When the treaty entered into force in November 1993, citizens were also able to exercise political rights by voting in European and municipal elections in the member state where they lived, provided that the member state adopted the necessary implementation provisions.

According to the treaty, every EU citizen when residing in the territory of a third country is entitled to protection by the diplomatic or consular authorities of any member state, on the same conditions as the nationals of that state.

Every citizen of the Union also has the right to petition the European Parliament and to submit complaints to the Ombudsman.

**Citizens who want to exercise their right to freedom of movement and residence in the EU still face real obstacles, both practical and legal.**

The Council adopted in December 1993, directive 93/109/EC on the right to vote and stand as a candidate in elections to the European Parliament for EU citizens residing in a member state of which they are not nationals. The effect of this directive is that the right to vote and to stand as a candidate in the member state of residence is conferred on persons seeking to do so, who are EU citizens but not nationals of the member state where they reside; satisfy the conditions applicable to nationals of that state in respect of the right to vote and to stand as a candidate; and are not deprived of those rights in their home member state.

In its most recent report on the implementation of this directive, the Commission pointed to the low rate of participation by nationals of other member states and to the lack of information about the procedures for exercising these new rights.

The Council also adopted in December 1994, directive 94/80/EC laying down detailed arrangements for the exercise of the right to vote and to stand as a candidate in municipal elections by citizens of the

Union residing in a member state of which they are not nationals.

Citizens who want to exercise their right to freedom of movement and residence in the EU still face real obstacles, both practical and legal. To counter this the Commission has launched various initiatives, including a high-level working party on freedom of movement and the "Citizens of Europe" information campaign.

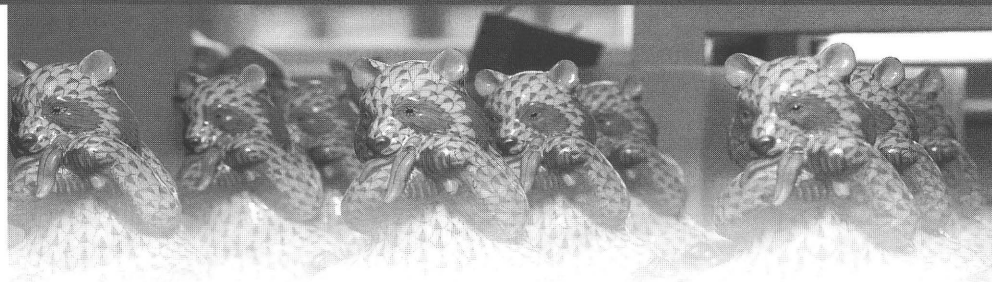
The Green Paper "Education, training and research: the obstacles to transnational mobility" analyses the mobility-related obstacles facing students, trainees, the unemployed, research workers and voluntary workers, regardless of whether they are citizens of the Union or other legal residents and proposes certain avenues of approach. ■



Sue Cunningham/SCP

# Asia and EU come closer

Although EU-Asian relations may have had a shaky start, closer ties between the two regions are increasing and developing.



**P**reparations for the third Asia-Europe Meeting (ASEM) bringing together leaders from the 15 EU

member states, 10 Asian countries and the Commission in Seoul, South Korea, in early 2000 look set to take centre stage in the EU's rapidly developing relations with Asia in the coming months. Government officials, business leaders and academics in both regions are working on a vast and ambitious agenda for closer EU-Asia ties to be endorsed by ASEM leaders at the Seoul summit.

The plan is to reinforce trade, economic and political ties between the EU and Asia so that the ASEM partnership becomes even stronger and more dynamic at the start of the new millennium.

While many of ASEM's Asian members — which include seven countries in the Association of Southeast Asian Nations (Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam), as well as China, Japan and South Korea — want to consolidate the group before embarking on any expansion, many in the EU are anxious to expand their Asian connection by bringing India and Pakistan into the club.

**In early 1998 finally recognising the need to show Asia that the EU was not a fair-weather friend, EU policy-makers mounted a high-profile campaign to prove their long-term commitment to the region.**

Asia's grim economic outlook poses the most serious threat to ASEM's future. The partnership was launched with much fanfare in Bangkok in March 1996 when Europe — like the rest of the world — was still in awe of Asia's "miracle" economies. In the run-up to the Bangkok summit, EU governments made no secret of their determination to use the ASEM framework to upgrade their business, trade and investment opportunities in Asia, using Asia's dynamism to kick-start their own flagging economies.

At the time the argument most often heard in Brussels and other EU capitals was simple. Europe's economic

future was inextricably linked to Asia's vibrant economies. Only an expanded European economic and diplomatic presence in Asia could ensure the growth and well-being of the EU economies.

Now, however, Asia's changed economic status presents ASEM with an unexpected challenge. For several months after the Asian crisis first erupted in July 1997, the EU appeared too preoccupied with its own plans for a single currency and enlargement, as well as internal reform, to show much concern for the region. EU governments made it clear it was up to the International Monetary Fund and the World Bank to assist the region's battered economies. Europeans called repeatedly for economic reform in Asia, but offered little direct help to the region. Not surprisingly Asian governments hoping for more sympathy and direct assistance from Europe were disappointed and angry. "We were looking for signs of support from Europe," says an Asian diplomat in Brussels. "But the silence was deafening."

The acrimony did not last for long, however. In early 1998 finally recognising the need to show Asia that the EU was not a fair-weather friend, EU policy-makers mounted a high-profile campaign to prove their long-term commitment to the region. Several EU ministerial visits to Asia were organised to highlight Europe's role in helping Asia through the IMF.

Most significantly, British Prime Minister Tony Blair (then holding the six-month rotating EU presidency), used the second ASEM summit in London in early April 1998 to underline the EU's determination to help Asia in its time of need, stressing that the ASEM partnership was designed to prevail through "thick and thin."

Slowly, ASEM is turning into more than just an informal forum for discussion. An ASEM trust fund has been set up within the World Bank to provide technical expertise to Asian countries seeking to reform their financial structures and cope with the social fall-out from the crisis. The \$50m (€42.6m\*) fund is already operational, funding projects in those Asian ASEM countries most



## Asean links grow stronger

Of all its Asian partners, the EU's relations with members of the Association of South East Asian Nations (Asean) are the oldest. The two groups have been in close contact with each other for almost 30 years.

Today, most EU governments view relations with Asean — whose members include Brunei, Burma, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam (Cambodia is also set to join shortly) — as the cornerstone of their expanding dialogue with Asia, including ASEM. But, over the years, the relationship has gone through both good times and bad.

On the positive side, EU-Asean contacts have been bolstered by the two groupings' shared commitment to promoting regional peace and co-operation. Both have also been successful in reinforcing their global reach, becoming important players on the world economic and political stage.

They are also equally committed to developing their trade and investment ties, both bilaterally through increased EU-Asean co-operation and by working to enhance the multilateral trading system.

Despite Asean's current economic troubles, EU businesses and banks are convinced that the region's economic fundamentals remain impressive. Many are increasing their presence in the region in a bid to ready themselves for the expected upturn in Asean economies.

For Asean, the EU continues to represent a huge and lucrative market and a source of aid and assistance to deal with the region's development and social problems.

The EU is Asean's second largest export market after the US and the third largest trading partner after Japan and the US.

The increase in EU-Asean trade over the last 10 years has been spectacular. EU exports to Asean were estimated at €45.7bn in 1997, up from €8.9bn in 1987. EU imports from Asean rose sharply to €46bn in 1997, compared with €10bn in 1987.

For all their shared aspirations and common economic and political interests, EU-Asean relations have often been marred by disputes over trade and human rights. Portuguese criticism of Indonesian policy in East Timor has been a long-standing source of friction in the relationship.

The EU has made no secret of its misgivings about Asean's policy of engagement with the military authorities in Burma. Although Burma was admitted

into Asean in 1997, the EU has made it clear that unless the country takes steps to improve its human rights record it cannot become a member of the EU-Asean co-operation agreement which was signed in 1980.

Still, despite intermittent tensions, the two sides are committed to forging a closer relationship. EU and Asean ministers approved a European Commission strategy paper which calls for a new dynamic in relations with Asean and both sides are working on plans to intensify their trade, business and investment ties.

Over the years EU and Asean leaders have also extended their discussions to include global and regional political issues. At the last EU-Asean ministerial meeting held in Singapore in 1997, the two sides devoted at least three pages of their final *communiqué* to prospects for increased co-operation in areas like regional security, combating international terrorism and organised crime, nuclear non-proliferation and child welfare.

As both the EU and Asean become even more important global players in the future, policy-makers in both regions expect their dialogue will grow in scope and content. ■



Stephen Pierini/SCP

## EU in the world

# Japan looms large in EU trade

**E**U relations with Japan are perhaps more developed than those with any other Asian country, particularly when it comes to trade and investments. Despite the signature of an EU-Japan "political declaration" in 1991, and yearly summit meetings, EU efforts to inject a more vigorous political dimension into the relationship have yet to bear fruit.

"The occasions when the EU and Japan have taken centre stage to advance a joint initiative have been regrettably rare," says Trade Commissioner Sir Leon Brittan.

For years trade problems dominated Europe's relations with Tokyo.

The bilateral trade skirmishes were frequently forwarded to the World Trade Organisation where the EU complained, among other things, about Japan's "discriminatory" taxes on foreign spirits and alcohol. Trade tensions have abated somewhat in recent years, partially because after years of concerted effort, EU exporters are beginning to make some headway in the Japanese market.

In recent months the EU's focus has been on prodding Japan to revitalise its economy by cutting taxes, reforming the financial sector and continuing efforts at economic deregulation.

EU policy-makers admit they are disappointed. Economic pledges made by successive Japanese governments are not always translated into action, warn EU policy-makers. Japan's problems, adds Sir Leon, cannot be dealt with by a series of reactive short-term policy measures. Solving them will require profound change in the way political and economic affairs are run in Japan.

Worried that the faltering Japanese economy is adding to the financial problems facing the rest of Asia, the EU is asking Tokyo to take the following steps:

- promote radical financial structure reform
- deregulate the economy and make it more open and market-oriented
- introduce more open systems of corporate governance, supervision, accounting and disclosure.

While Japan has made a start in these directions, EU officials insist that a great deal still remains to be done. ■

## EU in the world

# New markets in south Asia

In recent years the EU has tried to update and diversify its relations with India and Pakistan and published an important communication on reinforcing political relations with India in 1996, to take account of its emerging status as a world actor. Trade agreements signed in the early 1970s with Delhi and Islamabad have been converted into more ambitious accords covering also co-operation in areas like business, environment, science and technology and energy issues.

The Commission insists that while both countries are viewed in Europe as largely poverty-stricken and in need of development aid, India and Pakistan are in fact rapidly emerging as important markets for European goods and investments. As a result the Commission has focused on trying to promote joint ventures between European and Indian and Pakistan businesses and encouraging contacts between economic operators in both countries.

The decision by India and then Pakistan to carry out nuclear tests in May 1998 has complicated Europe's relations with both countries, however. EU



Jill Cox/SCP

governments have denounced both countries' nuclear actions as representing a serious threat to international peace and security. They expressed concern that the moves could also increase tensions and instability in South Asia.

The EU, however, has not cut off any of its aid spending in both countries or demanded an end to World Bank activities in these countries.

EU officials say it is important that the poorest segments of the society in both India and Pakistan do not suffer because of the nuclear policies adopted by their governments. ■

The Commission insists that while both countries are viewed in Europe as largely poverty-stricken and in need of development aid, India and Pakistan are in fact rapidly emerging as important markets for European goods and investments.

# Duisenberg champions the euro

*European Dialogue* talks to Wim Duisenberg, president of the European Central Bank, about the challenges facing monetary union and the candidate countries' entry into the club.

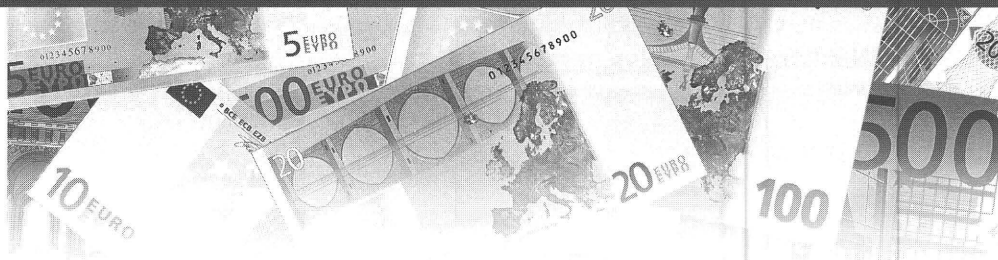
**H**igh in the Eurotower building on Kaiserstrasse in Frankfurt sits the man many believe is the most powerful central banker in Europe — Wim Duisenberg, president of the European Central Bank (ECB). Mr Duisenberg sees his main task as the successful introduction of monetary union and the euro. He has a crusading zeal when it comes to urging governments towards that goal and has his own personal opinions about how it should happen.

with the EU countries," says Mr Duisenberg, ruling out the possibility of any special relationship with EMU prior to full EU membership.

"You're talking about something that is years away from now. Developments like a closer relationship with the exchange rate mechanism could take of lot of time. It is a process — a process also within Europe — towards a goal that has taken years to achieve."

As for the criteria for membership, Mr Duisenberg is firm. "There is no trade-off between the Maastricht criteria and getting financial institutions in place and order. I think both are necessary. But to join monetary union, these countries ultimately will have to fulfil the same conditions, the same criteria as existing member states have fulfilled and apply to themselves," he says.

EU membership is the key he says. "They will have to accept the *acquis communautaire* (body of EU law), the



Margie Lindsay/SCP

As for the candidate countries seeking EU membership, he is realistic about their prospect of membership of monetary union. "If these countries want to join EMU they can do this only after they gain EU membership. So they should see that goal as a process which will take years," says Mr Duisenberg.

"First, they should gear their policies towards convergence in all areas with the present member states — public financing, inflation, interest rate policy, for example. Over time they should align themselves clearly with the economic policies of the EU. Another, even later, step would be a closer exchange rate relationship

## Duisenberg's past

Willem (Wim) Duisenberg is no stranger to financial matters. After studying econometrics, specialising in international economic relations, Mr Duisenberg entered politics as Finance Minister of the Netherlands in 1973. Later in a break from politics he became a member and vice chairman of the executive board of Rabobank Nederland followed by a stint between 1982-97 as president of the National Bank of the Netherlands. In 1997 he took over as president of the European Monetary Institute, the precursor of the ECB. Following a publically aired political wrangle, Mr Duisenberg took over as president of the ECB in June 1998 for a four year term, indicating that he might decide to resign before the end of his eight year term.

same as any new member state does. These countries need to establish a tradition of stable relations over some years between their own currencies and the euro. They need to gear policy in that direction and align themselves. They should judge their own policies against this background, particularly in the light of accession and as potential members of monetary union," he says.

As for any early membership or closer relationship with EMU participants, Mr Duisenberg is clear. "I can't foresee any intermediate step. I can't see what that could be. I think first and foremost that this is a process. There are no distinct steps which need to be taken by either the candidate countries or the EU or both together. What we expect to happen is ever closer alignment to EU policies, including general economic policies."

He is also aware of the challenges the candidate countries face in meeting the obligations of the EU.

"These are countries still in transition from a central planning policy stance to a much more free market-led policy stance. For the most part they have been very successful so far, particularly the central European economies. It is a question of ever closer co-operation, a process and not a series of separate steps."

His realism is also tempered with caution

about setting any time-scale to the process. "I wouldn't put a figure on entry dates. They are only at the beginning of preparations and negotiations. This is a process which will probably take at least three to four years. Then there is always a transition period, arrangements made before a country is in a position to accept fully the *acquis communautaire*. For Portugal and Spain transition arrangements of five years were agreed before they were fully members of the EU. EMU membership depends on political will. The way these countries can express that is through aligning their policies to an adequate extent to the policies of the monetary union countries themselves. They have to make themselves fit to live within monetary union and to meet the challenges of participation," concludes Mr Duisenberg.

He points out that he is already acquainted with the candidate countries. At the regular meetings of the Bank for International Settlements in Basle, Mr Duisenberg has met and talked with the central bank governors from the applicant countries. These regular bilateral contacts will probably intensify as the negotiation process continues prior to EU membership.

Meanwhile, Mr Duisenberg's energies are focused on the successful launch of the single currency. He is aware of

the challenge, but believes he and the monetary union members are up to the task. The main cloud on the EMU horizon he says is the high level of unemployment. A recent IMF report remarked that the structural rigidity existing in Europe is a potential threat to EMU. "I fully share the IMF's worries. We've said this in public. When there is high unemployment, convergence can be stressful. The solution doesn't lie with us or monetary policy. It can't be used to cure the disease. The focus must be on structural policy which makes markets, particularly labour markets, more flexible," says Mr Duisenberg.

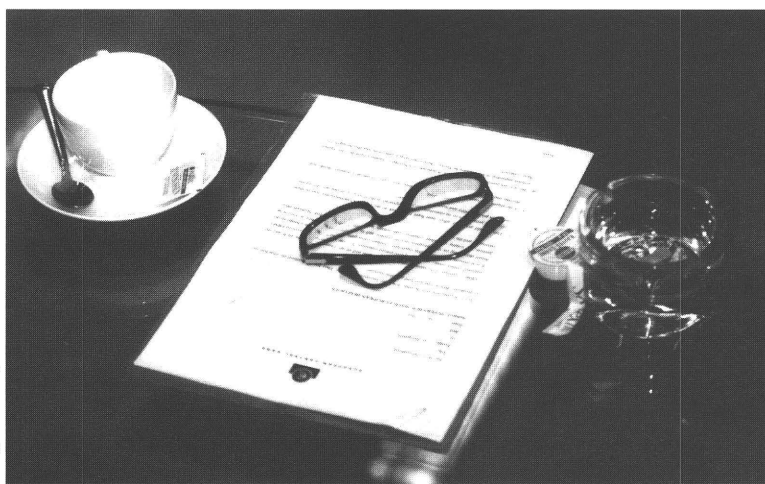
He sees financial turmoil in the world markets as having little impact on monetary union. "The short-term financial turmoil itself is not a threat to monetary union, but we, and the countries of EMU, must reckon with this phenomenon. Europe should exude an image, a policy, of stability, continuity — not immunity. We are not immune

to hectic financial developments or the volatility which prevails in the financial and exchange markets. Our answer is to minimise the extent to which these events impact on Europe," he says.

"In the long-term I see no real threat. Europe has over the past years been acting almost as if the euro were already a reality. We have been living in quasi-

monetary union over the past two or three years. This has made individual member states less vulnerable to developments outside Europe than when these countries were on their own. It doesn't make Europe less vulnerable than the US, for example, but individual member states are much less vulnerable to external developments already."

Mr Duisenberg is also careful in forecasting the impact the euro will have on world markets. "Yes, over time the euro may prove itself. History will be the judge. First, Europe doesn't want the euro as an alternative to the US dollar. We are not encouraging or discouraging the euro on the world scene. If the euro proves to be a stable, reliable currency it could offer a welcome alternative to third countries who may invest confidence in it and so over time the world outside Europe may increasingly hold euros in reserve, trade in euro, calculate in euro for external trade. Never forget it has taken 50-60 years for the US dollar to replace the pound sterling as the world's major currency for trading and reserves. I don't say it will take the euro that long. In the end it may take decades. I don't care. But what I do expect is that the euro takes its place on the world economic scene," says Mr Duisenberg.



Margie Lindsay/SCP

Many now see Mr Duisenberg as Europe's most powerful central banker. He has a less inflated opinion of his position. "I am the chairman of a group of central banks and in that position I am the main spokesman. So if you call that important, then yes, it is. I've felt the experience of this already. I must admit it is exciting. I look forward to the challenge," he admits, adding, "but this is a very personal feeling."

He continues: "In practice I try very much always to reach consensus within a group of highly qualified and experienced men and women. Most of all what I have to do is build and help all my colleagues to take into consideration a euro-area-wide view rather than a narrow representation of their own country's viewpoint. We are in that process already. All of us — including myself — are learning fast. Contact is intense. We have close discussion on monetary policy. All are influenced by each other," he concludes.

As ECB's first president Mr Duisenberg would like to be known as the man who helped to bring stability and prosperity to Europe through the successful introduction of monetary union. "Over time our task is to create the structure and economic climate which characterises price stability. The most important aim of the EU is to achieve the highest possible economic progress for individual people. Twenty-five years from now I don't know how people will remember me, but I'd like to be remembered as the man who successfully set up, or was part of, an institution in which people have the maximum amount of confidence."

Finally, Mr Duisenberg emphasises that the candidate countries do not need any advice from the ECB. "Just keep steadfastly to what you are doing — aligning your policies ever more closely to the area to which you aspire to be full members. That's really it." ■



Margie Lindsay/SCP

## Participating in EMU

The European system of central banks (ESCB) is made up of the ECB itself and the 15 national central banks of the EU member states, even those which do not participate in the euro area. These four (Britain, Denmark, Greece and Sweden) have a special status: they are allowed to conduct their own national monetary policies but cannot take part in the decision-making process of the ESCB which touches the single monetary policy for the euro area and the implementation of those decisions.

The primary objective of the ESCB is to maintain price stability, support general economic policies in the EU and act in accordance with the principles of an open market economy. Its basic tasks are to define and implement the monetary policy of the EU, conduct foreign exchange operations, hold and manage the official foreign reserves of the EU member states and to promote the smooth operation of payments systems.

The ESCB also has an advisory role vis-à-vis the EU and national authorities on matters which fall within its area of competence, particularly where EU or national legislation is concerned. ■



# Candidates need to improve veterinary standards

In order to increase agricultural trade and to meet EU entrance requirements, the candidate countries need to make significant improvements to their food hygiene and veterinary standards.



**A**s a recent EU ban on Polish milk products showed, the EU is serious about food

hygiene and veterinary standards. Since December 1997 all Polish dairy products have been excluded from the EU market, after half the milk factories in the country inspected by Commission experts failed to meet EU health norms. Poland claims this is hitting annual exports worth up to \$250m (€213.3m\*).

The safety of what consumers eat has been at the top of political debate in the Union ever since the British government announced in March 1996 that there was a probable link between mad cow disease and the fatal human brain disease Creutzfeldt-Jakob.

This is why EU legislators are keener than ever to ensure that nothing slips through the net and are insisting that the candidate countries redouble their efforts to bring their veterinary and plant health (phytosanitary) legislation fully into line with EU norms.

For the applicants, this will be crucial to ensure that their products are allowed free movement throughout an enlarged Union.

**With the screening of the applicants' veterinary legislation due to start in February, it is still difficult to get a clear picture of how much work will be needed to achieve the EU *acquis*, although recent reports on the agricultural situation in the candidate countries suggest there is much work still to be done.**

"Corresponding standards in the veterinary and phytosanitary area are crucial to ensure friction-free trade with EU countries. Otherwise, products from the candidate countries won't even be listed by individual retailers," explains Agricultural Commissioner Franz Fischler.

It is also vital to do this because after the next enlargement the new member states will form the EU's eastern border and be responsible for ensuring the safety of food products imported from outside.

"In future these countries will represent the Community's border to the east and must take over a heavy responsibility for the entire EU in protecting our livestock and plant stocks and the safety of our foods," adds Mr Fischler.

The EU's veterinary and plant health rule book runs to around 1,000 pages with 90 basic directives and hundreds of pieces of subsidiary legislation.

It covers everything from trade in live animals and meat to products such as leather, breeding standards and the tracing of animal movements through methods as diverse as herd books and electronic tagging.

Animal welfare has recently taken on a more important role in meetings of EU agriculture ministers, not least since the accession of Sweden, Finland and Austria in 1995, and growing public pressure in other countries, particularly in Britain.

In the current climate of public health concern, the two central areas covered by EU veterinary rules are public and animal health, according to officials in Mr Fischler's directorate-general VI (agriculture), which is responsible for veterinary legislation in co-operation with DGXXIV (consumer affairs), which recently increased its role following the intense consumer interest in the BSE crisis.

DGXXIV, under Commissioner Emma Bonino, now has responsibility for running the newly-established EU veterinary office in Ireland and co-ordinating the new advisory scientific committees established to cover every conceivable veterinary and plant health problem. With the screening of the applicants' veterinary legislation due to start in February, it is still difficult to get a clear picture of how much work will be needed to achieve the EU *acquis* (body of EU law), although recent reports on the agricultural situation in the candidate countries suggest there is much work still to be done.

"By the end of 1998 we should have a pretty good idea of where things stand," says a senior official in DGVI's



veterinary division. "Clearly it's not going to be easy. They're going to need a number of years to get to a stage where they can meet some of our rules."

No one has dared put a figure on how much the changes will cost the candidate countries, although help is at hand in the form of pre-accession aid, much of which is being channelled into this key area, as Commissioner Fischler has pointed out during his recent tour of the candidate countries.

In the Commission's Agenda 2000 proposals around €3bn will be made available to the 10 countries every year of which €500m is earmarked for agriculture.

"When examining and approving programmes, the Commission will ensure that the development strategy doesn't clash with the future shape of the common agricultural policy (CAP) and doesn't boost production in sensitive sectors," says Mr Fischler.

"For this reason, measures to improve quality and hygiene, animal health and the modernisation of the food industry will stand just as much in the foreground as measures for integrated rural development," he adds.

In some countries there is a lot of work to be done, according to recent Commission studies. Lithuania is still busy translating the *acquis* and must establish framework acts in areas such as food legislation. In the area of public health, legislators are still reorganising their responsibilities to co-ordinate the work of three different institutions.

The situation in Estonia is mixed. The Commission's report says progress still needs to be made to establish a full resourced state veterinary service. On a more positive note, there appears to be sufficient staff to cover border inspection posts.

Things are different in Romania, where "at present the posts do not have the necessary infrastructure to carry out physical inspection of consignments", according to the situation report on Romanian agriculture. To date only eight meat plants and 19 dairy plants have been approved under EU veterinary standards.

"A special effort will have to be made by the Romanian authorities in upgrading the main border crossings which will eventually become the EU's external borders," the report concludes.

Commission negotiators say all is not gloom in the applicant countries. Some of the plants, for example in Hungary, which are set up to prepare meat and meat products for export to the EU, are among the best equipped in the world. Getting the rest up to scratch, however, could be "one of the major sticking points" in the negotiations, one official warns.

In Hungary the approximation of the country's veterinary legislation to EU norms has progressed well, not least thanks to the establishment of a national programme for the adoption of the *acquis*.

Hungary's animal health status is described as satisfactory. A computer network exists linking border inspection posts and the application of animal welfare standards is awaiting ratification by parliament.

While major progress still needs to be made, the level of advancement in Hungary has allowed it to begin negotiations with the Commission on a veterinary equivalency agreement, similar to that already completed with the Czech Republic. In July 1998 the agriculture ministers of the 15 EU states signed the pact which is along the same lines as similar agreements with the US, Canada and New Zealand.

The idea of the accord, which follows commitments in the sanitary and phytosanitary chapter of the 1994 Gatt agreement, is that the EU and the Czech Republic will recognise each other's food safety standards, a move that will ease two-way trade.

It would guarantee consumers on both sides that beef, porc, poultry, fish, seafood and other products meet the health and safety standards of both the Czech Republic and the EU.

Under the agreement each side's hygiene rules are deemed equal to the others, even though processing steps might vary. The pact also sets out a framework for peaceful resolution of food trade disputes.

The agreement allows either side to take unilateral emergency measures where necessary to protect human health.

DGVI was also working towards similar agreements with Bulgaria, Poland and Romania, preferring to concentrate on those countries with the most advanced legislation for lack of negotiating resources. But these talks are now largely shelved, as the applicants' efforts to adopt the EU *acquis* will render such equivalency agreements obsolete.

Everyone involved in the process knows that EU membership negotiations will be different from the last enlargement. Then Sweden and Finland made additional demands on the EU because their food health standards were generally higher than the EU norm.

Originally intended as a temporary measure, exporters from other EU states still have to provide extra guarantees that





their products are salmonella-free before shipping them to Finland and Sweden.

Talks with the candidates will be different as they attempt to bring their veterinary standards up to EU levels.

"They'll certainly be in difficulty to start with regarding standards of slaughterhouse construction," says one official.

The prospective members will also have to ensure that their borders are secure against the import of diseases which have been stamped out in the EU. Glanders, for example, a disease of horses which can affect humans, has not been known in any EU country since 1928 but is still a problem in Russia.

To what extent each of the 10 have to tighten up all their borders also depends on how quickly each one successfully completes entry negotiations.

If, for example, Hungary gains entry before Romania, Hungary would then form the EU's external border with Romania and would have to ensure proper controls on any imports from there, over-riding previous bilateral arrangements with its neighbour or any Central European Free Trade Area accords.

In its situation report on Slovenia, the Commission explains that "if Hungary joins the EU at the same time as Slovenia, border inspection posts would be retained only at the land border with Croatia".

To meet EU standards the applicants will have to ensure that their border posts are sufficiently staffed to allow detailed documentary checks on all imports of live animals, and on selected deliveries of animal products. The current norm is to run checks on about 10 per cent of all animal products imported into the EU, according to a Commission inspector.

"That requires quite an infrastructure, and it's taken us years to reach a satisfactory level ourselves," he says.

In their efforts to tighten up their borders, the candidates have much to learn



Sue Cunningham/SCP

from Austria. "Austria was obliged to employ more people to inspect imports at its border with non-EU states and set up many new border posts as it was suddenly the EU's border with a lot of central European countries and had heavy traditional trade with, for example, Hungary," an official explains.

What has helped the candidates is the provision of preferential tariff quotas for food and agricultural product imports into the EU under the Europe agreements. This has encouraged them to tailor their food industries more towards western standards. With smoother agricultural trade mutually beneficial, there is willingness on both sides to make progress rapidly. ■

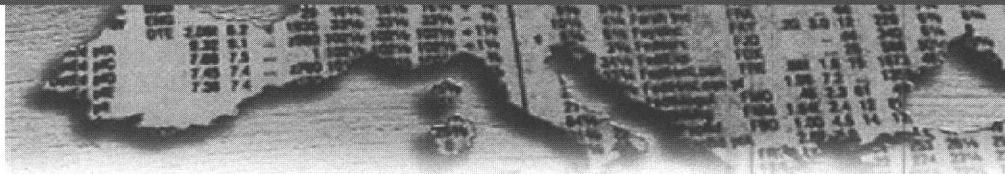
Anthony Kent, Brussels

\* From this issue the symbol for the euro, €, is being used.



Sue Cunningham/SCP

## in brief



## Environmental guide

A guide giving an introduction to the main issues and principles of approximation of EU environmental legislation is now available in HTML format and in PDF format in Bulgarian, Czech, English, Estonian, Greek, Hungarian, Lithuanian, Polish, Romanian, Slovak, Slovenian and Turkish. The guide also includes a survey with summaries of EU environmental legislation to July 1 1997. A Russian and Latvian version are also under preparation and will be available soon. In all versions of the guide, the list of the EU environmental *acquis* in force, found in Annex II, is in English only and will be updated periodically. The guide includes an introduction to the approximation of environmental legislation (approximation issues, the role of governments in approximation, approximation and the forms of EU environmental law and transposition principles); an overview of environmental legislation (including horizontal legislation, air quality, waste management,

water quality, nature protection, industrial pollution control and risk management, chemicals and genetically modified organisms, noise from vehicles and machinery and nuclear safety and radiation protection). There are four annexes: how to interpret EU environmental legislation; the environmental *acquis*; table of concordance and definitions.

## Screening progress

Poland was the first of the applicant countries to submit formally to the Council and Commission its negotiating positions for the first seven chapters of the Community *acquis*, screening of which has finished. This made technical negotiations possible to start in November 1998. Poland's new chief negotiator, Jan Kulakowski, submitted the position papers on science and research, telecommunications and information technologies, education and training, culture and audiovisual policy, industrial policy, small- and medium-sized enterprises and the common foreign and security policy. Head of the enlargement task

force, Klaus van der Pas, says he has been pleased with the way the screening of the first group of accession candidates — the Czech Republic, Estonia, Hungary, Poland, Slovenia and Cyprus — has gone. The screening has shown that there is no problem of accepting the *acquis communautaire* (body of EU law) by applicant countries, but there are difficulties in implementing it, according to Mr van der Pas. Multilateral screening of the 29 chapters of the *acquis communautaire* with Romania, Bulgaria, Slovakia, Lithuania and Latvia was completed by the end of 1998.

"The screening has revealed that these countries are making a concerted effort to adopt and implement

Community law in line with priorities set out in their accession partnerships. However, all face considerable problems in establishing and strengthening the structure required to implement the *acquis communautaire* effectively and efficiently," says a Commission spokesman.

"To support this as part of the pre-accession strategy, EU financial assistance is being geared more to institution building, notably via twinning arrangements between member states' administrations and officials and those of the public administrations of the applicant countries, and co-financing the investment needed to apply Community law."

## News in brief ...

Nearly three out of four Czechs (72.5 per cent) want their country to join the EU as soon as possible, while the remaining 27.5 per cent are opposed to EU membership, according to a poll conducted by the independent STEM institute. Support for EU membership stands at nearly the same as in June 1996 (74.1 per cent). In 1998 it dropped to 70 per cent.

Bulgaria will reduce value-added tax by 2 per cent, to 20 per cent this year. Finance Minister Muravei Radev says

income tax will also be reduced. The government also phased out a two per cent import tax levied on all imports in addition to other tariffs at the end of 1998 ahead of the schedule originally foreseen.

Germany is to continue financing the modernisation of Polish border posts. German border guards will assist in training their Polish counterparts. Poland is at present implementing an EU programme for sealing its eastern border. Since 1993,



Sue Cunningham/SCP

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

Germany has provided Poland with \$67m (€57.1m) to reinforce border posts on Poland's eastern frontier.

Slovakia wants to be self-sufficient in energy. This means it will have to rely on nuclear power by 2003. Water and coal resources are insufficient. Around 59 per cent of the electricity supplied by the Slovak national power company is already produced by nuclear plants.

A Bulgarian non-governmental organisation says over 10,000 Bulgarian women and girls are enslaved in the west European sex industry. The Bulgarian branch of the international La Strada project says many Bulgarian women are being lured to west European countries (for example, Italy and Germany) by promises of decent jobs, only to have their passports confiscated and to be forced to work as prostitutes. La Strada recently opened an office in Sofia (ED 1998/6, pages 5-6)

Jacek Dębski, chairman of the Polish Office of Physical Culture and Tourism, withdrew an earlier decision suspending the members

of the Polish Soccer Association (PZPN) board. The International Federation of Football Associations (FIFA) had set a deadline for the government's withdrawal, threatening to exclude Poland's national and club teams from international soccer events. FIFA rules say that national soccer associations must be independent of governments (ED 1998/4, page 22).

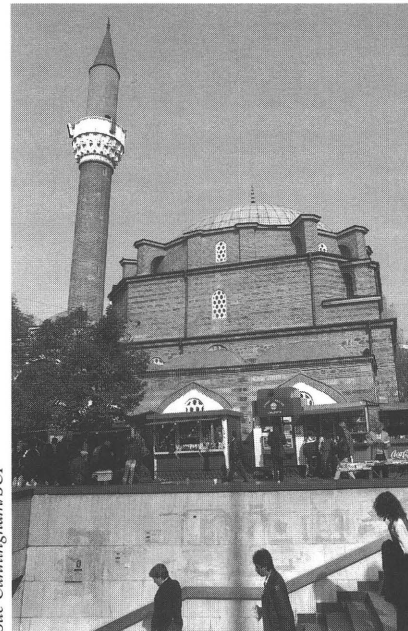
Three zeros will be dropped from the Bulgarian national currency, the lev, on July 1 1999. National Bank governor Svetoslav Gavriiski says that as of that date the lev will equal one German mark and that this will simplify financial transactions and reduce expenses for banks. The decision was taken in co-ordination with the IMF and the World Bank.

Lithuanian President Valdas Adamkus says the Butinge oil terminal will be the safest installation in the Baltic Sea. He says the terminal is being constructed using the latest technology, ensuring ecological safety. Fears that the terminal will pose a threat to the environment are unfounded.

Jeno Kaltenbach, ombudsman for minority rights, has appealed to the Hungarian Ministry of Justice to examine the possibility of drafting new laws that would end labour market discrimination.

The move came after a private-building contractor sought "white labour" through an advertisement in a daily newspaper. The contractor admitted he wanted to keep Romania from applying, arguing that his regular employees refuse to work with them and that clients will not talk to him if he is accompanied by them. Mr Kaltenbach said the advertisement violated the constitution, minority rights and the labour code.

Lithuanian President Valdas Adamkus says he is committed to closing down the Ignalina nuclear power plant, which uses Soviet-era reactors like those at Chernobyl. A former official at the US Environmental Protection Agency, Mr Adamkus says the plant will be phased-out over the next 15 years. He stressed that safety at the plant has improved. "I believe Lithuanians are not now exposed to any emergencies, nor is Ignalina a threat to any



Sue Cunningham/SCP

of our neighbours," he says.

Romanian President Emil Constantinescu met recently with his Turkish counterpart, Suleyman Demirel, and discussed economic co-operation and the conflict in Kosovo. Bilateral trade totals \$750m (€ 639.9m) between the two countries. The two also discussed a Romanian project for a sector of the pipeline network to carry Caspian Sea oil from Baku (Azerbaijan) to Trieste (Italy) via the Romanian Black Sea port of Constanta. The project, according to Mr Constantinescu, complemented a Turkish project to carry Azeri oil to the Turkish port of Ceyhan.

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

The Bulgarian parliament has added a provision to the new media law allowing for broadcasts in foreign languages aired for "Bulgarian citizens whose mother tongue is not Bulgarian". The main purpose of the provision is to allow broadcasts in Turkish in regions populated by ethnic Turks. Osman Otkai, a prominent member of the ethnic Turkish Movement of Rights and Freedoms, welcomed the decision, saying it demonstrates that "delicate problems of the minorities can be solved without drama".

Poland's new penal code, which took effect September 1 1998, abolished the death penalty and adjusted criminal law and court procedures to the EU standards. "All new measures are compatible with solutions adopted in Europe," says Justice Minister Hanna Suchocka. The code introduces life imprisonment to replace the previous maximum prison sentence of 25 years in cases of especially brutal murders and in some cases of espionage. It also introduces new categories of crime, including environmental pollution, money laundering and theft of intellectual property.

For the first time in 50 years, Bulgarian authorities are allowing circumcision ceremonies for Muslim boys. The first group of over 30 Muslim boys were circumcised in September 1998 in the Teke mosque in Dobrich. The circumcisions were carried out by Fawzy Ibraimov, who was jailed under the former communist regime for illegally carrying out circumcisions.

Polish farmers are worried about increases in imports of pork from the EU. Poland imported 7,254 tons of pork from the EU in July 1998, approximately the same amount as in the first six months of 1998. EU produced pork is 20 per cent cheaper than its Polish counterpart. Most meat processing plants in Poland have stopped buying pigs from Polish farmers and have lowered prices for raw domestic meat. The situation on the Polish meat market is aggravated by Russia's financial collapse, which has put a brake on most exports from Poland to that country. The Farmers' Solidarity Trade Union wants the government to introduce higher prices for domestic producers and import quotas on EU meat.



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The Council of Ministers has lifted its restrictive measures on the export of arms to Slovenia.

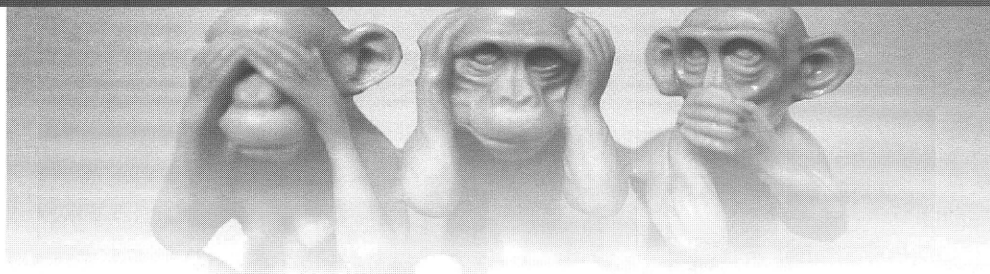
The European Central Bank has published a report on electronic money. The study gives an analysis of the implications of pre-paid cards as well as new forms of electronic money such as software-based electronic money products which are starting to evolve. The report will be distributed by each of the EU national central banks and is also available from ECB, press division, Kaiserstrasse 29, D-60311 Frankfurt-am-Main (Fax: (49 69) 1344 7404; Internet: <http://www.ecb.int>).

American Express is issuing travellers' cheques in euros in denominations of €50, 100 and 200.

The Commission has approved 32 projects under the Tempus programme which helps develop higher education systems under the Phare and Tacis programmes. Tempus supports inter-university projects which help restructure and develop curricula and teaching materials, upgrade teaching activities and improve university and higher education administration in emerging economies.

# Crime threat brings Union action

As the EU's single market makes it easier for goods and people to move about, so, too, does it help criminal elements. Union officials are keen to work together to counteract the threat and the candidate countries also have a role to play.



**T**he abolition of internal frontiers and the huge expansion of the information society have

brought undoubted benefits to the EU. But it is not just ordinary citizens who are taking advantage of the new opportunities on offer.

Organised crime now thinks nothing of operating across what used to be national borders and of exploiting the free movement of goods, finance and people. Major innovations, such as the Internet and electronic financial services, are transforming business practices. They can also be used as convenient vehicles to commit crimes or to transfer and launder the illegal profits generated.

As national crimes increasingly become international in nature, the EU has moved the fight against crime and organised crime in particular, higher up its agenda. At the European summit in 1996 in Dublin, EU leaders agreed on the need to work together to tackle crime. This commitment was turned into a concrete action plan six months later at the Amsterdam meeting.



Sue Cunningham/SCP

The programme sets out a series of specific measures which member states are urged to have in place by certain target dates. These range from general principles guiding close co-operation between the partners to identifiable projects, such as an analysis of high technology crime and its use and links with organised crime.

One chapter of the action plan is devoted entirely to the financial aspects of organised crime. It suggests, for instance, that the Union should introduce rules enabling the illegal proceeds to be confiscated irrespective of where the offender lives or whether he or she has died or absconded. It recommends Phare money be used to raise public awareness in the candidate countries about money laundering and urges the government of the 10 applicants to ratify the various international conventions trying to stamp out such illegal activities.

The EU's own action plan was followed at the end of May 1998 by a pact signed between the Union and the candidate countries on ways of working together to fight organised crime.

The pact unequivocally condemns organised crime as being a serious threat to the basic values of democracy, human rights and the rule of law "because it penetrates, contaminates and corrupts the structure of governments, legitimate commercial and financial business and society at all levels".

The agreement spells out six fundamental conditions for any successful co-operation between governments in fighting organised crime:

- an efficiently structured police administration
- a suitably empowered justice system
- satisfactory legal bases for combating corruption
- practical ability of the law enforcement authorities to combat organised crime
- sufficient means of prevention in the fight against drug abuse
- tight controls on the legal acquisition of weapons.

While the Union expects the candidate countries to work



Steve Cunningham/SCP

to satisfy these requirements themselves, it is also helping them to meet these targets. In addition to the use of Phare funds, particularly in the fight against drugs, it has launched a series of special programmes targeted at the training of specialists in specific professions ranging from the law to customs officers.

The Falcone programme, which runs until 2002, was adopted in March 1998 and is designed to encourage exchanges, training and co-operation for people involved in fighting organised crime. The scheme, which has an initial budget of €10m\*, is open to candidate countries. It is designed to improve knowledge of the phenomena of organised crime, to develop the professional skills of those involved in enforcing the law and to make possible the organisation of joint projects.

**The pre-accession pact against organised crime seeks to develop co-operation across a wide range of fields. It uses central national bodies responsible for co-ordinating the fight against organised crime, central national contact points to exchange information, national multi-disciplinary teams and a European judicial network.**

A separate scheme, the Oisin programme, was adopted by EU governments even earlier, in December 1996. It has the same exchange, training and co-operation aims as Falcone, but this time for law enforcement authorities. Projects focus on tackling organised crime, drug trafficking, money laundering and other types of financial crimes.

The programme is financing a project under the responsibility of the World Custom Organisation to try and close down the Balkan route, which is used to ferry drugs into the EU, by developing a clearer picture of the routes, techniques and criminals involved.

A separate scheme, organised by the Swedish customs and national police boards, organises joint training modules for drug enforcement officers.

The pre-accession pact against organised crime, however, goes considerably further. It seeks to develop co-operation across a wide range of fields. It uses central national bodies responsible for co-ordinating the fight against organised crime, central national contact points to exchange information, national multi-disciplinary teams and a European judicial network.

Under the pact the signatories agree "to draft and to develop, with the assistance of Europol, a common annual strategy in order to identify the most significant threats in relation to organised crime, common to us all". This exercise would be backed by regular meetings between crime fighters to discuss common strategies and actions.

In agreeing to work together and offer each other support for investigations and major operations with, inter alia, the use of electronic surveillance, undercover operations and controlled deliveries, the governments concerned promised to treat with the greatest care any sensitive information they receive from other countries. They will also co-operate on protection programmes for witnesses and agreed, subject to certain conditions, to accept into their own country people covered by such measures in another.

In addition as part of their programme to apply existing EU legislation, the candidates are now taking measures to implement domestically one of the first initiatives taken by the EU to tackle systematic crime: a clamp down on money laundering. When the legislation was adopted in 1991 the practice was considered a crime in only one member state. Now it is treated as a specific offence in all 15 EU countries as well as in Iceland, Liechtenstein and Norway, which also apply the same legislation (ED 1998/3, page 5).

Under the terms of the directive, all credit and financial institutions ranging from banks to money exchanges must ask customers to confirm their identity when opening an account or offering safe deposit facilities or when making any transaction over €15,000. They must also report to the appropriate authorities any transactions which they think might be involved in money laundering.

The legislation is now being fully implemented throughout the Union, although the Austrian government is facing legal proceedings for its decision to allow anonymous savings accounts to continue to exist in the country. Several governments have gone even further and have extended the obligation to report suspicious transactions to non-financial professions as well.

In addition to the legislation's undoubted deterrent role, the number of suspicious transactions which have been notified to the authorities in the different member states has increased dramatically over the past four years. In



France they almost doubled between 1994 and 1997 going from 684 to 1,213. In Belgium they soared from 2,183 to 7,747 over the same period. In Britain they remained relatively stable at between 13,000 and 15,000. However, despite the vast amount of information passed to the authorities, the number of convictions has been noticeably low. In Britain between 1993 and 1996, there were only 25 successful prosecutions, while in Belgium there have been 48 since 1994 and in Germany only 55. Information supplied by member states to the Commission does indicate that despite the difficulties involved, national authorities have been seizing not insignificant amounts of money. In Belgium since 1993 BFr 3.116bn has been confiscated. In Italy L71.6bn has been seized. In Britain the figure was nearly £10.5m in 1996 alone. In Sweden the figure in 1996 was Kr 124m. The legislation's achievements have been welcomed by the Union's Financial Services Commissioner Mario Monti. He recently said it had been "effective at countering money laundering and has proved to be a landmark in international efforts to combat this scourge".

**A key test of the EU legislation will come during the first weeks of 2002 when national currencies in at least 11 member states will be phased out and replaced by euro notes and coins.**

Building on the experience of the existing legislation, which is seen as the reference point by countries around the world against which to measure their own efforts against money laundering, the Commission is now asking member states to consider extending it in two key areas. First it wants to broaden the definition of suspicious transactions so that it covers the proceeds of all types of serious crime and not just drug related activities as at the moment.

Second it is pressing to bring other professions within its scope so that not just the financial sector, but also auditors, lawyers, real estate agents, auctioneers and even casinos — as is already required by national legislation in some member states — would have to blow the whistle if they felt that any of their clients were trying to use legitimate activities to launder their dirty funds.

At the same time in order to try and stop dirty money from entering the EU financial system, the Commission is recommending that there be even closer co-operating between national authorities, particularly the financial intelligence units established to receive and process the transaction reports.

It has taken the initiative following confirmation by the International Financial Action Task Force (FATF), which has 26 member countries representing the world's major financial markets and the European Commission, that

"the most noticeable trend is the continuing increase in the use by money launderers of non-bank financial institution and non-financial businesses relative to banking institutions".

FATF's 1997 annual report continued: "This is believed to reflect the increased level of compliance by banks with anti-money laundering measures. Traditional methods remain most popular, as is demonstrated by the increase in cash smuggling across national borders and the smurfing [multiple transference between accounts] of cash deposits followed by telegraphic transfers to other jurisdictions."

**As national crimes increasingly become international in nature, the EU has moved the fight against crime and organised crime in particular, higher up its agenda.**

A key test of the EU legislation will come during the first weeks of 2002 when national currencies in at least 11 member states will be phased out and replaced by euro notes and coins. The exercise is expected to see the emergence of a large amount of dormant cash which people have kept at home under the mattress and which will need to be changed by banks into euros.

There is a fear in some quarters that criminals will use the occasion to feed their illicit gains into existing bank accounts or to pre-launder their money by exchanging used small denomination notes for larger ones. The Commission and member states are actively examining what extra precautionary measures might need to be taken, but at the moment the general feeling is that the safeguards built into the existing legislation will be sufficient.

Banks will still have to meet their obligations under the EU rules, demanding proof of identity for anyone opening a new account or making transactions above the €15,000 threshold.

On the other hand, however, the Commission does acknowledge "it will be more difficult for banks to identify suspicious transactions below that threshold, given the pressure they will be under and the appearance at their counters of large numbers of unknown customers".

The possibility of criminals using the arrival of the euro to indulge in some money laundering is not the only practical aspect of the single currency being examined by the Union. Under the leadership of the Commission's own anti-fraud task force, Uclaf, experts are working on ways of foiling criminals determined to forge the new coins and bank notes.

Already the designs for the different euro denominations contain a wider range of security features and anti-counterfeiting measures than any national notes and coins now in circulation. But this technical protection will not totally eliminate the risk of forgeries,



particularly as the wide circulation of the euro will increase its attraction to criminals.

So, as another line of defence, the Commission plans to launch a pilot scheme later this year to train police officers, bank staff and others in the art of spotting forgeries. This might involve the extension of its existing Matthæus programme for training customs officers to cover specially ways of thwarting counterfeiting of the euro.

At the same time the Commission intends to integrate these various training schemes for protecting the euro into its pre-accession strategy.

In addition it is proposing to use existing EU electronic messaging systems to construct a data base available to national police forces which will contain any information on forged notes and coins as soon as they are discovered. "The systematic and methodical use of information provides an overall picture and helps in identifying counterfeiting circuits and networks. It is important to collect and organise all the details, from the investigation, the information or the reporting to the closure of the investigation, the submission of the case to the court and sentencing. This will make it possible to pursue an effective prevention policy on the basis of information updated on a continuous basis," notes the Commission.

This administration, customs and police intelligence information system is intended to run in parallel with the technical information on the production and detailed characteristics of forged notes and coins. This data will be processed by the counterfeiting analysis centre which will report directly to the European Central Bank (ECB) in Frankfurt.

One aspect of the new euro which is causing concern for some law enforcement officers is the decision to endorse the printing of a €500 note — a denomination considerably higher than the highest already in circulation in some member states. Critics argue that the existence of such a high value note will make it easier for criminals to carry their ill-gotten gains across national frontiers unobtrusively in their pockets, instead of having to carry a briefcase full of lower denomination notes, which might just spark off a customs officer's curiosity. The argument failed, to convince EU politicians,



Sue Cunningham/SCP

although it is likely that the ECB will supervise carefully the number of €500 notes which may be printed.

The Commission has also recently turned its attention to ways of tackling the growing phenomenon of non-cash payment crime. As the practice becomes more widespread of using credit and payment cards, cheques and travellers cheques, electronic money, home banking and transactions over the Internet, so criminals have become more adept at finding and exploiting loopholes. The turnover of the global payment card industry alone is fast approaching €2,000bn a year. But at the same time, an estimated €2.7bn is declared lost annually as a result of card crime and issuers in the EU incur approximately one quarter of all payment card losses.

The phenomenon is not helped by the fact that while such crime is becoming increasingly international in nature, measures to combat it tend to be taken domestically and criminals are able to take advantage of anomalies between different national legislation and operate from the least protected market. For example, the mere possession of a stolen or forged payment card is not considered an offence in all member states. In pressing for a more co-ordinated response from EU member states, both present and future, to this new form of crime, the Commission points to a fraud which was fortunately solved in Germany. This might not have happened if the culprit had hopped over the border to a neighbouring country.

The individual had set up a false automatic teller machine display in a German department store. When people put their cards in nothing apparently happened.

But the enterprising criminal was in his car nearby, downloading the card codes in his GSM phone for illegal use later on. He was soon caught. The phone could just as easily have been located in nearby Belgium where the Belgian authorities would not have been able to arrest him until he actually tried to use the stolen information in Belgium.

As part of its campaign to close loopholes, the Commission has recommended that all EU governments should agree that certain types of behaviour — irrespective of the particular form of payment being targeted — should be criminal offences. These would include the theft or forgery of cards and cheques, the possession or use of stolen cards and cheques, knowingly accepting payment from such sources and owning or using equipment which could be used to make forgeries. These agreed crimes would be buttressed by greater cross-border co-operation between the relevant officials. At the same time the Commission has made a special plea to the financial industry, users and national authorities to step up their efforts to prevent crime taking place.

The first is being encouraged to increase the security of these new forms of payment systems. The second is being urged to be as vigilant as possible. The third has been

asked to organise awareness raising initiatives and co-ordinate information gathering.

While strengthening its existing defences, the Union recognises that it cannot tackle the phenomenon of money laundering and financial crime on its own. As a result it is an active member of the FATF. The international group has already produced two sets of recommendations, many of which have been implemented into EU law, on ways to tackle money laundering. It is now working on setting up a world-wide network to spread the message to all countries of the globe. ■

*Reports by Rory Watson, Brussels*

\* From this issue the symbol for the euro, €, is being used.

## International conventions

- ↳ European Convention on extradition, Paris 1957
- ↳ Second Protocol to the European Convention on Extradition, Strasbourg 1978
- ↳ Protocol to the European Convention on Mutual Assistance in Criminal Matters, Strasbourg 1978
- ↳ Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, Strasbourg 1990
- ↳ Convention on Mutual Assistance between Customs Administrations and Protocol, Naples 1967
- ↳ Agreement on Illicit Traffic by Sea, implementing article 17 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, Strasbourg 1995
- ↳ Convention on the Fight against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, Vienna 1988
- ↳ European Convention on the Suppression of Terrorism, Strasbourg 1977
- ↳ Convention on Simplified Extradition Procedure between the Member States of the EU
- ↳ Europol Convention
- ↳ Convention on the Protection of the European Communities' Financial Interests
- ↳ Convention on the Use of Information Technology for Customs Purposes
- ↳ Convention Relating to Extradition between the Member States of the European Union
- ↳ Protocols to the Convention on the Protection of the European Communities' Financial Interests.

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## Serious crime

### Fighting fraud

The EU's campaign against organised crime is matched by its determination to continue rooting out fraud against its annual €96bn budget.

The Commission's latest anti-fraud report, released in May 1998, acknowledged that €1.4bn had disappeared in 1997 in a range of scams against the EU's budget or in financial irregularities. The sum only covers frauds which had been detected and many observers believe the actual figure could be considerably higher.

Increasingly organised crime is involved in siphoning off EU funds. The Commission's report identified 50 crime syndicates behind some of the major frauds involving the misuse of EU subsidies or the non-payment of taxes.

"It is a very worrying phenomenon, especially since we know that these syndicates are also involved in drug smuggling, trade in weapons, corruption of public officials and money laundering. And now we can see them operating from our neighbouring countries in the East, undermining their progress towards the rule of law," warns the anti-fraud Commissioner Anita Gradin.

To try and turn the tide, the Commission has strengthened the powers of its own anti-fraud



Sue Cunningham/SCP

squad, Uclaf. After an internal reorganisation in summer 1997, Uclaf was given the primary responsibility of liaising directly with EU governments and national police and judicial authorities in the fight against fraud, corruption and money laundering.

The anti-fraud unit is also consolidating its contacts with similar bodies in the candidate countries. One of the four main strands in the Commission's latest anti-fraud programme is the need to work closely with the applicants on strategies which will prevent criminals from growing richer on the back of the EU budget.

It aims to integrate anti-fraud concerns into the various short- and medium-term pre-accession strategies and to establish as a daily practice the sharing of information and operational support on the ground between the Commission and the relevant authorities in the candidate countries.

Uclaf will also offer the applicants the necessary consultancy services to help them take on board and apply existing EU anti-fraud legislation. It will also assist them in establishing a multi-disciplinary anti-fraud structure to protect the Union's financial interests.

That assistance includes the possibility of training by the Commission for officials in the candidate countries involved in the fight against fraud. More specifically the Commission wants to establish close contact with anti-counterfeiting authorities in the candidates in order to prevent forgery of the new euro during the pre-accession phase and to forge effective co-operation with various customs services in order to stamp out transit fraud. ■



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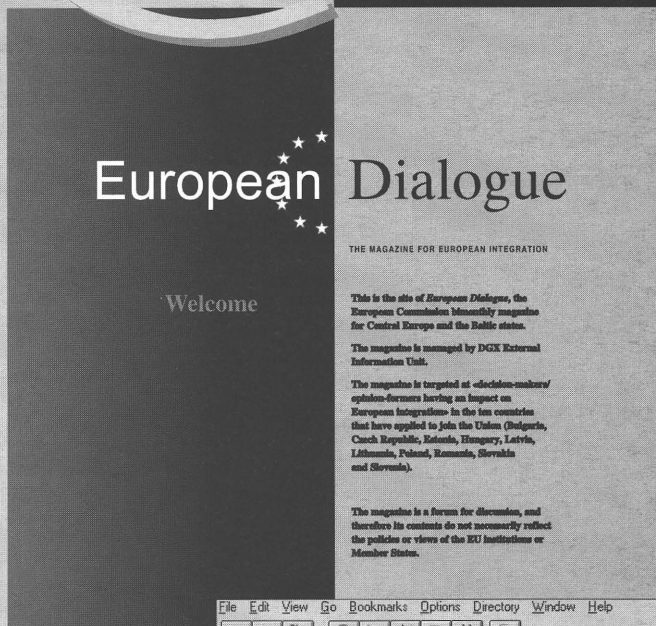
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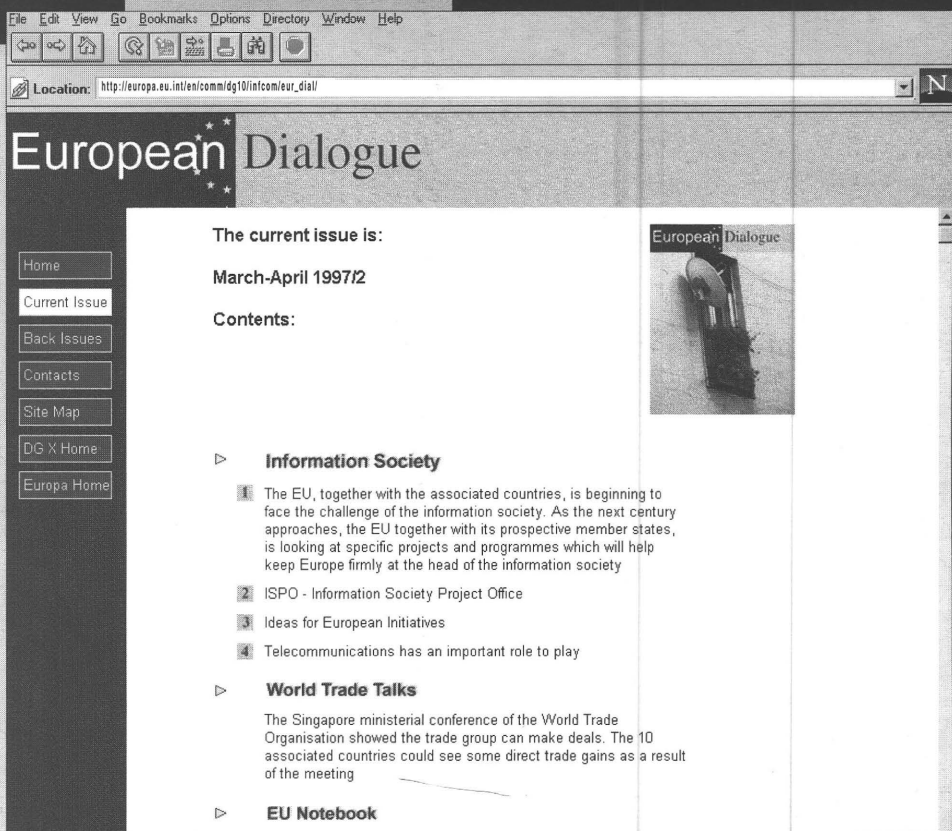
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