

European Dialogue

THE MAGAZINE FOR EUROPEAN INTEGRATION

MAY-JUNE 1998/3

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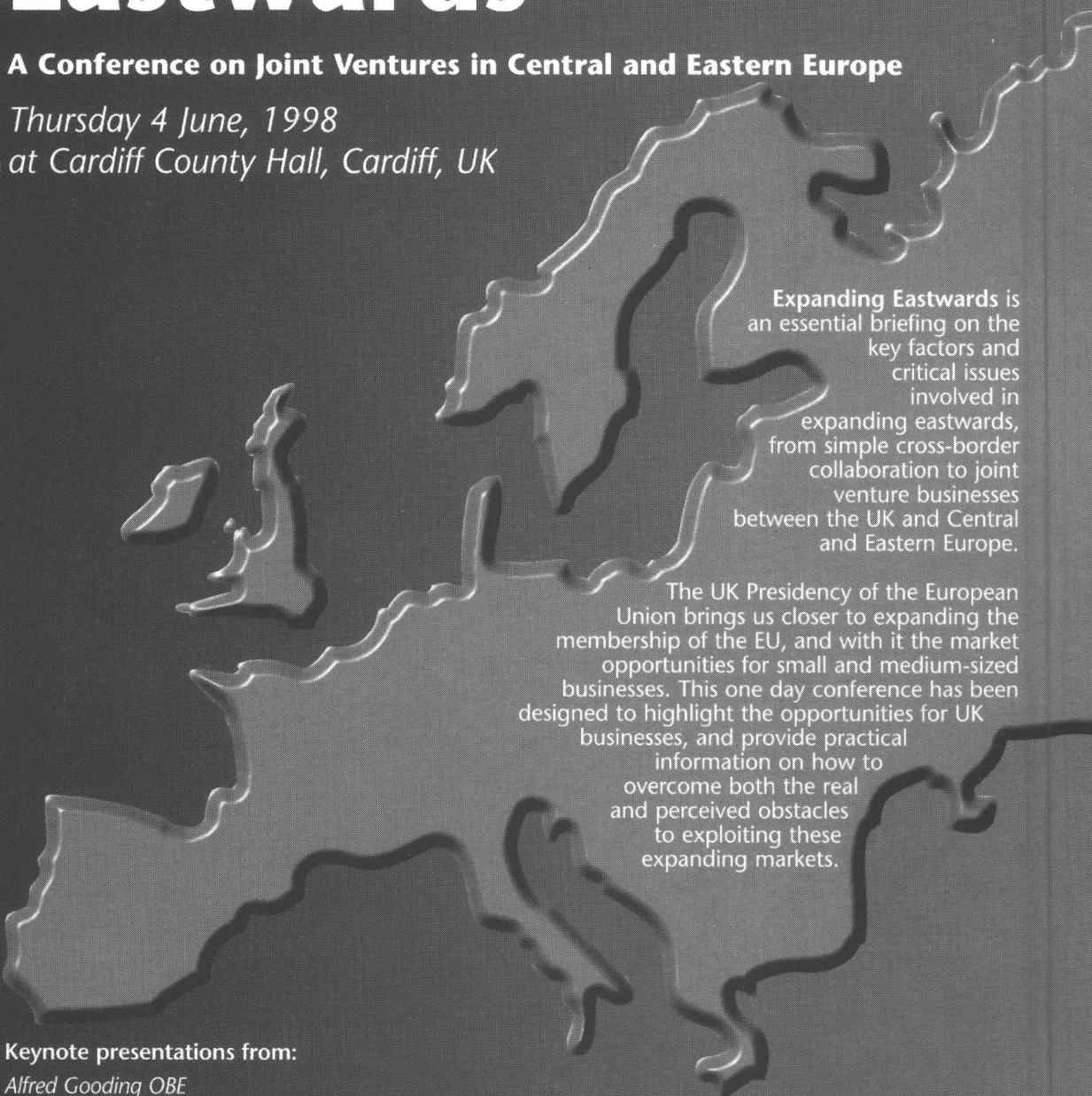


PUBLISHED BY THE EUROPEAN COMMISSION

Expanding Eastwards

A Conference on Joint Ventures in Central and Eastern Europe

*Thursday 4 June, 1998
at Cardiff County Hall, Cardiff, UK*



Expanding Eastwards is an essential briefing on the key factors and critical issues involved in expanding eastwards, from simple cross-border collaboration to joint venture businesses between the UK and Central and Eastern Europe.

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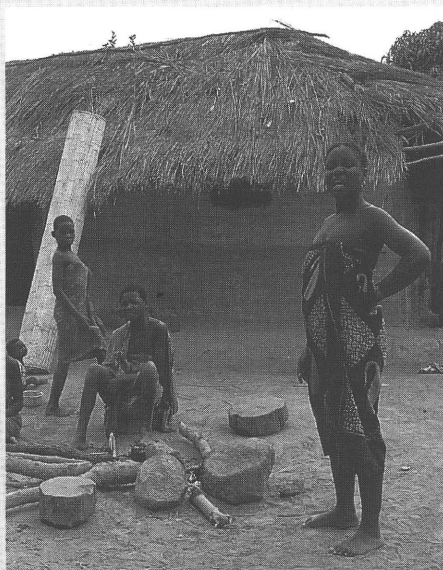
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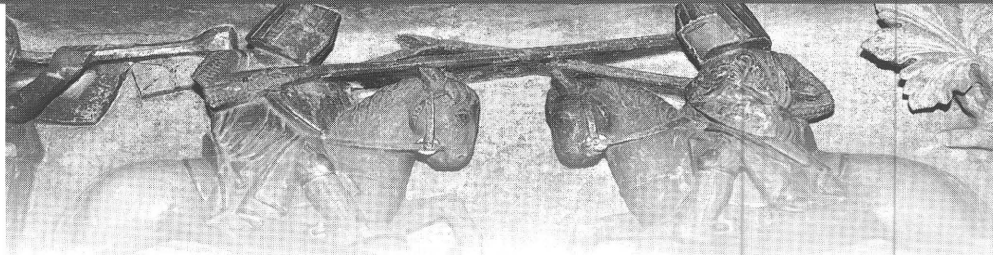
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EU single market success leads to some problems

While the success of the EU's single market is undoubted, it has also opened up possibilities for fraudulent activities. Combating fraud and corruption not only in the single market but within its own institutions is a major concern of the Commission.



The single market, which lies at the heart of the European Union (EU), has fallen victim to its own success.

Growth of trade has attracted a matching wave of fraud, carried out by criminals organised at the European level.

One example of this is fraud surrounding the hormone treatment of cattle. Illegal organisations have moved in on the profits to be made from importing, selling and distributing a range of hormone products for cattle.

In these cases the level of illegal profits is high and has spawned criminal organisations, including a hormone criminal group operating throughout the EU and beyond. Organised crime is mainly involved in frauds in the freight transport system.

There are other crime networks, too, which have not sprung up directly to take advantage of the EU and its rules, but which all go to form part of the challenge of criminal activities expanding across frontiers within Europe.

The early EU treaties made no reference to combating crime, but in the late 1980s the governments of the EU came to be increasingly aware of this problem. This was reflected in the third pillar provision of the Maastricht Treaty and was taken up again in the text of the Amsterdam Treaty.

"Without prejudice to the power of the European Community, the Union's objective shall be to provide citizens with a high level of safety within an area of freedom, security and justice by developing common action among the member states in the

fields of police and judicial co-operation in criminal matters and by preventing and combating racism and xenophobia," states article 29 of the Amsterdam Treaty.

"That objective shall be achieved by preventing and combating crime, organised or otherwise, in particular terrorism, trafficking in persons and offences against children, illicit drug trafficking and illicit arms trafficking, corruption and fraud," states article K1 of the Maastricht Treaty.

The responsibility of the EU for ensuring a common area of freedom, security and justice is promised in both the Maastricht and Amsterdam Treaties. This seems certain to expand in the coming years.

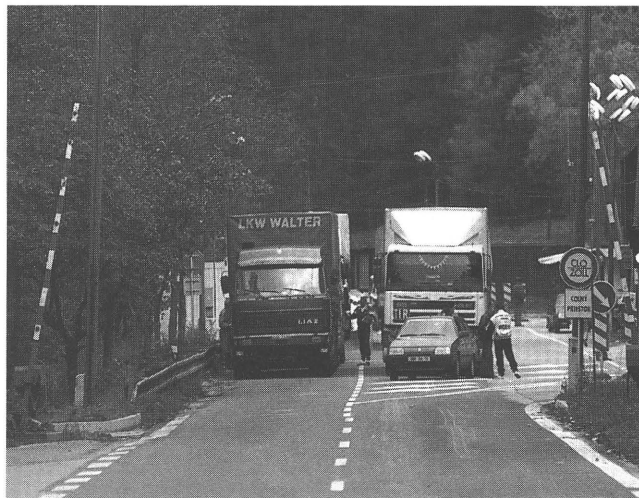
The early EU treaties made no reference to combating crime, but in the late 1980s the governments of the EU came to be increasingly aware of this problem.

The preference by member states to treat the matters of justice and home affairs on an inter-governmental basis is slowly giving way to a more pragmatic approach, above all as regards the involvement of the Commission. Several Commission members found that the interaction between their areas of responsibility required them to work together. So Anita Gradin, the Commissioner responsible for anti-fraud measures, was put in charge of a number of issues, such as drugs and immigration as well. A practical partnership developed between her and Single Market Commissioner Mario Monti.

The way the Commission approaches the problems of fraud varies from one situation to another. In the case of the hormone mafia and fraud concerning transit across frontiers between member states (see separate articles), the gap is wide.

The EU and most member states have regulations or legislation banning the issuing of hormones to promote excessive growth. The problem is one of implementation.

For transit across frontiers regulations exist, but such is the scale of the trade involved that they are not strong enough to counter inefficiency or criminal organisations. What is required in one case is tough and effective action against organised economic crime. What is needed on the other is to cut back loss of funds in the transit system and to change the system.





MEPs take fraud seriously

Jaak Vandemeulebroucke is a member of the European Parliament, representing west Flanders for the Volksunie regionalist party. It was there that he came up against the scandal of what was happening in the cattle and dairy sectors.

After months of probing and enquiring he went public at a press conference attacking the hormone mafia and calling for tougher and more rapid government reactions. He came to realise how the meat sector in Belgium was a battleground. A number of honest and courageous inspectors, vets, dealers — and after Mr Vandemeulebroucke's press conference — a growing number of journalists were joining the resistance against the power of the hormone mafia.

Over the next few years Mr Vandemeulebroucke and his assistant, Bart Staess, set out to discover how the international hormone mafia worked. They found that despite an EU ban dating from 1981, there is still a network of illegal trade with hormones and other products imported from world-wide networks.



Governments are mostly ill equipped to back up their own anti-hormone rules. They cannot cope with another dimension of the problem, the laundering of the money from the proceeds of these sales. In money laundering the hormone mafia interacts with the broader criminal networks dealing with their profits from drugs and other illegal activities. ■

One way to combat fraud in the single market is through a TI (international transport) form issued for each shipment that crosses a frontier. The average value of each individual shipment is around Ecu 240,000.

An estimated 18m TI forms are issued each year for shipments between EU member states. These make it unnecessary for trucks in transit to stop at intra-EU frontiers. A further 2.5m forms are issued for loads crossing the external frontiers of the EU. They come under the TIR (international transport regulations) system.

This is a vast bureaucratic effort — the counter-part to which is the scope which it gives for fraud. Experts agree on an estimate of 0.5 per cent of the total value of this trade being lost. In part this is due to negligence or inefficiency in sending each of the five copies of the forms to the right customs authority. The rest is lost through fraud — forged copies of transit forms, changing the description of the goods or the destination or goods issued with a TI form which fail to arrive at their destination.

The European Parliament's committee of inquiry (see separate article) is concerned about problems surrounding the working of the transit system. The committee pointed out that during the series of stages which the TI forms go through, it is the freight forwarders that bear the brunt of insurance for the goods and liabilities for losses. They take responsibility for ensuring that the goods get to their destination and have to cover losses incurred.

The committee shared the view that this leaves the freight forwarders with an unfair proportion of the risks. Governments are in no hurry to take over that burden and those responsible for large-scale fraud find this the easiest stage to tap the system.

Not only the scope but the slowness of the system increased the burden on the freight forwarders and the scope for fraud. This led the committee to ask why the transit system had not been computerised. The idea is being studied.

Improvements in the current transit system have been taken up in a report from the budget control committee, due for debate soon. In the agricultural sector pressure for more intensive farming has coincided with the spread of new biotechnologies, mostly using hormones. In several countries the pay-off from using hormones, even after they had been declared illegal, was too strong to be resisted.

The outcome is a classical fraud situation where powerful illegal organisations enforce their authority over the trade in an illegal product to the detriment of small operators — in this case small farmers who have no option but to conform to the regime that is being forced on them. ■

Reports by John Lambert, Brussels



Sue Cunningham/SCP

MEPs work to tighten monitoring procedures

The European Parliament's committee of inquiry into the EU transit system was the first of its kind to be set up under the terms of the Maastricht Treaty. It has wide ranging powers to convene and interrogate witnesses.

For the European Parliament it was a chance to show it now had some real teeth and was able to carry on the work of the budget control committee in probing into what happens.

The chairman of the committee was John Tomlinson, a British Labour MEP and prominent member of the budget control committee since 1979. The rapporteur was Edward Kellett-Bowman, a British Conservative MEP.

The unspoken implication of this bipartisan approach was that the committee could serve as a model for future similar inquiries.

Mr Tomlinson set the tone for the committee, combining unshakeable good humour with irresistible drive and insistence. The committee not only convened a wide range of witnesses in Brussels, it travelled throughout the EU to check the situation on the spot. Subsequently the budget control committee continued to pursue problems which the committee of inquiry had identified.

A report on these activities is due to be given at the plenary session of the parliament in May. ■

Cigarettes take a journey

Cigarettes are often at the centre of fraud, particularly where shipments pass from non-member states into the EU. A good example of this is a consignment of cigarettes which are shipped from Poland to Spain. At the Polish border the carrier chosen by the sender asks the freight forwarder to issue a TI form. Knowing how delicate the cargo is, the forwarder decides to issue a TI document for one container and wait until that has been cleared by customs before issuing a further document. He does this for each of the other 11 containers making up the shipment. In each case the TI form comes back with the required customs stamps and signatures.

Only when the shipment is complete does the freight forwarder learn that customs stamps on all 12 TI documents were forged and that he is liable for duties and taxes because it has not been proven that the merchandise has left the original country of origin. If he had known this earlier he would never have issued the TI documents.

The customs official who was involved in the fraud, being bribed to misuse his stamps, is taken to court and convicted of corruption. But it is the freight forwarder who has to pay the duties and taxes, even though he can show that there was no negligence on his part and the involvement of customs officers in the fraud is evident.

To give an indication of the sums involved, a trailer containing 1,000 boxes of blond tobacco which fails to arrive at its destination with a legal TI form causes a loss to the government concerned of Ecu 1m. ■



Fraud and corruption

UCLAF leads the fight against fraud

The Anti-Fraud Co-ordination Unit (UCLAF) was created in 1988 following the recommendations of a Commission report on means of fighting fraud in the Community budget. UCLAF is part of the secretariat-general of the Commission and reports to Commissioner Anita Gradin.

The primary duty for the fight against fraud remains the responsibility of the individual member states, who are responsible for the front line enforcement and verification work which is essential in deterring, discovering and stopping fraud. Every member state is obliged under the terms of article 209a (Maastricht Treaty) to take the same measures to counter fraud on the Community budget as they do to protect their own financial interests. UCLAF is responsible in the

Commission for all aspects of the fight against fraud on the EU budget. UCLAF's operational mission is primarily to support member states where they need co-ordination with other member states and the relevant services of the Commission. UCLAF investigates suspected fraud cases to establish the sums at risk to be recovered and prepares a case for submission to public prosecutors in the member states.

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UCLAF has the power to request that investigations be carried out by the competent services of the member states and can also take the lead in an investigation if the investigation cannot be carried out effectively without co-ordination with other member states. For example, where elements of an important fraudulent operation appear to exist in various member states simultaneously, or where evidence has to be obtained outside the EU, UCLAF can take the lead.

UCLAF helps member states focus their verification and control on high-risk sectors and areas and gather information on these areas.

To collect and analyse this information, UCLAF maintains a database of information regarding suspected fraud under investigation by the Commission (pre-IRENE), as well as a database of cases reported, known as IRENE, which holds over 20,000 cases.

In addition the customs and agricultural services have



Steve Clunningham/SCP

direct communication between themselves and with UCLAF thanks to the AFIS (anti-fraud information service) computer network.

UCLAF has no independent criminal investigative powers. This remains the domain of the member states, who are obliged to take the same measures to counter fraud affecting EU financial interests as they do for their own national budget.

Member states are obliged to organise close and regular co-operation to protect the financial interests of the EU between the competent departments of their administrations with UCLAF's assistance. This takes place within the framework of both regulations and administrative arrangements. Meetings between UCLAF investigators and representatives of the investigative services of the member states to decide and co-ordinate anti-fraud operations take place nearly every week.

The advisory committee on the fight against fraud (Cocolaf), a committee of high officials from the relevant services of the member states (mainly customs, finance and agriculture), meets regularly to discuss progress in the fight against fraud, the work programme of UCLAF and other related matters.

UCLAF provides training and information seminars for control and investigation staff, prosecutors and judges and others at all levels in the member states. UCLAF also provides information and analysis to EU institutions such as the European Parliament and the Court of Auditors and the media, based on data gathered from the member states on fraud cases discovered and closed investigations. ■

EU needs to confront enlargement reality

The start of membership negotiations should begin to concentrate minds in member states over the looming challenge of EU reform. In a guest article, Helen Wallace examines some of the choices open to the 15 members as they create a larger Union.



The European Union (EU) has now to face up to the tough reality of what is involved in enlargement. Over the past five years it has become usual for politicians and policy-makers in the EU institutions and member states to talk of enlargement as the big challenge to be addressed — but sometime in the future. That future has become the present with the opening of accession negotiations in March with some of the candidates. Although the talks have opened, there is no scheduled date to end the negotiations. These will take as long as they need to and the timetable will vary country by country.

Those who speak for EU policy have been at pains not to forecast when enlargement will actually take place. It is not yet known on what terms it will occur, either as regards the specific arrangements for individual candidates or as regards the adjustments that will need to be made in EU institutions and policies.

Agenda 2000 (ED 97/6, page 2) gives some clues about these issues, but comprises an agenda to be tackled and not a blueprint of the likely outcome.

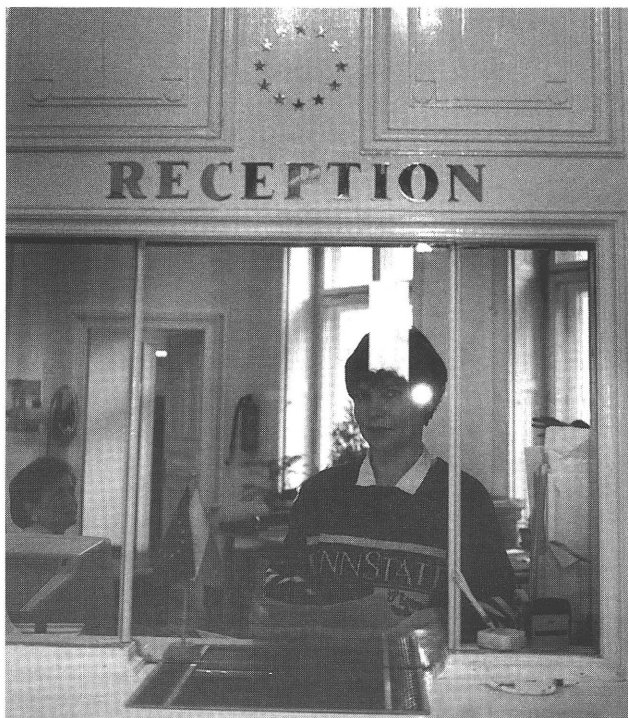
Those who speak for EU policy have been at pains not to forecast when enlargement will actually take place. It is not yet known on what terms it will occur, either as regards the specific arrangements for individual candidates or as regards the adjustments that will need to be made in EU institutions and policies.

Practitioners across Europe are studying the detailed issues. Their instincts will understandably be to approach their task by extrapolating from previous EU experiences of enlargement and by relying on understandings of what the *acquis communautaire* (body of EU law and policies) comprises as defining the parameters of how the bargains will have to be struck on the many issues involved.

After all, the argument goes, what enlargement requires is for a critical pathway to be established to identify when and how any candidate can take on the same obligations and conditions of membership as those of the existing member states.

People are fond of quoting both the enlargement which added Spain and Portugal (around eight years) and the Efta enlargement (Austria, Finland and Sweden), which formally took a couple of years. This enlargement, however, happened only after four surprisingly difficult years of negotiations to establish the European Economic Area (EAA).

It is crucial that the debate and the negotiations on enlargement are placed in a broader and firmly strategic context. The forthcoming enlargement is hugely different in character and consequences from those of the past. The objective this time is, after all, about giving substance to some kind of notion of pan-Europe, or what former Commission President Jacques Delors calls the big Europe. Even so the logic of the process now underway is to move



Sue Cunningham/SCP

towards a version of European integration that would stretch across the continent. The truth of the matter is that most of us have little idea of what pan-European integration could mean or of how to ensure that it would be sustainable.

Many see it as feasible and regard it as an historic opportunity to be seized. But the scale and scope of the project demands a radical appraisal of what would be involved and not mere extrapolation of the existing model of west European integration.

There are at least three reasons for this call for a radical strategy. First is the confusion about what integration demands and includes. Second is the fact that currently both western Europe and the candidate countries are in transition. Third is the question mark about what underlying notions of solidarity would be needed to hold pan-Europe together.

The EU needs to be clear about what it means by integration. Economists tend to use the term to refer to the increased intensity of economic transactions across country borders. Indeed most of the detailed agenda of EU enlargement negotiations is about precisely how to encourage the conditions which promote cross-border economic transactions and the creation of a single economic space, with similar forms and content of economic regulation.

EU integration comprises much more than this. It is predicated on a notion of deep integration that is set in a framework of strong and shared political and legal bodies.

To achieve inclusion within the institutional and legal institutions depends on achieving a high degree of political trust in both directions. It is even harder to establish whether similar political and social norms and values are embedded, partly because these are more matters of interpretation than of mechanistic criteria and partly because they are implicit in the minds of those who make the judgements rather than explicitly articulated. Moreover, given the different political and social inheritances of the candidates, the countries in the western part of the continent should beware of projecting on to the candidates too many assumptions based on their own different histories. The EU needs to be sensitive to the differences that characterise the candidate countries and to be prepared to accept some of them as legitimate. The Union needs to make a political investment in fostering the conditions that will induce political trust.

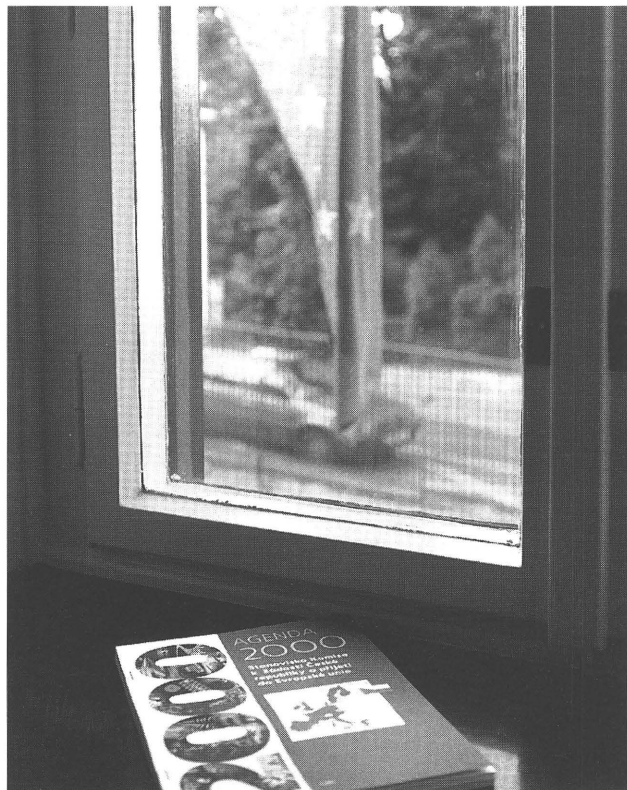
Deep integration in western Europe has a further dimension. The development of the EU did not take place in isolation. It was rooted in a setting in which the same west European countries were (mostly) also

members of the same security alliance, Nato. It could be argued that the coexistence and complementary for the two arenas of engagement helped to root the EU in so firm a basis of shared and extensive collaboration and political commitment. In extending the EU eastwards and to countries that will not necessarily simultaneously become members of Nato, the Union needs to recognise that there is an asymmetry in the definition of partnership.

It is crucial that the debate and the negotiations on enlargement are placed in a broader and firmly strategic context. The forthcoming enlargement is hugely different in character and consequences from those of the past.

A second major factor to be taken into consideration is that it is not only the candidates that are countries in transition. The existing EU is an organisation in transition and the incumbent members are countries undergoing structural change. Much of what is interesting about the EU as an organisation is that it is constantly reviewing its scope and priorities.

Currently three new preoccupations predominate: economic and monetary union (EMU), efforts to develop a shared approach to employment and the quest to establish an area of freedom, justice and security. How



Sue Cunningham/SCP



these new projects develop will have major consequences for how the EU evolves and on the extent to which individual EU members are full participants.

Already some member states are more involved than others. This variation of participation — what at the Amsterdam European Council was called flexibility (ED 97/5, page 2) — may become a distinguishing feature of the future EU.

In these circumstances the EU needs to think more carefully about what kinds of variation of participation would make sense, or be necessary, to make a pan-European EU work well. The EU needs to find a way of doing this without provoking discrimination between member states which opt for further integration and those which want to postpone it or to stay outside certain initiatives.

Individual EU countries are also going through a period of structural change in their domestic politics, economies and societies. The west European welfare and market systems are altering in important way, and in some respects in different ways, country by country. Although the discourse of a single west European model remains potent, it is hard to identify its main constituents.

It, therefore, becomes hard — even misleading — to imply that there is a west European model with which, over time, the candidates might converge. Some scope needs to be found in the discussion of enlargement for recognition of the additional and durable forms of variation that the candidates would bring to an enlarged EU. These are likely to emerge, for example, in areas such as environmental policy and labour conditions.

A third point that has been crucial in the past successes of the EU is that it has rested on forms of solidarity between the members.

Solidarity is crucial to the concept of political integration and to the sustainability of partnership and functioning co-operation. Here also is the mingling of both explicit and implicit forms of solidarity.

The explicit forms have been linked to particular policy commitments and often backed by financial transfers. It happens to be the case that these have become vulnerable as a result of discussions of policy reform within the EU. Agenda 2000 discussions are likely to lead over a time to the lightening of the solidarity arrangements around the common agricultural policy (CAP) and around the structural funds and cohesion arrangements for existing, as well as new, member states.

Much more is likely to have to rest on other forms of solidarity. Two fields of policy within the EU may prove to be of particular relevance. One has to do with labour

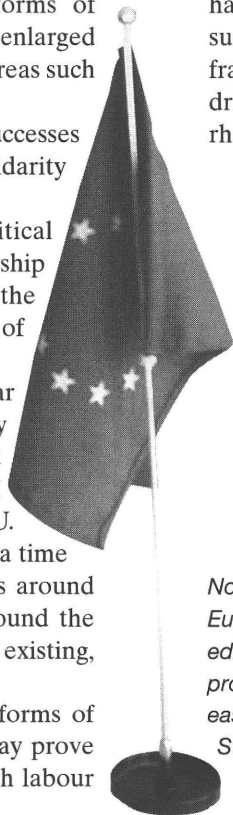
movement, one of the core four freedoms of the single market. The tolerance of the principle of labour movement is an important signal of a willingness to treat the citizens of one EU member state as welcome within any other, even though few EU citizens take advantage of this. This will be a difficult principle to extend to the candidates.

A second and closely related policy field is the new area of freedom, justice and security, given more definite shape by the Amsterdam Treaty. This presumes a borderless area for most EU countries and for new members with individuals free to move around within it. Yet the worries about the eastern borders and agencies responsible for public order of the candidates and about the challenges of cross-border crime, drug trafficking and other concerns are potential inhibitions on the opening of borders.

Member states have yet to see how these issues will play out in the enlargement negotiations or how they will impinge on the arrangements to be explored with those of the candidate countries that have less chance of early accession to the EU. Here too it will be a challenge to build trust and to use common sense to ensure that enlargement is achieved without creating new barriers, both physical and psychological, within pan-Europe.

The optimist should always try to argue that difficult issues are challenges to be met, not problems that create handicaps. Enlargement will be neither achievable nor successful unless constructive optimism sets the tone and frames the EU's approach. That optimism will need to be driven by a political strategy and not left to depend on rhetoric. ■

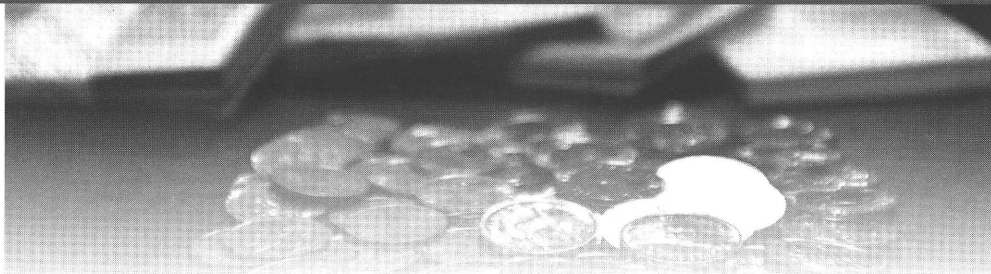
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programme on One Europe or Several:
the dynamics of change in Europe.*



Note: This article drew on Coming to Terms with a Larger Europe: options for economic integration, in John Zysman, editor; Will there be a unified European economy: international production networks, foreign direct investment and trade in eastern Europe, University of California, International and Area Studies Publications, autumn 1998.

Auditing the EU is a challenge

The Court of Auditors is the EU taxpayers' representative. It is responsible for checking that the EU spends its money according to budgetary rules and regulations and for the purposes for which it is intended.



The Court of Auditors is one of the EU's institutions. The others are the European Parliament,

Council, Commission, Court of Justice, European Investment Bank, Economic and Social Committee, Committee of the Regions, European Ombudsman and European Monetary Institute. The Court has the same status as all these institutions.

Some see the Court of Auditors as the financial conscience of the Union, others as a watchdog over its money. In either case it is a guarantor that certain moral, administrative and accounting principles will be respected.

The Court's reports are a source of information on the management of the Union's finances and a source of pressure on the institutions and others with administrative responsibility to manage them soundly and call them to account for their spending.

The Court of Auditors publishes an annual report for each financial year as well as special reports on certain EU bodies and activities. The EU's treaties give the Court the power to submit observations on specific questions and to deliver opinions at the request of one of the institutions.

Despite its name and function, the Court is not dominated by auditors or accountants. Governments, through the EU's Council of Ministers, appoint politicians, civil servants and lawyers — those with an auditing background — to the executive 15 member court.

Set up 20 years ago, the Court has become a powerful influence, becoming the basic judge of the Community's financial efficiency and management. It has gradually increased its powers within the EU. The Court's persistent attacks on financial irregularities has made it an indispensable part of the EU's institutional structure and its role in the future Union is likely to grow, rather than to diminish. The expansion of the EU and the extra pressure the enlarged Union will bring on the EU's finances will mark another step in the Court's evolution. The latest sign of member state confidence in the Court came at the 1997 Amsterdam summit where the Court was given powers for the first time to control expenditure

on external policies and on justice and home and affairs. A separate decision in the Court's favour resolved a long drawn out wrangle with the European Investment Bank (EIB), the EU's financing arm, by allowing the Court of Auditors access to bank information about projects. The Court can now delve further and deeper in its pursuit of financial control.

It already has the powers to look into the general budget of the Union, its lending and borrowing, the coal and steel fund, development funds and assistance in support of the candidate countries.

Media coverage of the Court's reports and pronouncements has added weight to its authority. It has developed a fearsome reputation. Despite its extensive job description, the Court is a relatively small institution, with just over 500 staff, many of whom are involved in translation and administrative functions. With so few personnel, the Court cannot check every figure.

Its main function is as an external auditor — checking the checks already carried out by Commission directorates-general, national governments or other bodies charged with raising or spending EU funds.

To do this the Court has adopted systems-based auditing — a series of tests which ensure that the earlier examinations and procedures underlying them are correct. The Court validates the earlier checks and comments on whether the implementation of the policies and concrete results achieved are satisfactory.

This job has made the Court enemies. Former Commission President Jacques Delors accused it of launching a political attack on the EU's structural funds. Relations between Mr Delors and the Court were frosty for a number of years.

The main focus of the Court's auditing work is the annual audit of the EU's budget. The results of this are presented to the European Parliament and Council of Ministers together with the Court's conclusions about the previous year's revenue raising and spending.

The annual report has become an important event. It also

helps not just the EU press corps make sense of EU spending, but aids member states and individual citizens in understanding where and how Union money (ultimately coming from member state tax-payers) was spent.

The annual reports are accompanied by observations from the Commission and other institutions concerned. The Court of Auditors, however, gives the final verdict. The annual report also forms the basis for the European Parliament to focus on the Commission's budgetary performance. Usually in April, the European Parliament looks back on the budgetary year and exercises its powers to grant or refuse the Commission a discharge for its performance. Failure to grant a discharge can be cause enough for the Commission as a whole to resign. This question has not been properly resolved. So far there has been only one occasion when the discharge was denied and this coincided with the end of the Commission's term in office.

The Court since 1994 has also provided a statement of assurance that the EU's accounts are reliable and that the transactions, revenue received and payments have been legally made. This new job led to a re-think of the Court's working methods to ensure that its investigations were representative of the total budget. It increased the number of tests on existing audits and followed the audit trail to the final beneficiaries of Community cash.

On its own initiative the Court can also investigate specific areas and produce special reports and opinions that are issued on financial regulations and other matters. Over 1989-95 the Court produced 96 reports, including five annual reports. The work load is dictated by a multi-annual programme with priorities set by such considerations as the significance of the measure, the probability of irregularities being found and the results of previous audits.

All areas of EU intervention are audited by the Court once every four to five years. Although the Commission appears to be the Court's main target, national authorities in the EU and outside are coming under closer scrutiny by the Court of Auditors. This is mainly a result of the trend for the Commission to devolve management of polices to national authorities with the result that they are now responsible for the management of around 90 per cent of Community revenue and expenditure.

Co-operation with national audit authorities has become a must for the Court. National accounting authorities have the personnel to carry out audits which the Court of Auditors cannot hope to match. As a result joint audits between the Court and national officials are now common.

Some of the Court's reports make far from pleasant reading for member state governments. The latest report for 1996 bemoans the fact that member

states have still to put in place appropriate systems for financial management and accounting that keep pace with the expansion and diversification of Community activities. One member state was singled out for criticism last December for its lamentable record in taking up the EU funds offered to it and at the same time claiming for itself for some an artificially high exchange rate between the Ecu and its national currency.

The EU's aid to the candidate countries has also come in for criticism in several special reports — either for failure to get allocated funds spent where and when they should have been, or for insufficient management. The Court's criticism of the EU Phare programme's decentralised management and implementation of programmes between 1990-95 was delivered in a special report last year.

According to the Court's observations, procedures intended to make sure that money was spent wisely had slowed down the implementation process. This was not helped by duplication of certain tasks by the Commission's delegations and central services. In addition the Court criticised the lack of transparency in the award of contracts.

The Commission responded to this criticism by saying that procedures were being reviewed and funds would in future be targeted at fewer projects lasting over longer periods. In addition more accountability was being introduced into tendering procedures. A new unit has been created to assess programmes and the staffing of Commission delegations in the candidate countries will be increased to allow better oversight of programmes.

The Court can also be asked to give an opinion on a specific point by another EU institution. Opinions are not always what were expected and can put the Court in the middle of unpleasant inter-institutional and political crossfire. In the highest profile example so far, European governments in 1983 asked the Court to take a broad look at the financial management of most of its main spending areas, including structural and agricultural funds. The

Court's opinion did not meet with member state approval and as a result was largely ignored. ■

Kenneth Jones, Brussels

More information on the Court of Auditors can be found on its Internet home page: www.eca.eu.int/.

EU restructures its relations with African, the Caribbean and Pacific

Co-operation between the EU and the countries of Africa, the Caribbean and the Pacific dates back to the origins of the Community.



EU aid and development began in the 1960s when it focused almost exclusively on countries with special

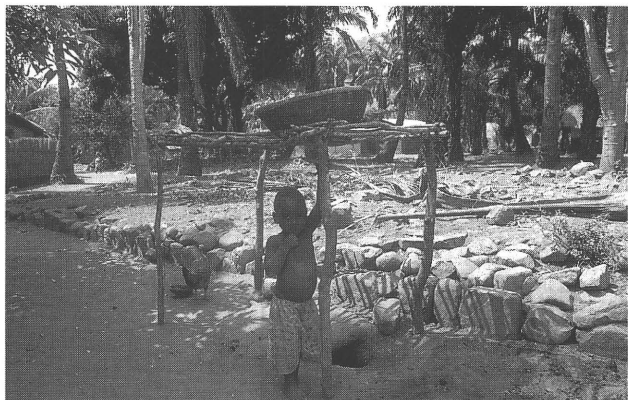
links with the member states — in particular the former colonies of France, Belgium, Italy and the Netherlands. These countries are known as the ACP countries (African, Caribbean and Pacific). The first Community agreement with these developing countries was signed in Cameroon's capital Yaoundé in 1963.

The next agreement was signed in 1969, after which conventions were signed in the capital of Togo, Lomé, in 1975, 1979, 1984 and 1989. After this the agreement was known as the Lomé Convention. There was also a mid-term review of Lomé IV in Mauritius in 1995. This substantially enhanced the convention's political elements.

The Lomé Convention, which has been the framework for trade and development aid ties between the EU and ACP states since 1975, is one of the most important facets of the EU's external activities. This convention expires on February 29 2000. Negotiations should start in September 1998. In view of the major changes that have taken place over the last 10 years, the time has come to take a fresh look at the future of ACP/EU relations.

Over that period, the number of beneficiary countries swelled to 70 members. In 1995 the EU and its member states spent Ecu 31.3bn on development aid, accounting for between 56.5 per cent of public aid from developed countries compared with around 17 per cent from the US and 17 per cent from Japan.

All the previous conventions aimed to help the ACP



Sue Cunningham/SCP

countries by providing them with guaranteed markets, instruments to protect them from the vagaries of commodities and mineral traders and large-scale development aid to their emerging governments.

The emergence of the global trading system, shifts in international trading patterns and a new emphasis on private enterprise all call for a profound reassessment of EU-ACP relationship when the current Lomé convention runs out in February 2000.

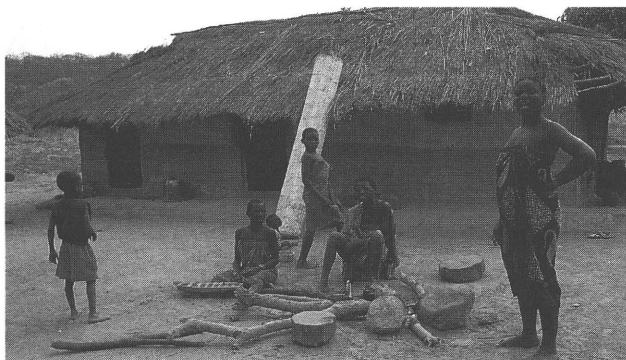
Virtually all ACP exports enter the EU tariff-free, either through the convention or through specific trade protocols, while entrepreneurs and governments gain the benefit of European technical and commercial expertise.

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The EU's expansion to 15 members has also shifted its balance from ex-colonial powers to countries that never had empires, moving the Union's development aid emphasis away from keeping post-colonial ties alive towards a more general commitment to reducing global poverty.

That shift is likely to be accelerated in the next decade by further enlargement of the EU — a move which many development organisations fear could make the EU more reluctant to share out resources with countries beyond its immediate sphere of influence.

However, the apparent inability of many (although not all) ACP countries to participate in global economic growth since 1975, means Africa today needs more help than ever. In its recent Green Paper on relations between the EU and the ACP, the Commission warned that "the economic marginalisation of some ACP countries has gone hand in hand with social disintegration, mounting violence and a proliferation of armed conflicts".



Sue Cunningham/SCP

Others have done considerably better, leading to substantial regional differences within the ACP group. These differences suggest the need for a more differentiated approach to ACP development.

The World Trade Organisation (WTO) is growing increasingly critical of inter-regional trade privileges. Its recent ruling condemning the Union's banana regime suggests that future EU-ACP conventions can no longer maintain the current degree of preferences.

Recognising the need for change, the Commission initiated a Europe-wide consultation exercise last year with the publication of a provocative Green Paper. Throughout 1997 meetings, seminars and discussions were held between academics, governments, development organisations and international institutions in Europe and the developing world.

A range of ideas emerged from these talks but there was a clear consensus that things needed to change. Most participants agreed that a new convention should focus more on poverty alleviation and try to stimulate enterprise from the bottom-up.

Development assistance should be more sensitive to local social and economic conditions in partner countries and help improve the status of women.

There was wide support for keeping the ACP together as a group, although experts felt there should be a greater degree of differentiation between regions.

Now that thinking period is over, the hard part begins. First EU governments have to agree on a Commission negotiating mandate for the new Lomé convention by this summer. The Commission has proposed a series of free trade agreements with ACP countries by 2005, complemented by EU support for ACP efforts to integrate into world markets.

Towards the end of this year, the Commission will start negotiations proper with the ACP, and hopefully reach a new Lomé agreement by 1999.

At the same time the Commission is restructuring its development aid management to one common external service, known as CAMS (common aid management service).

That means that ACP project managers will be sitting in the same building as administrators for aid to candidate countries as well as technical assistance aimed at the former Soviet republics and others. This will allow for a greater synergy of approach and more rational tendering and project selection procedures.

This year will mark something of a revolution in Europe's relations with the developing countries. It will not be easy to make radical changes. ■

Alistair Keene, Brussels

Development buzzwords

LOMÉ CONVENTION

The fourth Lomé Convention is now in operation with 1990-95 grants and loans allocations for 70 ACP countries of Ecu 12bn. The new financial protocol signed in Mauritius in 1995 allocated Ecu 14.6bn for the period 1995-2000 and accounts for around 55 per cent of all EU aid. Financing comes from EU member states' contributions to the European Development Fund, which is separate from the Union budget. The fourth convention focuses more than its predecessors on rural and agricultural development and on financing programmes rather than individual projects. The mid-term review reinforced the convention's political elements — including a human rights suspension clause — emphasised trade and competitiveness in ACP countries and introduced more flexibility in resources allocation.

GENERALISED SYSTEM OF PREFERENCES (GSP)

The EU's GSP gives developing countries duty-free access to the single market for finished and semi-finished goods. A new version of GSP introduced at the beginning

of 1995 was designed to encourage developing countries to diversify their economies into more industrial areas, thereby increasing export earnings.

PROJECT CO-FINANCING

The Union often supports work by non-governmental organisations in developing countries by paying for 50 per cent of various projects. The rest of the money has to come from elsewhere which encourages leaner and more viable development work. Co-financing is a useful way of testing new development methods.

DECENTRALISED CO-OPERATION

Decentralised co-operation involves citizens more directly in development work, and specifically targets social groups and economic interests. This approach started in the Mediterranean region and Latin America, but has featured more strongly in the Lomé Convention since the mid-term review. ■

EU needs to prepare for enlargement

The Luxembourg summit meeting raised important questions and postponed even more important decisions to a later date. The EU, along with the candidates, needs to get itself ready for enlargement.



What was remarkable about the Luxembourg deal was that all of the applicants (with the exception of Turkey) declared themselves satisfied with the result. Political leaders from the applicant countries all went home with a package they felt they could sell to their respective electorates.

Although the path towards EU membership is now much clearer than it was before Luxembourg, just exactly what sort of EU the applicants will actually end up joining is still not entirely clear.

The negotiations began March 31 in Brussels. All parties involved have a fair idea of some of the obstacles which are likely to confront the candidates on the road to membership.

Reform, says the Commission, is needed to ensure an enlarged Union continues to function properly. In July 1997 Mr Santer presented one of the most important documents published during his five-year term as Commission President. Agenda 2000 is a comprehensive analysis setting out the reforms the Commission believes are vital for strengthening growth, competitiveness and employment, for modernising key policies and for enlarging the Union. The document also argues that, if the Commission's plans are followed, enlargement can proceed without substantially increasing the Union's budget.

The Commission puts the total cost at around Ecu 75bn, which led Mr Santer to describe the project as, "a veritable Marshall Plan for the candidate countries".

However, this spending would be spread over a lengthy period of time and the Commission believes it will be possible to complete the enlargement process without raising the ceiling for member states total contributions to the Union's budget.

Agenda 2000 argues that changes are needed in at least three key areas if enlargement is to be a success. These are the common agricultural policy (CAP), structural funds and the EU's future financing post-2000.

CAP, which still accounts for around half of the Union's total budget, needs to be further reformed, continuing a process begun in 1992. Enlargement will result in a 50 per cent increase in the EU's agricultural land and a doubling of the farm labour force.

If the present level of CAP support prices and direct payments were available in the candidate countries, the Commission believes major income differences and other social distortions would be created by large flows of cash into rural areas while the Union's already large sugar, milk and meat surpluses would all increase dramatically.

To combat this potential problem the Commission is calling for cuts in key subsidies for the dairy, cereals and meat sectors.

On the issue of the structural funds — money intended to even out the economic differences between the Union's richer and poorer regions — the Commission is proposing simplifying procedures for managing the scheme. This would include reducing the current seven categories of regions (objectives in EU jargon) eligible for assistance to just three. The institution also says funding for the poorest objective one and two regions should be concentrated on 35-40 per cent of the Union's population by 2006 rather than the present 51 per cent.

On the question of the Union's spending plans for the period between 2000-06, the key message of Agenda 2000 is that there will no need to raise member states' contributions to the EU budget to above the current expenditure ceiling of 1.27 per cent of gross national product (GNP), although the amount contributed is likely to increase within the ceiling.

The Commission reckons the reforms it is suggesting for structural funds and the common agricultural policy can ensure that aggregate spending is held below this ceiling. But with the accession of new members, distribution of spending will shift so some existing member states will see substantial changes in their net contributions (see box).

The real issue is that the total amount of money available for distribution through, for example, such EU programmes as the Structural Fund, will be shared in an enlarged Union with more states and is likely to be much smaller or perhaps non-existent for some current EU recipients of funding. It is becoming clear to existing EU member states that in an enlarged Union they will have to compete for the allocated funds and are unlikely to

succeed as the new member states will have a clearer claim to extra help, given that they will be relatively poorer than any existing EU member state at present.

The reforms, especially for the Union's poorer members, will prove painful.

France and Germany, for example, where the agricultural lobby is both powerful and not afraid to throw its weight around, risk angering farmers at their peril.

"The European Council welcomed the Commission communication on Agenda 2000. It confirmed the need to ensure in advance of enlargement that the Union is in a position to cope with it under the best conditions by making the adjustments deemed necessary to its policies and their financing," says the final communiqué.

But while such platitudes may have served to put off the day of reckoning in the short term, the fact is that national governments are soon going to be obliged to make some tough decisions.

This point was made by Mr Santer when he appeared before the European Parliament to report on what had been agreed at Luxembourg. "The goal of unifying the continent must push us to overcome our problems and apply ourselves to the task with determination. It will be perfectly possible to overcome the very real problems facing us. But it will only be possible to do this if we have clear ideas and if we agree to deal with these problems together," he told MEPs.

"The Luxembourg European Council limited itself to giving some broad outlines: the key issue was to begin the accession process... I believe they [the member states] understood that CAP must be reformed, that structural actions must be reviewed and that the future financial framework must be rigorous," Mr Santer added.

The Commission's first detailed plans appeared at the end of March. Now it is up to the member states to take the process further. ■

Timothy Davidson, Brussels

Analysing the money on offer

Independent analysis of the money the Commission is proposing as pre-accession aid suggests that the sums involved should not put an undue strain on the EU budget and are not excessive by any measure.

The details of the money the candidates would receive have been calculated from Agenda 2000 information. Total EU transfer over 2000-06 break down into two types: pre-accession aid, which goes to all 10 applicants prior to membership and once admitted, post-accession transfers from the structural funds, the common agricultural policy (CAP) and other parts of the EU budget.

For the purposes of this calculation it is assumed that five countries will join the EU around 2002. Using this assumption, the proposed total expenditure on pre-accession transfers is Ecu 21bn of which Ecu 10.5bn will be dispersed through the EU Phare programme, Ecu 7bn from the structural funds and Ecu 3.5bn to support agricultural reform. Out of the total, Ecu 3.6bn will go to the five countries which began negotiations first.

Between 2002-06 the five new member states would receive a further Ecu 53.8bn, comprising Ecu 38bn from the structural funds and Ecu 15.8bn from CAP and other agricultural support.

Of the total Ecu 74.8bn in financial transfers to the candidates over the period 2000-06, Ecu 57.4bn or 77 per cent would go to the pre-ins (the Czech Republic, Estonia, Hungary, Poland and Slovenia). The other five candidates

would receive the rest of the funds. Together the 10 candidates would account for 16 per cent of the EU's budget by 2006 with the second five countries accounting for only 2.6 per cent of budget expenditures. In the period up to 2006 — when the first new members may join — all countries will receive aid. There are two types of EU transfers available — pre- and post-accession. Up to 2006 all 10 will benefit from the pre-accession aid. After a country joins, however, it will then receive post-accession aid. Those countries still waiting to join could in fact receive as much if not more than those countries which join in 2006 and beyond.

The overall amounts of financial transfers are considerably greater than the 10 applicant states receive from the Phare programme and are not considered ungenerous, given that the combined population of the 10 countries is only around one-third that of the EU 15.

Over the whole 2000-06 period the five pre-ins are expected to receive an average of around Ecu 130 per capita a year while the other five are allocated around Ecu 58 per capita. Even these proposed allocations to the candidates are controversial among some current EU members.

At Luxembourg the Commission also proposed to create a catch-up facility to speed preparations for membership for the five countries excluded from early negotiations. Around Ecu 100m has been earmarked for this from the Phare budget. ■

Protecting consumers gains importance

Consumer protection is becoming more of a concern within the candidate countries. Within the EU the consumer movement is also gaining ground and is helping to shape future legislation on product safety and standards.



As market forces in the candidate countries change, the importance of the consumer also

changes. The applicant countries prior to membership have to harmonise their product standards and develop consumer policy. This is a complex and difficult task, but one in which Commission officials say most of the candidates are making good progress.

Erik Hansson, acting head of unit in the directorate-general for consumer policy (DG XXIV) says, "In general the countries are right on track."

Those in candidate countries working to bring their consumer legislation into line with that of the EU should take heart that consumer policy in the Union, too, is a relatively new concept. The impetus behind the initial construction of the community was commerce and business, not protection of consumers. Commission officials admit that EU consumer policy has not yet matured and is still developing.

Those in candidate countries working to bring their consumer legislation into line with that of the EU should take heart that consumer policy in the Union, too, is a relatively new concept.

The concept of a Europe closer to the people is being heavily promoted. The citizen's individual rights and concerns are now an important area of EU concern. A good example of how the EU now responds to consumer concerns and pressure is shown by the EU's response to the panic over mad cow disease which was linked to a fatal brain disease in humans. This consumer concern directly led to the revamping last year of the Commission's directorate-general for consumers.

The increased concern for food safety tipped the balance of power significantly away from agricultural producers and towards people who buy the food. Consumer groups in the Union hope the approach can be extended to other areas of product safety.

However, the shift towards an EU which focuses policy on consumer concerns, or at least taken them into account, when making decisions is as yet in its early stages. There are problems with the hiving off of consumer policies into DG

XXIV. Some consumer groups would like the interests of the consumer to be integrated into all EU policies.

In the early days of the economic transition, in the candidate countries consumers, starved of choices for several decades, seemed to care little about their rights or even the safety of the products they were at last able to buy. Now, as EU membership looms and citizens become choosier, the governments of the applicant countries are having to address the issue of consumer protection.

Consumer protection is recognised by the European agreements and forms an integral part of the single market legislation. The 1995 White Paper on the integration into the single market by the candidates contains a separate chapter on consumer protection and stresses the conditions necessary to enforce the laws properly.

These conditions include granting consumers fundamental rights, setting up an adequate institutional structure for consumer affairs as well as a consultative procedure which represents consumer interests and ensures consumer participation in the decision-making process, information and education campaigns, setting up mechanisms to redress consumer complaints and claims and promotion and aid for the development of non-governmental organisations to protect consumer interest.

In the Commission opinions (ED 97/6, page 2), one section analyses the degree of consumer protection in each applicant country. The accession partnerships and the national programmes for the adoption of EU laws give attention to consumer protection. For the most part consumer policy is not given the support it deserves in candidate countries. But there is a clear political commitment by the applicants to create conditions which would enable them to adopt and enforce EU laws in this area.

Consumers International, based in London and grouping consumer organisations from around the world, is one of the groups involved in helping to establish consumer protection groups in the candidate countries.

Anna Fielder, a programme director for Consumers International, explains that compared to the powerful

Consumer organisations in the candidate countries

BULGARIA

The independent Federation of Consumers in Bulgaria (FCB) defends and promotes consumer rights. Founded in 1990, the federation has over 18,000 members.

Contact: Federation of Consumers in Bulgaria, 8 Pencho Slaveikov Blvd, BG-1606 Sofia (Tel and Fax: (359 2) 529 234).

CZECH REPUBLIC

No national organisation representing consumers has yet been formed, although there are three regional groups. One, the Consumer Defence Association, founded in 1993 and based in Ostrava, has 13 branches. Another, the Centre for Business-Consumer Relations and the Protection of Consumers, is based in Trebic. It developed from a local authority consumer advice centre. There is a small group in Prague run by volunteers. The monthly magazine *d-TEST* is the best known consumer champion.

Contact: Consumers Defence Association, Olesni 6, CZ-71200 Ostrava (Tel and Fax: (420 69) 255 559)

Centre for Business-Consumer Relations, Masarykovo nam 6, CZ-67430 Trebic.

Ms Ida Rozova, *d-TEST*, Post Schranka 107, Kykalova 1, CZ-14000 Prague 4 (Tel and Fax: (420 2) 6104 5491).

ESTONIA

The Estonian Consumers' Protection Union was founded by four local consumer groups in 1994. It has 10 regional groups and its membership is free.

Contact: Estonian Consumers' Protection Union, Tartu mnt 1, EE-0001 Tallinn (Tel and Fax: (372 2) 432 606).

HUNGARY

The National Association for Consumer Protection was re-launched in 1991 as the successor to the National Consumer Council. It is the only independent national consumer organisation. It is both a federation of local consumer unions and a national pressure group.

Contact: National Association for Consumer Protection, Balaton u 27.I, H-1055 Budapest (Tel: (36 1) 111 7030 or 1830; Fax: (36 1) 131 7386).

LATVIA

Although Latvian law gives non-governmental organisations a wide range of rights, the voluntary sector has not had the resources to exercise these rights. There is no national association, but there are consumer clubs of which the one in Riga is the longest established.

Contact: Club for the Protection of Consumers' Interests, 32 Valnu Iela 414, Riga LV-1050 (Tel: (371 7) 221 267; Fax: (371 7) 280 882 (via the Economy Ministry)).

LITHUANIA

The Lithuanian Consumers' Association was founded in 1989 to bring together consumer groups. It is voluntary, independent and an affiliate member of Consumers International. Membership is free and on an individual basis.

Contact: Lithuanian Consumers' Association, 29a Basanaviciaus Street, LT-2600 Vilnius (Tel: (370 2) 614 888; Fax: (370 2) 226 106).

POLAND

Federacja Konsumentow, the Polish consumer federation, was established in 1981 and one of the oldest such organisations in the candidate countries. It has been a full member of Consumers International since 1989. Another organisation, SKP, the Association of Polish Consumers was founded in 1995. The Polish Home Economics Association is a non-governmental organisation founded in 1990 by academics from the Home Economics Department of the Agricultural University and the staff of the Committee for Home Economics whose main aim is to raise the level of culture of Polish families. It is also involved in the development of Polish consumer education.

Contact: Federacja Konsumentow, Pl Powstancow Warszawy 1/3, PL-00 950 Warsaw (Tel: (48 22) 271 173; Fax: (48 22) 279 059).

Association of Polish Consumers, ul Konopczynskiego 5/7, PL-00 335 Warsaw.

Polish Home Economic Association, Koszykowa Street 10, PL-00 564 Warsaw (Tel: (48 22) 621 3651 or 4488).

ROMANIA

In the public sector the Office for the Protection of Consumers, established by the government in 1992, has wide powers. It pays attention to developing grass roots consumer groups of which there are around 100. Three independent organisations are present in Romania.

Contact: Association for the Protection of Consumers, Blvd IC Bratianu 34, Etaj IV, Camera 24, Sector 3, 70427 Bucharest (Tel: (40 1) 311 0243).

Institute for Consumers and Competition Protection, Serg Militaru Gheorghe Str 4, Apt 2, Sector 1, Bucharest (Tel: (40 1) 614 3400 ext 1326; Fax: (40 1) 312 9444 or 6966) Soropco, same address as above (Tel: (40 1) 311 1995, 6, 7; Fax: (40 1) 312 6966).

SLOVAKIA

The Slovak Consumer Organisation was founded in 1990 in Bratislava and is made up of over 20 local and regional clubs. It has been an affiliate member of Consumers International since 1991.

Contact: Slovak Consumer Organisation, Stefanikova 19/II, SK-81271 Bratislava (Tel and Fax: (421 7) 399 176).

SLOVENIA

Consumer interest is fairly well supported by both the independent and state sector. The Slovene Consumers Association was founded in 1990 and based on western models of consumer organisations. It has published a consumer magazine, *VIP* since 1991.

Contact: Slovene Consumers Association, Frankopanska 5, PO Box 2603, SI-1001 Ljubljana (Tel: (386 61) 132 0089; Fax: (386 61) 302 263). ■

Source: *Handbook on Consumer Policy and Consumer Organisations in Central and Eastern Europe*.

organisations in western Europe and the US, consumer organisations in the candidate countries are relatively poor and only just beginning in many cases to emerge as a real political force.

"Until the collapse of communism, there was no real consumer movement at all in these countries. It has emerged and got stronger in the past year," Ms Fielder explains.

In the same way that levels of consumer power and interest vary from country to country within the EU, the situation in the candidate countries varies enormously. This is partly a reflection of the varying development of non-governmental organisations in these countries. Economic development also plays a part. In countries which are still experiencing major economic changes, consumers are more worried about making ends meet than how they can protect their rights.

"In a lot of these countries, the consumer movement has been emerging out of their standardisation offices where there were very efficient state standards. In some of the countries it emerged out of government department. In others it has been coming from the grass roots, for example women's organisations," says Ms Fielder.

The difference in the way candidate country consumer organisations have developed depends on the more predictable economic and political reasons than one might expect.

For example, Slovenia has an effective consumer organisation, with a network of seven consumer advice bureaux throughout the country and an advanced computer database, developed with the help and funding of the German government. There is also a consumer magazine called *VIP* which runs product tests and accepts no advertising.

The consumer situation in Romania is relatively undeveloped, according to Ms Fielder. There are over 100 small consumer groups, but none capable of taking a real lead.



Sue Cunningham/SCP

Funding of consumer groups in applicant countries is difficult. Traditionally consumer organisations in the West depended on subscriptions from well-off middle class members or magazine sales. In the candidate countries people simply do not have the money to buy such publications, even if they existed. The Hungarian and Polish consumer organisations, for example, produce leaflets instead of magazines. In the Czech Republic Ida Rozova, a female lawyer, produces information on products and consumer advice all by herself for a magazine called *d-TEST*.

The shift towards an EU which focuses policy on consumer concerns, or at least takes them into account when making decisions, is in its early stages.

The main way that the budding consumer groups in the candidate countries are being helped by both the EU and non-governmental organisations is through the exchange of know-how and experts and by attending conferences and workshops. The EU Phare programme is spending Ecu 2m on a two-year scheme which started in January this year. Its aim is to help consumers in the candidate countries. Out of the total funding allocated to the project, Ecu 800,000 will be used for technical and legislative assistance, Ecu 500,000 will be used for training and Ecu 700,000 will go for direct support to consumer organisations there.

The project is aimed at those who have to enforce the rules, for example, lawyers, policy-makers and academics. Topics are expected to include distance-selling and the education of consumers. Consumer groups in the applicant countries will have a big say in exactly what is needed and provided through the assistance.

Ms Fielder concedes the Phare programme has "done a lot of good in terms of legislation and is to be encouraged," but she believes the amount of EU money on offer to the candidates is relatively small. "There is not much knowledge or understanding of consumers. The policies of the Union emphasise government legislation," she says.

Ms Fielder says EU involvement in the consumer movement in the candidate countries is "very peripheral both in terms of money and interest. It is not very different to what is happening in the Union itself."

Commission official Erik Hansson, however, is optimistic about the willingness of applicant countries to develop consumer protection. "I have the impression that once they understand the ideas, they are ready to accept them," he says. However, the introduction by the applicant countries of consumer rules harmonised with those of the EU is just the first step. Enforcing them is another matter and another huge task.

"Consumers find it hard to get information. The judiciary is not trained and enforcement is poor," says Ms Fielder. "This is not surprising. The emphasis is on getting their economic and legislative houses in order, so consumerism on the ground is not well promoted."

Mr Hansson on the other hand believes consumer policy in applicant countries is increasingly given the support it deserves. "I do think they think it is important and they



recognise it," he says, adding, "The problem is that they have to deal with a lot of priorities."

Surveillance is a subject of growing importance. The Commission is helping the candidates ensure that proper market surveillance is being carried out. There is also a lecture kit developed which was used for awareness seminars in the second half of 1997.

Representatives from the candidate countries will be able to participate in another conference this year which will look at product safety and standardisation and how consumer organisations and standardisation bodies can co-operate.

Some applicant countries have developed their own system of standards which will have to either harmonised with those of the EU. Consumer protection has long been a concern at national level but more so in some member states than others. In the drive for a single market, differing national standards are seen as a barrier to trade.

The solution was mutual recognition, which actually diminished consumer protection in some member states. For example, Britain had to accept imported electric blankets from other membership states which met safety standards of the exporting country but not those of the UK. Making consumer protection a Community concern is the corollary of the single market. It was a new title introduced into the treaty (article 129a) signed in Maastricht in February 1992. BSE gave it more prominence and ensured it got more resources and political attention, but it was already on the agenda.

Product safety is constantly being tightened in the candidate countries, according to



Sue Cunningham/SCP

Ms Fielder. She claims that in the run-up to EU membership, some of the candidate countries are suffering from EU member states' dumping of substandard, shoddy and sometimes dangerous goods — articles which would not be allowed to circulate within the EU. EU law does not prevent this kind of dumping on third countries, although national law in some member states may.

One area where Mr Hansson would like the candidate countries more involved is in a system managed by the Commission which allows for the rapid exchange between member states of information on dangerous items. At present the rules do not allow the applicant countries to join the system for reasons of confidentiality.

Under the Phare programme on consumer policy, this problem is being addressed. Removal of dangerous products from markets has been identified as a priority for all the candidates. However, there is no experience on how to exchange this type of information. A Phare-financed feasibility study of all 10 candidates is being carried out, looking at how to set up a pilot project for a rapid exchange of information system among themselves.

Initially this system would be limited to specific products according to their origin or type (food only, for example). The second Phare programme on consumer policy will act as a catalyst to advance this system. Once it exists it can be extended and eventually linked to the EU's existing system, known as RAPEX.

Stella Dillon, Brussels



Sue Cunningham/SCP

Public needs to know what's going on

Striking the balance between confidentiality and openness and transparency of actions within the EU is a debate which looks like raging for some time. Member states hold differing views, but the trend is toward more flexibility and liberalisation.

"Much old wine in new bottles", is how one long-time citizen's rights campaigner described the new moves to de-mystify the workings of the EU institutions which were set out in the June 1997 Amsterdam treaty.

The principle of ensuring that the European Commission, European Parliament, Council of Ministers and other EU institutions provide information to the general public about what they are doing is known in euro-jargon as "openness and transparency".

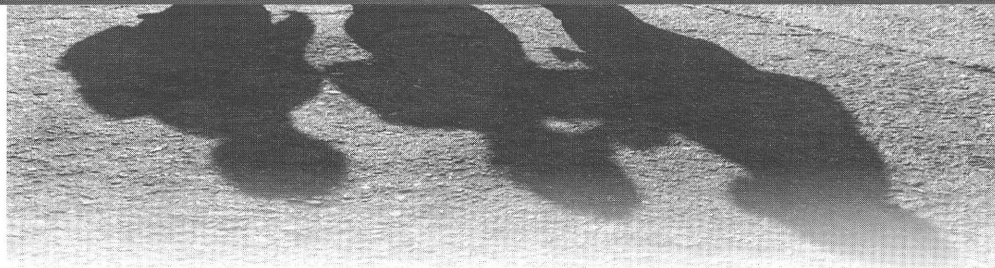
At its most basic level, attempts to ensure such openness can be seen in the brochures, leaflets, magazines, videos and most recently on-line services such as Internet web sites produced and maintained by all the official EU institutions.

All of these services provide — albeit with a varying degree of clarity — basic information on what the different EU bodies do, how they are funded, the way they interact with each other and their relationship with national authorities in the 15 EU member states. But while such information is of course valuable, it really only represents a kind of very rudimentary "first level" of openness. Once people know how the institutions work, the next thing they quite understandably want to find out is what politicians and officials are actually doing and how it affects them.

What new legislative proposals are the European Commission working on? What political horse trading is taking place between member states in the Council of Ministers? What role does the European Parliament have in the whole process?

These are the kind of deeper questions in the openness and transparency debate which most independent observers say still need to be answered.

One of the most obvious ways for the institutions to address these more fundamental issues is simply by providing members of the public with copies of the documents they are currently working on. It is precisely this point that the Amsterdam Treaty has tried to address.



For the first time Amsterdam has ensured that the EU treaties — which form the bedrock of EU law — specifically include rules on access to documents. Article 191a of the new treaty text states: "Any citizen of the Union, and any natural or legal person residing or having their registered office in a Member State, shall have a right of access to European Parliament, Council and Commission documents." The treaty goes on to say that: "Each institution referred to above shall elaborate in its own Rules of Procedure specific provisions regarding access to its documents."

The treaty still leaves it up to each institution to draw up its own rules which means that there will almost certainly not be a simple one-stop procedure to apply for information on the Union's activities.

While the existence of such a statement is undeniably a significant step forward in the quest for democratic accountability within the Union, it is in reality not such a dramatic advance.

Within Union-circles it is more-or-less agreed that the most secretive of the EU institutions is the Council of Ministers. The member states who meet there and who also drew up and signed the new treaty made sure Amsterdam included the necessary get-out clauses, should they not wish a document to be made public.

"General principles and limits on grounds of public or private interest governing this right of access to documents shall be determined by the Council," article 191a concludes.

In addition to this caveat, a declaration tacked on to the end of the treaty states that a member state can request to withhold a particular text if it feels such a move is in its national interest.

"The conference agrees that the principles and conditions referred to in article 191a(1) of the treaty establishing the



National policies on openness and access to documents vary widely across the Union and this divergence is reflected at EU level. One observer described the Council as being, split down the middle over the issue.

Sue Cunningham/SCP



Sue Cunningham/SCP

European Community will allow a member state to request the Commission or the Council not to communicate to third parties a document originating from that state without its prior agreement," the declaration reads.

Amsterdam may not have gone as far as some openness campaigners would have liked. Nevertheless, the new provisions will hopefully go some way to addressing one of the biggest criticisms currently raised in the access to documents debate — the somewhat arbitrary manner in which requests for texts seem to be processed.

"I wrote to the Council of Ministers and asked for access to all of the documents submitted to the IGC [the 18 month Inter-Governmental Conference which drafted the Amsterdam treaty] before Amsterdam and to my surprise I got a list back which I could consult," explains Tony Venables of the Euro Citizen Action Service (ECAS), a widely respected pressure group which promotes the idea of EU citizenship.

"But then I wrote again asking for data on immigration policy and I haven't even received a reply yet," he added.

Mr Venables and others also point to the fact that the Council's policy on openness can also vary widely depending on which country happens to hold the institution's six month rotating EU presidency.

National policies on openness and access to documents vary widely across the Union and this divergence is reflected at EU level. One observer described the Council as being, split down the middle over the issue.

In general the Scandinavian states have the most open attitude while countries with a tradition of very formalised government bureaucracy, such as France, Italy and Spain, are often reluctant to release documents.

"I had the very strange experience during the IGC where I asked the Italian and Irish presidencies for documents and they said 'ask the Finns'," says Mr Venables.

The current British presidency has decided to throw its hat into the ring by making the whole transparency issue a central plank of its time at the EU helm.

One of the measures London would like to see implemented is the setting up of a public register of internal Council of Ministers documents. The move is designed to make it easier for members of the public to find out what information is available so they can tailor their requests accordingly.

"I want our presidency to improve the openness and accessibility of the European Union. We should make as much use as possible of the Internet. In particular I want to see agreement on a public register of Council documents available electronically," says British Foreign Secretary Robin Cook.

London would also like to see a specific set of openness

measures introduced to the workings of the Union's third pillar — the EU's justice and home affairs arm which covers such sensitive areas as terrorism, drug smuggling and immigration policy. Unlike much other EU lawmaking,

decisions are taken in the third pillar through inter-governmental agreement and it is generally seen as the most secretive of all of the Union's legislative structures.

Britain is calling for agendas of meetings of justice ministers — along with information on preparatory meetings of officials — to be published. It also wants regular briefings to be given on work being carried out in the sector.

"If you get a presidency which for six months sells openness — fine, great — then you get a government coming in which could reverse the whole process. The UK presidency shouldn't just do this for the UK presidency, but leave something behind," argues Mr Venables.

Once Amsterdam is ratified — a process which could take up to two years — some of the uncertainty surrounding requests for documents should be reduced.

However, the treaty still leaves it up to each institution to draw up its own rules which means that there will almost certainly not be a simple one stop procedure to apply for information on the Union's activities.

Indeed all of the main EU bodies have already drawn up or are in the process of drafting limited guidelines on access to documents.

Openness campaigners also argue that the rules on access will only be truly effective if accompanied by more fundamental reforms of the Union's institutions. Critics concede that the process has already begun, notably with the appointment of an EU Ombudsman — whose job it is to investigate cases of maladministration in the institutions — and through the work of the European Parliament's petitions committee which deals with complaints from members of the public.

But they argue more work is still needed.

"Some work has been done with the Ombudsman and the petitions committee, but we need a Commissioner for openness," argues Mr Venables.

While it is generally agreed that the Union still has a long way to go until its procedures can truly be regarded as open and transparent, Amsterdam does at least seem to represent a step in the right direction. The EU which the applicant states end up joining should be somewhat more accountable and perhaps a bit easier for ordinary people to relate to than the forbidding and remote ivory tower many of them complain they are confronted with today. ■

Reports by Timothy Davidson, Brussels

Copyright and Internet clash

The emergence of the information society — the current European Commission buzz word meaning anything and everything to do with the electronic storage and dissemination of information — has led to a radical rethink on EU laws governing copyright and data protection.

While services such as the Internet are hailed by openness campaigners as an ideal medium for providing citizens with access to EU documents, the system is posing serious problems for authors, artists and private individuals who want to protect their work and private data from illicit copying.

The advent of on-line services and open networks, such as Internet web sites means writers in particular face enormous problems in controlling how work they produce is used.

If, for example, a journalist is commissioned by a magazine to write an article which then ends up on an Internet web site, his or her work is freely available for use without any additional royalties being paid.

Problems have also arisen for the music and film industries with the arrival of media such as on-line services, CD-ROM's and digital video — technologies which have all evolved faster than existing copyright law.

In order to deal with these new developments, Single Market Commissioner Mario Monti at the end of 1997 came forward with a set of plans to update EU copyright rules for the digital age.

Mr Monti says his formula will "ensure a level-playing field in the single market for products and services containing intellectual property and represents a fair balance between the often conflicting rights and interests concerned".

A key feature of Mr Monti's proposals is a plan to harmonise the reproduction rights that govern the scope authors have to approve or prohibit copying of their works.

Under the scheme exemptions from the new rules would be offered for certain technical acts of reproduction that are "dictated by technology, but have no separate economic significance".

This would include, for example, temporary cache copies of documents that arise during transmission of items over the Internet.



Mr Monti said member states could also grant other exemptions to this right covering copying on paper, copying by bodies such as libraries and museums and private copying.

The problem of drawing up rules for data protection within the EU has also proved a difficult nut to crack.

A directive setting out the broad principles of protecting and ensuring the free movement of personal data has been approved by EU governments and is due to come into force this autumn. Trying to draft specific rules on encryption services and digital signatures — technology which scrambles messages being sent across the net so that only the intended recipient can read them — has proved much more difficult.

Many national governments are worried they will not be able to track the activities of cyber-criminals and terrorist

organisations if such technology is freely available. Representatives of the nascent electronic commerce industry say their sector will never really take off until customers are convinced information, such as bank and credit card details, cannot be intercepted.

Civil liberties campaigners have also voiced concern at the idea of governments being able to pry into the personal electronic business of their citizens.

In its Green Paper on ensuring security and trust in electronic communication, published last October, the Commission, for essentially pragmatic reasons,

seemed to support the latter view. "Restricting the use of encryption software could well prevent law-abiding companies and citizens from protecting themselves against criminal attacks. It would not, however, totally prevent criminals from using these technologies," the document states.

The Commission argues it is vital for common EU rules on encryption and digital signatures to be in place by the year 2000. It plans to put forward a legislative proposal on the issue later this year.

If EU-wide rules are not drafted, says the Commission, member states could introduce national legislation, creating a set of incompatible networks within the Union. This would seriously hinder the functioning of the single market and keep European businesses and consumers swimming in the backwaters of technology. ■

What the EU Ombudsman does

Any European citizen who wants to complain about the way he or she has been treated by the Union's institutions should talk to Jacob Söderman.

Since September 1995, Mr Söderman, a former Finnish Justice Minister, has been the EU's official Ombudsman, charged with investigating complaints of maladministration by all of the main EU bodies.

The idea of an Ombudsman for Europe was first put forward in the 1992 Maastricht Treaty. The treaty also states that whoever takes up the post should be elected by the European Parliament. Mr Söderman was appointed the first ever EU ombudsman in July 1995 after beating five other candidates in a competition that went to a third ballot.

At first glance the idea of a one-stop-shop for people wishing to complain about the EU seems to be a positive move in the crusade for greater EU transparency. There is, however, a catch.

The main problem Mr Söderman faces is that his remit is actually limited. He is only allowed to investigate alleged cases of maladministration by the Union's institutions. This means he has had to dismiss the majority of complaints which come across his desk as inadmissible.

Most members of the public who have complaints about the EU will usually be protesting about how national administrations or agencies interpret Union laws. In such cases the EU ombudsman is not authorised to intervene.

Most observers agree Mr Söderman has made an impact

during his short time in office. Perhaps his biggest success to date has been to put pressure on many EU institutions and bodies to adopt rules on public access to documents. This follows an in-depth investigation in 1996.

As a result of his enquiries, Mr Söderman issued a recommendation which argued failure to adopt such rules could constitute maladministration.

All of the main institutions are now in the process of drawing up guidelines to access although it is not entirely clear whether this is due solely to pressure from Mr Söderman. When the Amsterdam Treaty comes into force all these institutions will be legally bound to draft such rules. The move now could be seen as simply thinking ahead.

At present the European Court of Justice appears to be the institution which is facing the most serious problems in meeting the openness challenge. The court has told Mr Söderman that it has great difficulty in establishing a clear separation between papers which are judicial and those which are not.

Mr Söderman's recommendation calls for rules to be drafted. He has made no comment on what the rules should be. The institutions alone will decide what the guidelines actually say. "The Parliament's rules of access are disappointing, as they follow the Council. The same traps are there. The European Investment Bank's rules are ludicrous. They allow it to refuse anything under the sun," complains Tony Bunyan, editor of civil liberties publication *Statewatch*.

The Ombudsman is currently investigating five complaints lodged by *Statewatch* about the Council's rules on access to documents. ■

Getting help from the Ombudsman

Every citizen of a member state is both a national of his or her own country and at the same time an EU citizen. One of the rights of every EU citizen is to apply to the Ombudsman if he or she is a victim of an act of maladministration by EU institutions or bodies.

If someone is a citizen of a member state of the Union or living in a member state, he or she can make a complaint to the Ombudsman. Businesses, associations and other bodies with a registered office in the Union may also complain to the Ombudsman. The Ombudsman can deal with cases of maladministration by EU institutions and bodies, for example: the Commission, the European Parliament, the European Monetary Institute and the European Investment Bank.

Maladministration means poor or failed administration. This occurs if an institution fails to do something it should have done, if it does it in the wrong way or if it does something that ought not to be done. Examples of maladministration include administrative irregularities unfairness discrimination abuse of power lack or refusal of information unnecessary delay.

A complaint can be submitted in any of the 11 official languages of the EU, setting out clearly who is making the complaint, which institution or body is responsible and the grounds for the complaint. A standard form to help in drafting complaints is available from the Ombudsman's office and from the national Ombudsmen's offices in each member state. A complaint must be made within two years of the date when the facts on which your complaint is based are known. Before making a complaint, the institution or body concerned needs to be contacted, for example by letter. The Ombudsman does not deal with matters that are before a court or that have already been settled by a court.

The Ombudsman will first examine the complaint to see if he can deal with it. If he can, the Ombudsman begins an inquiry. If he cannot, he says why. Complaints are normally dealt with in a public way, but are dealt with confidentially if the complainant requests this.

The Ombudsman always informs the complainant of the outcome of his inquiries.

More information from the European Ombudsman, 1 Avenue du President Robert Schuman, BP 403, F-67001 Strasbourg Cedex, France (Tel: (33 3) 88 17 40 01; Fax: (33 3) 88 17 90 62; E-mail: euro-ombudsman@europarl.eu.int; Web site: <http://www.euro-ombudsman.eu.int>). ■

Openness and transparency

Plain talk is not so easy

Increasing access to official EU documents will only really lead to greater openness within the Union when texts are written in a language ordinary people can understand, argue many transparency campaigners.

At present many documents produced by the Commission and Council of Ministers are drafted in a diplomatic and legalistic style which the vast majority of ordinary people find incomprehensible. Even the new provisions in the Amsterdam treaty on openness are, in their undiluted form, hardly an example of clear unambiguous language: "Any citizen of the Union, and any natural or legal person residing or having its registered office in a member states shall have a right of access to European Parliament, Council and Commission documents, subject to the principles and the conditions to be defined in accordance with paragraphs 2 and 3.

General principles and limits on grounds of public or private interest governing this right of access to documents shall be determined by the Council, acting in accordance with the procedure referred to in Article 189b." So reads the new, more user-friendly article 191a on openness and transparency.

Diplomats argue this sort of language is the natural consequence of the diplomatic bargaining which will always accompany the drafting of complex legal texts.

"Take any member state's constitution and show me an uncomplicated one. There is no way we can come up with a totally comprehensible treaty," argues one European Commission expert.

National and EU officials claim what is important is not whether Europeans understand how particular treaty articles work, but rather what the practical effect of these articles is.

"When I go to a garage, I may not know anything about mechanics, but I want my car to work," Dutch Foreign Minister Hans Van Mierlo told members of the European Parliament during last years debate on the new Treaty.

Nevertheless, critics still harp that it is precisely this aloof, patronising attitude which has led to the current crisis of confidence in the EU institutions.

Some observers from the Scandinavian states of Finland, Denmark and Sweden, all of which have a tradition of open government say the proliferation of such Euro-speak actually has serious implications for democracy within the Union.

"If they are serious about transparency, surely they should start with the language they use," says one Commission official.

It is not only the Union's legal texts which are frequently written in an almost incomprehensible style. The following extracts are taken at random from press releases issued by the various EU institutions:

- **European Commission:** The Green Paper asks whether appropriate EU prudential rules for pension and life insurance funds, the removal obstacles to free movement of workers related to supplementary pensions and

appropriate taxation rules could facilitate the development of alternative sources of pension provision.

- **European Parliament:** The compromise provides for the idea of a European Regulatory Authority to be subject to in-depth study, the idea of number portability accepted although not without a charge and financing of a universal service to be promoted by the member states together with assistance for new companies seeking access to the market.
- **Council of Ministers:** According to the procedure set out in article 103(2) of the Treaty and following the approval by the European Council in Amsterdam, the recommendation containing the broad economic guidelines for the Community and the member states for 1997 will be formally adopted by the Council, probably at its July EcoFin session. The Council of Ministers did issue a resolution in June 1993 which called on the Commission to look into a policy of plain language. Little progress seems to have been made in the intervening years.

"If you find a document that is clearly and precisely written, it is still very rare," argues Stephen Crampton of the Consumers in Europe Group (CEG). It is campaigning for plain language to be used by the EU institutions. ■

ACCESS TO DOCUMENTS

European Commission

Limited rules exist — joint code of conduct with Council

Council of Ministers

Limited rules exist — joint code of conduct with Commission

Court of Justice

Agreed to adopt rules in principle but problems on definitions

Office for Harmonisation

Rules exist in the single market legislation

The following institutions are all drawing up rules covering access to documents:

European Parliament

Court of Auditors

European Training Foundation

European Monetary Institute

European Investment Bank

Committee of the Regions

Economic and Social Committee

European Foundation for the Improvement of Living and Working Conditions

European Monitoring Centre for Drugs and Drug Addiction

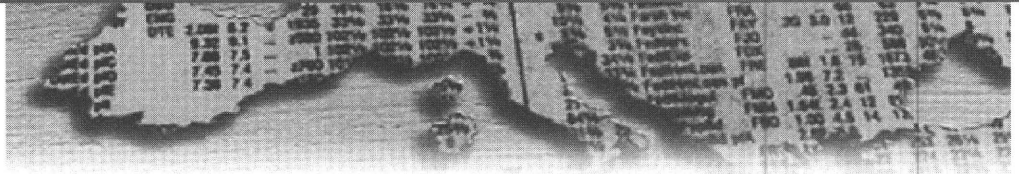
Translation Centre for Bodies of the European Union

European Environment Agency

European Agency for the Evaluation of Medicinal Products

European Centre for the Development of Vocational Training

in brief



1998 JHA programme

Anita Gradin, the Commissioner responsible for Justice and Home Affairs, has set out the Commission's priorities within the third pillar (justice and home affairs). The Commission will have an active role to play in putting the action plan against organised crime into practice and in the conclusion of a co-operation pact against organised crime between the applicant countries and the member states. Communications on credit, non-cash payment fraud and on legal aid are also being prepared. A new initiative on common asylum procedures is also under preparation.

Fight against racism continues

"The European Year Against Racism is just the start," said Commissioner for Social Affairs, Pdraig Flynn, as the European Year Against Racism ended. A summary of the results of the latest opinion poll on racism and xenophobia in Europe reveals that 33 per cent of those interviewed openly describe themselves as "quite racist" or "very racist". The Eurobarometer survey was conducted at the request of the Commission among over 16,000 people from all

member states in March and April of 1997. Mr Flynn expressed his "extreme concern" at what he described as "the shocking results" of the survey.

Cefta gets encouragement

As the Central European Free Trade Agreement (Cefta) marked its fifth birthday, the Commission said it was pleased with the achievements of the trade grouping. Since its establishment in December 1992, Cefta has contributed significantly to the development of mutual trade among the signatory countries through abolishing and lowering tariff and non-tariff barriers in both the industrial and agricultural sectors, says the Commission. The efforts of Cefta to accelerate trade liberalisation are particularly remarkable. These liberalisation steps have stimulated foreign direct investment in the member countries and constitute an important step in the preparation for EU membership. The Commission is now encouraging Cefta member states to go even further on liberalisation and elimination of barriers to trade as well as to extend the liberalisation to other sectors. All Cefta member states are EU membership candidates. Movements within Cefta could significantly ease their integration in the single

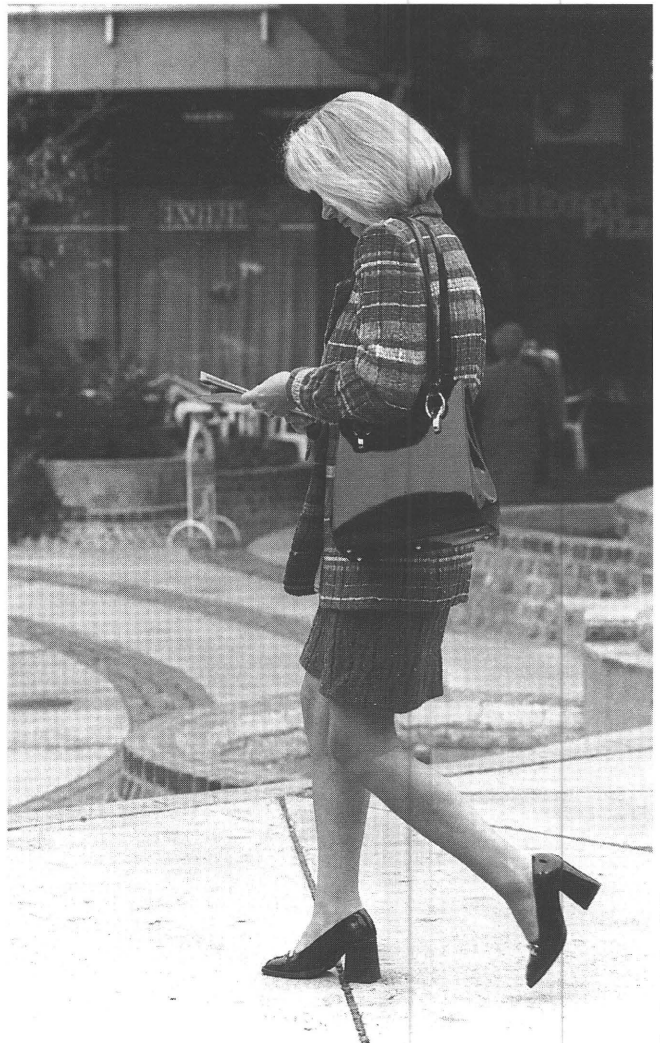
market, says the Commission, which hopes Cefta will be able to include other candidate countries among its members.

Women's issues highlighted

Employment and Social Affairs Commissioner Pdraig Flynn says 1997 saw the prospects for greater equality and opportunities for women "advanced substantially". The Amsterdam Treaty has confirmed the importance of

equal opportunities and opened up new ground for the equal treatment of women.

The jobs summit in November 1997 recognised the position of women on the labour market. "Member states must promote women's employment and address the sources of higher women's unemployment. They have signed up to do more about reconciling work and family life. They have agreed to raise the level of care provision," says Mr Flynn.



Sue Cunningham/SCP

Building together

A new buzz-word is being used in Brussels to describe one of the toughest challenges facing the EU as it prepares for its next enlargement.

The term is institution building. It is on the agenda because the accession of the 10 applicant countries will be different from the four previous EU enlargements. Before when countries joined the EU, there was never any doubt over their capacity to implement and enforce EU legislation (known as the *acquis communautaire*). That is no longer the case.

"The EU is now saying it is not sufficient to transpose Community law. The applicants have to show they have the institutions, the people and the budgets to apply the *acquis communautaire* with the same degree of rigour and commitment as the existing member states," explains François Lamoureux, the deputy director-general in DGIA in charge of relations with the candidates.

The point has been made repeatedly since the Madrid European summit in December 1995 and more recently in Agenda 2000 setting out a strategy for enlargement and internal policy reform. The Luxembourg conclusions endorsed Phare's focus on administrative and judicial capacity.

The Commission is deliberately pursuing a broad interpretation of the *acquis communautaire*, although the *acquis* has not been changed. It is not just

adoption and implementation of almost 100,000 pages of legal texts. It also includes the ability to maintain political and public order, to guarantee minorities their rights and to respect economic criteria such as competitiveness. "We have a wide concept of what is involved and of the personnel needed to apply it. Institution-building is about ensuring the applicant countries have the personnel able to manage the *acquis communautaire*," says Mr Lamoureux.

"Efforts will focus on training specialists in the fields of law, customs, public accounts, budgetary control, environment, telecommunications, veterinary and phytosanitary inspections, technical controls, statistics, energy and others. Applicants should also be helped to develop their own capacity for dealing with justice and home affairs, combating illegal immigration, drug trafficking, international crime and other areas.

Mr Lamoureux stresses that the Ecu 500m (equivalent to around 30 per cent of the EU Phare programme) which will be made available annually to train personnel in the 10 applicant states will be tied directly to areas of EU responsibility.

"It is quite clear to us that institution building is linked to the *acquis communautaire*. It has nothing to do with administration in general. For instance, where a Ministry of Agriculture is concerned, we will concentrate our money on the officials involved in the common agriculture policy (CAP), not on the thousands of

employees who have nothing to do with the CAP," points out Mr Lamoureux.

The funds will also be tied directly to training schemes. Any applicant which under-spends its share will not be able to divert it to investment and infrastructure projects which are financed from the remaining 70 per cent of the Phare programme.

At the outset the Commission is concentrating on training personnel in the 10 applicant countries in four areas: finance, agriculture, justice and the environment. All four involve central aspects of existing Union policy. Justice and home affairs is being seen as particularly important given the need to ensure the EU's protection against international crime and illegal immigration when its external frontiers move further eastwards.

In time a fifth or sixth sector, such as nuclear safety, may be added in line with an individual country's specific needs.

The applicants are due to complete an assessment of their needs in March and these will be set out in institution building plans. The Commission, acting as co-ordinator, will then ask individual member states to nominate specific civil servants or members of particular professions such as accountants to meet those detailed requests.

The programme marks a significant shift away from the present policy of using outside consultants, largely on short-term contracts. In future the emphasis will be on twinning involving long-term

secondments of around two years each of specialised national officials, who will be paid from the Phare budget, to different government ministries in the applicant countries.

"Our job is to match supply and demand. It will not be easy. But we believe that without a transfer of know-how between practitioners it will be extremely difficult to apply the *acquis*

communautaire. Member states must recognise that they cannot demand the applicants put the necessary structures and EU legislation into place and then not help them to do so," says Mr Lamoureux, pointing to the responsibility existing Union governments bear if the partnership is to work.

While the Commission will be the central co-ordinator, its task will be greatly eased by the individual national contact points which have been established in the 15 member states and 10 applicant countries — all of whom met together in Brussels in March. Institution building with its emphasis on in-depth training for key officials cannot be achieved overnight and Mr Lamoureux is acutely aware that the steps the Union is taking this year are but the first on a road which will stretch well into the next century.

"We will launch the first twinning in the second half of the year. We have no illusions that it will start slowly, but we must move as fast as we can. This is a 10 to 15 year programme and one that goes well beyond enlargement," he explains.

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

The European Monetary Institute's web site is now operating at <http://www.ecb.int>. The site contains general information on the EMI, annual and special reports, speeches, press releases, information on measures taken in the private and public sector across the EU in preparation for the changeover to the euro and details of employment opportunities.

Ukrainian President Leonid Kuchma has sharply criticised the EU and most of its member states for failing to do more to integrate Ukraine. He said the EU's passive approach would have negative consequences for both sides.

Romania and Hungary have signed a military agreement which provides for transporting troops and military equipment across their two countries and regulates the responsibilities of the armies in case of conflict or natural disasters. The two countries also pledged to sign further agreements on air defence and exchanging military archives. A joint

peace-keeping battalion was set up in February composed of 100 soldiers from each side, with alternating command.

The Estonian government is discussing an amendment to the citizenship law whereby all children born in Estonia will be granted citizenship if their parents had lived in the country for at least five years. The EU has welcomed the move and says it is a constructive step toward the integration of non-Estonian citizens.

Slovenia's Foreign Minister Boris Frlec says "the year 1998 will be one of the toughest for Slovenia's domestic and foreign policies because of the extensive and difficult tasks ahead". The top priority is to negotiate Slovenia's entry into the EU. The country is also "involved in intensive dialogue with Nato and we have to prove this year that we can join the alliance because a decision on further NATO enlargement will be made at the beginning of 1999."

The Czech Republic and Germany have launched a joint reconciliation fund. Germany will pay \$80m (Ecu 74m) and the Czech

Republic \$14m (Ecu 12.9m) over the next four years. The fund will compensate Czech victims of the Nazi-regime and finance projects linking the Czech and German peoples. It will also provide for pensioners' homes and sanatoriums for about 8,500 Czech survivors of the Holocaust. Both sides signed a declaration of reconciliation on 20 January 1997 and agreed to create the fund.

Defence ministers of Estonia, Latvia and Lithuania have signed agreements formally creating the joint Baltic peace-keeping battalion, Baltbat, and a joint naval squadron, Baltron. The accords call for a common command subject to supervision by the three defence ministers and the three Baltic governments.

Bulgaria is to repay an outstanding \$80m (Ecu 74m) debt to Poland, to clear obstacles to its joining the Central European Trade Agreement (Cefta). The debt dates back to 1989. One of the conditions for Cefta membership is the clearing of bilateral debts.

Germany, Denmark and Poland have announced

plans to form a German-Polish-Danish corps as part of the process of Nato integration.

The 1997 general report on the activities of the EU is available in the 11 official languages of the Union and can be accessed on Internet (<http://europa.eu.int/abc/dec/off/rg/fr/welcom.htm>). The report outlines the activities of the EU for the year and gives a comprehensive picture of what the Union has done in 1997. Material is listed by topics and includes a detailed index.

A new Phare information centre has been opened in Brussels. The centre has been set up to respond more effectively to information requests about the programme from the business community and other interest groups. The centre is at 19 Rue Montoyer, B-1000 Brussels (Tel: (32 2) 545 9010; Fax: (32 2) 545 9011; Internet web site: <http://europa.eu.int/comm/dg1a/phare>).

Number crunching is important

The transition from a centrally planned economy to a market-based one has a profound impact on the way statistics are collected and used. As potential EU members, the 10 candidates need to come to grips with modern statistical reporting and produce numbers which can be compared with the same data from all member states.

The way in which western countries understand money, employment and business is so

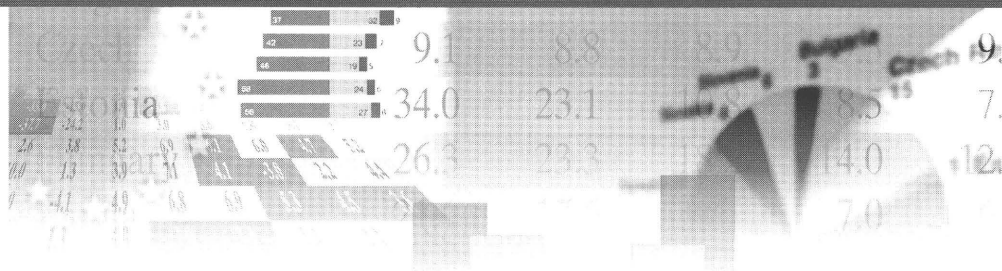
profoundly different from the communist models that the candidate countries' statistical offices and reporting bodies have had to go back to basics. The most basic west European statistical reporting tool, the representative sample, was a concept unknown under central planning. The EU recognises that in order for the candidate countries to join the Union, they need to adopt the EU (west European) statistical model and standards as early as possible.

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Although statistical science may not seem the highest priority accurate figures are crucial to demonstrate where economies are heading and can help governments plan the next reform move. How business performs under specific conditions and how people react to changes are all useful data, particularly for politicians and political parties. A science which at first sight appears rather dry and technical, is actually highly political in nature.

In the EU member states, for example, the study of unemployment is notorious for political manipulation and statistical opportunism. Depending on the kind of results a particular political party is looking for, it can measure the active workforce on the basis of those who look for work in state employment bureaux, those who merely claim they are looking for work, or on an estimation of everyone who could work if they wanted to. Depending on how it is measured, recorded or used, the same data can give extremely different impressions of the same economic situation, and the different results can substantially alter the way in which people judge a government's success - or failure.

As these 10 economies begin to converge with the EU, and Union policy-makers try to chart a common course for Europe, it is increasingly crucial for all member and associated countries to use compatible and comparable measurements.



The controversies over how to measure the convergence criteria for economic and monetary union (such as public debt or budget deficit) highlight how essential a common and objective standard is. Similarly, it is crucial that the Commission uses comparable statistics when measuring the readiness of the 10 applicants to become members.

Although it is not commonly recognised, statistical standards are as much a part of the EU's *acquis* (law) as any internal market or environmental laws. EU applicants cannot hope to join until they apply Union-compatible norms.

In order to help them achieve these standards, the Union has spent over Ecu 70m over the past seven years on training candidate country statisticians and providing basic computer equipment to help them collect and process the hugely complex data sets necessary for modern analysis.

The money, which was spent under the EU's technical assistance programme Phare, came from both its national (Ecu 50m) and multi-country programmes (Ecu 23m). This originally covered the 10 EU applicant countries plus Albania, and has just recently been expanded to incorporate the Former Yugoslav Republic of Macedonia and Bosnia-Herzegovina.

Although the candidates still have a long way to go before such support is no longer needed, a key 1997 report from the monitoring consortium OMAS judged that "considerable achievements have been made since 1991", when statistical co-operation under Phare began.

The multi-country programme's major focus, according to the report, has been to equip statistical offices with the methodological tools to meet the "challenge of political and economic reform", and to meet European statistical norms. It claims its achievements have been particularly significant in five areas:

- compiling and disseminating macroeconomic statistics
- adopting a harmonised international system of classifications

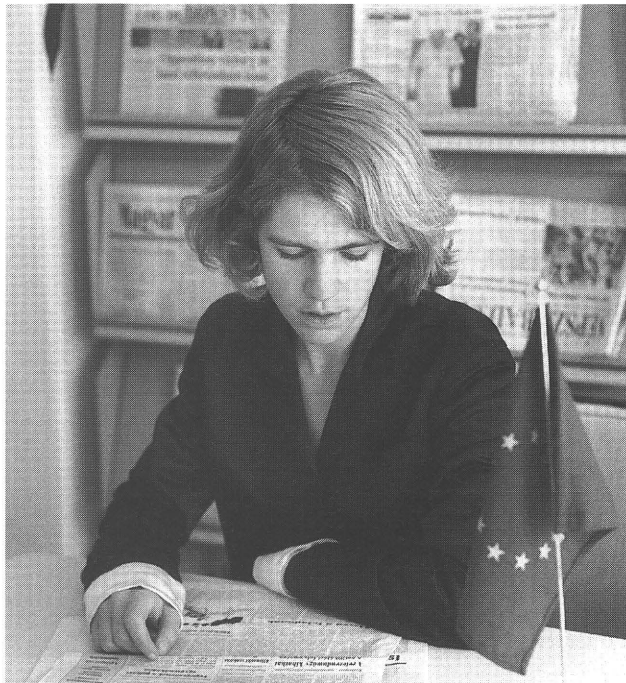
- providing a statistical basis for accession negotiations for the 10 candidate countries
- providing a statistical infrastructure to support macro-economic policy development
- putting in place the legal framework to guarantee the independence and confidentiality of statistical information.

None of this could have been achieved, however, without considerable support from the national programmes. The improved infrastructure under which statistics are communicated, established an international information technology platform with common hardware and software and provided the basic training necessary for administrators to operate the information systems.

The Commission's statistical arm Eurostat is now putting together a statistical co-operation programme, which will have a budget of Ecu 34m over the next three years (Ecu 12m for the first year).

The first part of the programme, which has been approved and should become operational soon, will face some major challenges. The first will be to provide accurate statistics so the Commission can chart the economic progress of the applicants - an exercise that could result in some countries being invited to full-scale negotiations.

When the Commission compiled information for its opinions (*avis*) on the applications from the 10 candidate countries, the difficulties of finding accurate and compatible data were made clear. Although the figures eventually published can be used as a guide, Commission experts warn they are far from perfect and should not be seen as the final word on each country's performance. Although certain figures, such as population, are accurate, the labour force statistics could be off the mark. Officials insist, however, that this year's Commission figures will be substantially better.



Sue Cunningham/SCP

Accurate forecasting of future trends is also difficult among the 10 candidates. Econometric analysis can be reasonably reliable if there are long historic data sets and reasonably stable relationships between different variables. On both these counts the candidate countries fall down — they simply have not had enough time as a market economy for any level of accuracy to be assured. The second aim of the Eurostat programme will be to help applicants to adopt the EU's statistical *acquis*. Previous Phare schemes will be used, such as study tours and visits, consultancy, training courses and participation in the training of European statisticians (TES). There will also be seminars, international working groups and support for relevant multi-country pilot surveys.

Statisticians from the candidate countries also face confusing economic distortions created by various subsidies and an under-developed and constantly changing private sector reporting systems. Within the first phase of the Phare statistics programme, the applicants will be encouraged to focus their attention on macroeconomic, foreign trade, agricultural, regional and migration statistics.

In addition the pre-accession programme will use some innovative new approaches. Trainees from statistical offices in the candidate countries will be sponsored to work in the Luxembourg-based Eurostat office on study placements of up to six months. The scheme has already been started, but will be extended to allow up to 30 trainees in Eurostat at any one time.

Resources will also be made available for candidate statistical offices to employ local experts to advise on strategic and efficiency improvements.

A task force will be set up to help the candidate countries actually implement statistical legislation. It is often difficult to make the leap from passing a law to making it work smoothly on an everyday basis. Eurostat will also closely monitor the applicants' progress towards convergence with EU standards.

Initiatives will be taken to should help the applicants to market and disseminate statistical data.

None of this will be achieved overnight. Recognising the size of the challenge, Eurostat insists "the statistical co-operation programme will aim to help countries to meet these objectives, but will not aim for perfection."

Everyone will gain from a smoothly functioning Europe-wide statistical system. Without one, economic integration will remain an elusive goal. ■

Alistair Keene, Brussels

ERRATUM

The correct percentage figures for politicians (parliamentarians) responding to the question "Are your impressions of the aims and activities of the EU generally positive, neutral or negative" on page 28 of issue March-April 1998/2 should be 80, 14 and 4 respectively.

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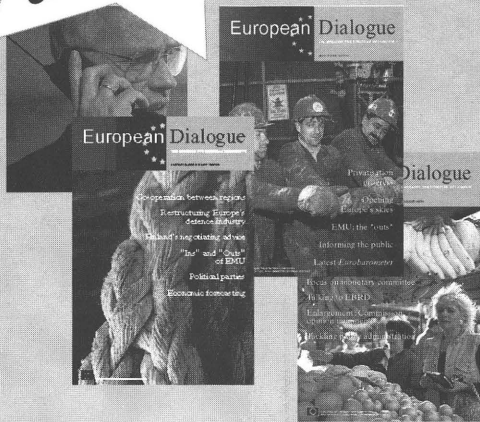
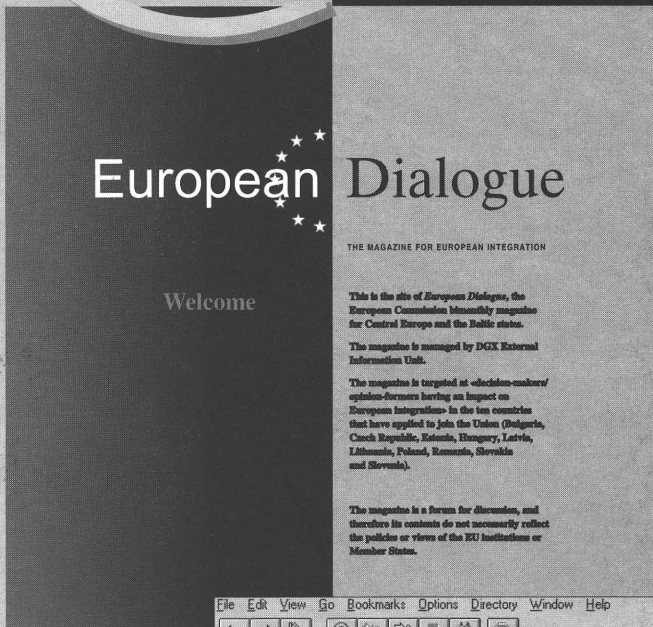
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