

EDITORIAL**The Atlantic Community
needs a big leap forward**

The Atlantic Community must be reinvigorated through a common global role of the EU and the US. Otherwise both partners will lose each other without ultimately being able to afford it. NATO is no longer a strong enough binding glue for the Atlantic civilization.

This most important bond must be broadened by political, economic, social, cultural, and global dimensions. A new Atlantic Treaty is needed, installing an Atlantic Secretariat based in Brussels and in Washington, with a Joint Parliamentary Assembly, a Permanent Council of Representatives and with the already existing EU-US summit heading it.

It could become the first truly transcontinental structure of broadest possible cooperation. Time has come to go from incremental measures of improvement to a big leap forward as a foundation for a new Atlantic grand strategy, a common global role for the EU and the US.



Prof. Dr. Ludger Kühnhardt

**Contractual Prohibitions of
Competition for Employees:
Legal or not?**

by Ulrike Steiner

Contractual prohibitions of competition are an effective instrument of employers for the protection of their legitimate interests. They are applied to employees – often accompanied by penalty clauses – in order to prevent that these, following the termination of employment, “carry off” commercial secrets or the customers of their old employer to a competing undertaking. The wide-spread use of such clauses raises the question whether their effects are compatible with the aims of the EC internal market, in particular with the freedoms of the EC Treaty. A prohibition of competition with a penalty clause can prevent an employee from changing his workplace within the European Union as he desires and has to be assessed in the light of the free movement of workers of Article 39 TEC. The judgement of the ECJ in the case of *Bosman* (15 December 1995, case C-415/

93) is particularly important for this assessment.

The fact that such a prohibition of competition and the corresponding penalty clause are not part of a legal regulation but of an individual employment contract does not prevent the *applicability* of Article 39 TEC, which also binds a private employer.

A prohibition of competition is in itself neither discriminatory in the sense of Article 39 (2) TEC because it is not based on nationality, nor does it in practice chiefly affect citizens of other Member States. The ECJ has however held that all provisions which preclude or deter a national of a Member State from leaving his country of origin in order to exercise his right to freedom of movement constitute an obstacle to that freedom even if they apply without regard to the nationality of the workers concerned. A prohibition of competition of the above-

Article 39 (Free Movement of Workers)

1. Freedom of movement for workers shall be secured within the Community.
2. Such freedom of movement shall entail the abolition of any discrimination based on nationality between workers of the Member States as regards employment, remuneration and other conditions of work and employment.
3. It shall entail the right, subject to limitations justified on grounds of public policy, public security or public health:
 - (a) to accept offers of employment actually made;
 - (b) to move freely within the territory of Member States for this purpose;
 - (c) to stay in a Member State for the purpose of employment in accordance with the provisions governing the employment of nationals of that State laid down by law, regulation or administrative action;
 - (d) to remain in the territory of a Member State after having been employed in that State, subject to conditions which shall be embodied in implementing regulations to be drawn up by the Commission.
4. The provisions of this Article shall not apply to employment in the public service.

mentioned kind prevents a worker from accepting a job in his former employer's line of business for a certain time following the termination of his employment. If he wants to accept an offer of employment actually made in another EU Member State (Article 39 (3a) TEC), the prohibition of competition is such as to render acceptance unattractive or even financially ruinous for him. It factually prevents the unhindered removal of workers from one Member State to another and thus constitutes an obstacle to the free movement of workers.

According to the ECJ, obstacles to the free movement of workers within the community must be accepted in so far as the provisions in question may be recognized as being necessary in order to satisfy *mandatory requirements of public interest* and the principle of proportionality is observed.

The interest an employer has in the protection of his commercial secrets as well as the protection of the good-will of customers grown in the course of long commercial activity from exploitation by competitors has to be recognized as a mandatory requirement in the sense of the *Cassis de Dijon* judgement. However, a mandatory requirement can only justify an obstacle if three conditions are fulfilled: first, the measure must be necessary and appropriate to achieving its purpose, secondly, this purpose must not be attainable in a less restrictive or less intrusive manner, and thirdly, the advantages pursued must not be disproportionate to the measure's onerous effects.

Neither the appropriateness of a prohibition of competition for the above mentioned aims, nor the efficacy of the penalty clause regime for ensuring compliance with the prohibition are to be doubted. The necessity of certain parts of the agreement, however, is doubtful in many cases.

HOW OTHER EU MEMBER STATES HANDLE THE CASE

In many EC Member States (e.g. Denmark, Germany, France, Italy, the Netherlands and Spain), contractual prohibitions of competition taking effect after the termination of the employment are only permissible by law if an appropriate *compensation payment* is agreed on in order to protect the employee from disproportionate disadvantage. On the other hand, compensation-free competitive restrictions are permissible according to §§ 36 and 37 of the Austrian *Angestelltengesetz* (statute regulating contracts of employment). As a consequence, it is made largely impossible for the employee to give notice. In order not to be without an adequate livelihood for the duration of the prohibition, he would be forced to violate the competition clause with his former employer and hence expose himself to penalty demands. The agreement on a compensation clause would constitute an appropriate compromise between the legitimate interest of the employer to protect the knowledge acquired in his undertaking and his commercial relationships from exploitation to his disadvantage and the interest of the employee to use his labour freely after the end of his employment. A prohibition of competition without a compensation clause is therefore not a necessary measure.

Certain competitive prohibitions oblige an employee to desist from *all possible activities* in his former employer's line of business for a certain period following the termination of the employment. Generally, however, in cases where management-level employees are *not* involved, the employer only has a legitimate interest to prohibit a former employee's activities in a new company that are *comparable* to the ones formerly exercised. A prohibition of any ac-

ZEI CALENDAR

JULY - DECEMBER 2002

July 9-10: *International Workshop "International Trade, Specialisation and Location of Industrial Activity"*.

August 5-14: *ZEI Summer School on Monetary Theory and Policy in Bonn*.

August 20-22: *Joint Workshop "Economic and Political Impacts of the Euro" of ZEI and the Center for European Studies, National University Seoul in Seoul*.

November 29-30: *European Money Forum in Maastricht*.

Dezember 3: *EMU Monitor press conference in Frankfurt/Main*.

December 9-10: *International Conference on "The Internal and External Security of the European Union post-September 11" in co-operation with the European Law Academy (ERA) in Trier. (info@era.int)*.

tivities in the employer's branch of business is, on the other hand, not necessary in the terms of *Cassis de Dijon*.

ADVICE TO EMPLOYERS

Prohibitions of competition are permissible in the Member States for different *periods* after the termination of the employment with durations of one (e.g. in Austria) or two years (e.g. in Germany) which are, as such, necessary and appropriate. This cannot hold, however, if the duration is considered in relation to the absence of compensation. It is neither necessary or appropriate that an employee should remain without the means to support himself and his family for one or two years.

Employers would be well advised to assess such disproportionate clauses in their employment contracts on their compatibility with Article 39 TEC, especially as the courts are increasingly disposed to examine the compatibility of contractual provisions with EC law. ■

Ulrike Steiner is a scientific assistant in the department "Political, legal and institutional questions" at ZEI.

NEW PUBLICATIONS

ARTICLES AND PAPERS

Koenig: Die fallweise Auswahl des Verbindungsnetzbetreibers in Mobilfunknetzen, MMR 2002, pp. 11-27.

Koenig/ Kühling: EG-beihilfenrechtliche Beurteilung mitgliedstaatlicher Infrastrukturförderung im Zeichen zunehmender Privatisierung, DÖV 2001, p. 881.

Koenig: Funktionen des Bietverfahrens im EG-Beihilfenrecht, EuZW 2001, p. 741.

Koenig/ Kühling: EG-Beihilfenrecht, private Sportunternehmen und öffentliche Förderung von Sportinfrastrukturen, SpuRt 2002, pp. 53-59.

Koenig/ Sander: Staatshaftung und Festbeträge, NZS 2001, pp. 617-623.

Koenig/ Müller: Die EG-rechtliche Zulässigkeit digitaler Bestellformulare einer E-Pharmacy – die Heilmittelwerbeverbote der § 8 Abs. 1 und § 8 Abs. 2 Alt. 2 HWG auf dem Prüfstand des Europäischen Gemeinschaftsrechts, PharmR 2002, pp. 5-15.

Capital Controls and Exchange Rate Policies in Transition Economies

by Jizhong Zhou

The turbulence on the international financial markets and the reoccurrence of currency crises in the 1990s have once again sparked a debate on the relative merits of increased capital mobility.

The fact that international capital movement has played a substantial role in all financial and currency crises, either by precipitating such crises through devastating speculative attacks, or by magnifying the damages of the unleashing crises through reversal in the capital flows, has led many academic researchers and policy advisors to reassess the implications of capital mobility, especially for the viability of various exchange rate regimes. Some authors argue for a “bi-polar” solution to the choice of exchange rate regime and recommend adjustment in the exchange rate policies to the new environment of high degree capital mobility. Some other authors warn against the excessive volatility on the financial market associated with free capital movement and suggest capital control measures to limit capital mobility. With capital movement under check, so the argument goes, intermediate exchange rate regimes (conventional pegs, crawling pegs or bands, target zones, etc.) may still be viable and remain attractive options for many countries.

THE SITUATION IN THE TRANSITION ECONOMIES

For the transition economies in Central and Eastern Europe and the former Soviet Union, capital controls were common practice in many countries during the 1990s, though with various degrees of intensity. Here the intensity of capital controls is proxied by the number of main capital transactions subject to controls, normalized by the total number of main capital transactions. It can be seen from Figure 1 that in 60 percent of country-year observations the capital account was almost closed, with the above-defined ratio higher than 0.9, while the cases with virtually free capital movements (the ratio being close to zero) account

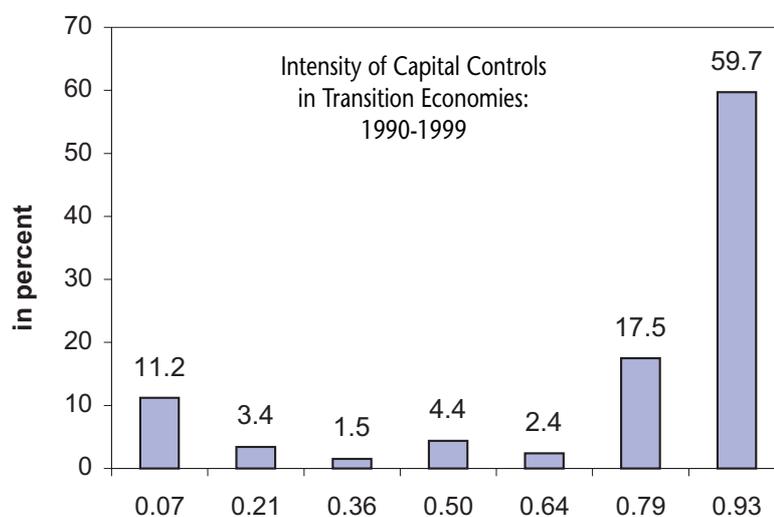
for 11 percent. Meanwhile, many countries, especially those with more intensive capital controls, also maintained intermediate exchange rate regimes during this period. A priori it is not clear whether it is the choice of an intermediate regime that leads to the

imposition of capital controls or low capital mobility in the presence of capital controls that makes intermediate regimes a more viable option. Such questions can only be answered through careful empirical analysis.

Besides exchange rate policies, capital controls or decontrols can also be influenced by other factors. The traditional literature relates the imposition of capital controls to the preexistence of some distortions, and views capital controls as the second-best solution to the distortions. The literature on the self-fulfilling currency crises provides a rationale for capital controls based on the fact that such measures may help solve the multiple equilibria problem. The political economy literature focuses on institutional and political characteristics of a country to explain the imposition and removal of capital controls. Given these arguments, how can we explain the observed differences in the intensity of capital controls in the transition economies?

The existence of possible interactions between capital controls and exchange rate regime choices suggests that both issues be analyzed simultaneously to allow mutual endogeneity. However, the analysis of the

simultaneous determination of capital controls and regime choices shows that there is a strong influence from exchange rate regime choices on capital controls, but that the feed-back effects from capital controls to exchange rate regime choices are virtually absent. The weak response of exchange rate regime choices to capital account liberalization suggests that governments tend to utilize capital controls to support their exchange rate policies, rather than adjusting the latter passively to accommodate the changes in capital mobility. This negligible response also implies that the simultaneous equations framework can be simplified to a single equation model, with exchange rate regime choices as one of the exogenous explanatory variables for the determination of



capital controls. The results of such a model reveal a hump-shaped relationship between capital controls intensity and exchange rate regime choices. The overall evidences suggest that intermediate regimes are typically associated with the most intensive capital controls, and that hard pegs are associated with the most liberal capital accounts.

Both models show that strong central bank independence and the liberalization of current account are associated with substantially lower intensity of capital controls. In contrast, countries with large government expenditure, an inefficient tax system, and a heavy burden of external debts are associated with tighter capital controls in transition economies. Moreover, the EU accession candidates, especially those advanced in this process, maintain much more open capital accounts than the non-accession countries. There is also evidence that the crisis-ridden late 1990s witnessed a slight tightening of capital controls in many transition countries. ■

Jizhong Zhou is Junior Fellow in the department “Economic and social issues” at ZEI.

Regional structural change and cohesion in Europe

Policy/Working Paper Series:

B02-05

Real and Monetary Convergence Within the European Union and Between the European Union and Candidate Countries: A Rolling Cointegration Approach (Josef C. Brada, Ali M. Kutan and Su Zhou).

B02-06

Is there Asymmetry in Forward Exchange Rate Bias? Multi-Country Evidence (Su Zhou and Ali M. Kutan).

B02-07

Perspektiven der Erweiterung der Europäischen Union (Martin Seidel).

B02-08

Has the Link between the Spot and Forward Exchange Rates Broken Down? Evidence from Rolling Cointegration Tests (Ali M. Kutan and Su Zhou).

B02-09

Monetary Policy in the Euro Area – Lessons from the First Years (Volker Clausen and Bernd Hayo).

B02-10

National Origins of European Law: Towards an Autonomous System of European Law? (Martin Seidel).

B02-11

The Eurosystem and the Art of Central Banking (Gunnar Heinsohn and Otto Steiger).

B02-12

Argentina: The Anatomy of a Crisis (Jiri Jonas).

B02-13

De Facto and Official Exchange Rate Regimes in Transition Economies (Jürgen von Hagen and Jizhong Zhou).

A list of all ZEI publications is available in the Internet: <http://www.zei.de>

by Julia Traistaru

Achieving better economic and social cohesion is one of European Union's priorities. Although regional diversity is nothing new in Europe, during the past two decades there has been growing concern about the uneven impact economic integration has on regions. The experiences of the Single Market Programme (SMP) and Economic and Monetary Union (EMU) suggest that some regions do better in the process than others and that the deepening of economic integration may have resulted in winners and losers among the different regions. The continuing economic pressure from globalization, increasing competition and restructuring within particular sectors may also have asymmetric effects on regions. Since sectors tend to be concentrated in particular regions, industry specific shocks become region specific shocks posing a challenge to both regional and social cohesion. Moreover, the accession of Central and East European countries (CEECs) will result in increased regional disparities within the European Union (EU) making necessary a rethinking of the cohesion policy at European, national and local levels. In order to gain a better understanding of the dynamics of the European integration and enlargement and their impact on cohesion additional empirical research is needed.

A LOT OF QUESTIONS REMAIN

What is the impact of European integration on regional structural change? What relationship is there between industrial location, regional specialization and regional growth? What type of regions are potential winners and losers in the process of European integration? What roles and instruments are there for regional policy at European, national and local levels?

These questions will be investigated in a project undertaken by a Research Consortium initiated and coordinated by the Center for European Integration Studies (Department of Economic and Social Issues, ZEIB), University of Bonn, and funded through the 5th Framework Programme of the European Commission. The other members of the Consortium are: the Kiel Institute for World Economics; University "Luigi Bocconi", Milan; Economic and Social Research Institute, Dublin; University of Thessaly, Greece; the Institute for World Economics of the Hungarian Academy of Sciences; and

the Institute of Economics of the Bulgarian Academy of Sciences.

In particular, the research team will analyse the experience of current EU Member States to uncover the impact of economic integration on regional structural change and cohesion, the experience of accession countries to predict potential spatial implications specific to the forthcoming EU enlargement, and the role of Foreign Direct Investment (FDI) as a major engine of the expected restructuring process.

TEST OF PREDICTIONS

This research will test the predictions of new economic theories which model the relation between economic integration, regional specialization and growth. In particular, the new trade theory and the new economic geography suggest that integration is likely to enhance a core-periphery model due to concentration of economic activity in regions with an exogenous (large markets or good market access) or endogenous (cumulative causation) geographical advantage. This process tends to increase economic differentials between rich and poor regions and thus affect regional cohesion. While the economic integration may ultimately bring about convergence of income per capita levels, the process may take a long time.

Although the focus of this research project is on the economics of European integration, the expected results are of interest to a broader community of social scientists and policy-makers from the fields of political science, law, sociology, regional science, and economic geography. Representatives of this broader group will be invited and encouraged to make comments and advice the research team during the project. ■

Julia Traistaru ist Junior Fellow at ZEI, Department Ecological and Social Issues, and Coordinator of the Research Programme "European Integration, Regional Development and Policy".

Europe's Identity in the Internet

by **Andreas Neumann**

On April 30th 2002, Regulation (EC) No. 733 on the implementation of the “.eu” Top-Level Domain entered into force. It set up the framework for the introduction of the Internet Top-Level Domain (TLD) “.eu”, which will take its place beside established TLDs like “.com”, “.net” or “.org”. However, in contrast to these so-called “generic” TLDs, “.eu” will be implemented as a “country code” TLD – like “.de” for Germany or “.uk” for the United Kingdom. At the same time, “.eu” is the first country code TLD for which no corresponding entry exists in the decisive lists of the United Nations regarding country and region codes. This is a clear indication of the intention of the European Community to also develop integration beyond a mere community of states in the global data communications network. Simultaneously, the TLD “.eu” will put undertakings that operate throughout the Community as well as individuals living in the Commu-

nity in a position to show the link with their European origin in the virtual market place based on the Internet. It gives the holder of an “.eu” domain name a (virtual) European identity.

However, by creating a European name space in the domain name system, the European Community is, for the first time ever, also laying claim to regulatory authority with regard to scarce resources in the global Internet. In this respect, the way this is done is especially remarkable. First, the regulatory framework created by Regulation 733/2002/EC is completely integrated into the established system of Internet (self-)administration in which the principles for activities relating to standardization and the administration of scarce resources are set up by the US-American organization ICANN. The Community does not lay claim to special privileges, but only requests the creation of a new name space parallel to the existing TLDs. In addition, a non-profit organization, the so-called “Registry”, will be entrusted with the actual organization and administration of the “.eu” name space by means of a designation procedure. The Registry will, on its own responsibility, accredit registrars who will provide registration services to

undertakings and citizens with regard to “.eu” domain names. The Community limits itself to setting up the framework for the operation of the Registry. The creation of the TLD “.eu”, therefore, is a synthesis of regulatory action and self-administration, by which the Community breaks new legal ground.

From a legal point of view, Regulation 733/2002/EC suffers from a congenital defect though. It is based on the provisions of the EC Treaty regarding trans-European networks in the field of telecommunications. These provisions allow for Community measures that may prove necessary to ensure the interoperability of the networks. The national networks shall be linked together to form a Europe-wide network in order to derive the full benefit from the setting-up of an area without internal frontiers. Even a very wide interpretation of Primary Law does not allow to subsume the implementation of the TLD “.eu” under those provisions brought into play by the Community legislator. ■

Andreas Neumann is Scientific Assistant in the department “Political, legal and institutional questions” at ZEI.

Transatlantic Summer Academy (TASA)

by **Franz-Josef Meiers**

The 9th Transatlantic Summer Academy, which was organized by the Center for European Integration Studies, took place from 18th June to 13th July 2002 in Bonn. The participants were 28 undergraduate and graduate students from North America and Europe. Thanks to the generous support of the German Academic Exchange Service (Bonn) and the International Student Friends (Göttingen), the Center could offer fourteen scholarships to highly qualified students from North America and Central and East-

ern Europe. The central theme of this year’s summer academy is “Transatlantic Solidarity and Partnership: Common Actions Against Common Threats”. Professor Lothar Rühl, former State Secretary within the Federal Ministry of Defense, and ZEI Senior Fellow, gave the keynote address on “Transatlantic Relations After the 11th September: Common Actions Against Common Threats.”

The academy once more provided an intensive four-week interdisciplinary program of lectures, tutorials, panel discussions, and briefings in the fields of politics, econom-



Transatlantic Summer Academy 2001

ics, law, history and culture. The program offered the participants sustained contact with a wide range of experts and personalities from government, politics, economics, academia and the media.

As in previous years the excursions to Strasbourg, Berlin and Brussels were a central part of the program. In addition, the Rhineland was explored with field trips to Düsseldorf, Cologne, and Aachen. The academy concluded with three simulation games in the areas of politics, economics and law. The participants were asked to manage emerging international crises affecting Transatlantic relations.

The central goal of the summer academy is to develop a shared understanding of common challenges among the participants from North America and Europe and to sharpen their awareness that Transatlantic relations are as important as they were during the Cold War. Only together can Europe and America master the multifaceted challenges of a globalized world in the 21st century. ■

Franz-Josef Meiers is Senior Fellow in the department “European Value Systems, Cultures and Languages”.

Public Provision by Competition

by Klaus Büniger

The topic "public provision" has been gaining increasing attention over the last few years. The discussion was initiated by the EU Commission, which argued that the current practice of "public provision" was not in line with EU competition rules in many member countries. Several countries, in turn, felt uneasy about this critique, since they feared a loss of competence, influence and jurisdiction. In Germany especially the "Länder" and the organizations of the municipalities complain about the "stranglehold of European competition policy". The loss of self-administration is feared.

AN ARBITRARY DEFINITION

There is no clear definition of public provision. The same holds for related terms like "welfare" or activities in general public interest - as stated in art. 16 and art. 86 of the treaty of the EC. This gives room for an arbitrary definition of areas of public provision according to political criteria. As a consequence, the areas of public provision are very diverse, depending on the country and the political point of view. Today the following areas belong to public provision: Energy, water supply, media, telecommunication, transport, (social) housing, financial

services, postal services, education, waste management and other municipal services. A look at this list shows that there is no clear coherent concept behind actual public provision. Thus the core of the debate is not about an allocation of areas of competence according to economic criteria, but it is a political dispute about power and markets, competence and influence, privileges and favours.

GOODS AND SERVICES

Goods and services of public provision are supposed to assure a basic provision through state interventions or the government's own economic activities. This basic provision should cover goods and services of high quality, affordable prices, area-wide provision, access and distribution on equal footing, compatibility with social and environmental concerns, avoidance of new monopolies and democratic participation of the citizen in shaping the provision.

Are these really the consequences of public acts? Empirical knowledge and theory show exactly the opposite. It is, in fact, free competition which assures innovations, low cost, high quality, low prices compared to monopolistic markets, freedom of choice and fast access to goods and services for everyone.

Even in the case of market failure or difficult market conditions, e.g. in network industries, one does not have to renounce from the advantages of competition, provided that market entry barriers are lowered by appropriate regulation. Academia has developed instruments like minimum standards, norms, concessions limited in time, procurement by tender for lowest subsidy requirement or a universal service concept, which allow the market to operate. The commission rightly points out in its communication on goods and services of public provision in the telecommunication, energy and transport sector (2000) that quality requirements of public provision are fulfilled and that new and better standards are made possible. Also, area-wide provision has not turned out to be a problem.

Public enterprises, in contrast, are generally characterized by high costs, low product differentiation, high prices and low economic flexibility. There are several reasons

AT A GLANCE

On 23 May 2002 a conference on the *Deficiencies of German Telecommunications Law with regard to internet markets and solutions to the problems* was held by ZEI's research project group *European Telecommunications Law*. The discussions were moderated by Dr. Hans Barbier, Chairman of the Board of Ludwig-Erhard-Stiftung. Papers were delivered by Dr. Peter Knauth (Federal Ministry of Industry and Technology), Friedhelm Dommermuth (regulating authority for telecommunications and postal services, RegTP) and Dr. Gunnar Bender (AOL Germany). Representatives of the Federal Cartel Office, the Monopolies Commission, the European Commission, and the telecommunications industry partici-

for this: a) public enterprises are subject to massive political influence, b) the connection between risk and liability is weak, so that there is virtually no risk of failure or loss of employment, c) special regulations allow to escape competition. Also the fact that leading positions are given to honourable politicians according to political proportionality weakens entrepreneurial spirit in these enterprises.

A DUBIOUS ARGUMENT

Finally, the argument of democratic participation of citizens in defining public provision is dubious. In public enterprises, firm decisions are strongly influenced by the interest of the stake-holders. Their interest is not the interest of the citizen but that of organized groups, parties, employees of the enterprises and unions.

To conclude, the implementation of competition principles is compatible with and not against the interest of the citizen. Public provision of goods and services and welfare are certainly provided in a better way, i.e. at lower cost and price, higher quality, reliability and access, by markets and competition than by public entrepreneurial activity. Public provision and competition are thus not contradictory, but are conditional on each other. ■

Klaus Büniger is Senior Fellow in the Research Group "Macroeconomic Politics and Institutions".

PUBLICATIONS PUBLICATIONS

Policy/Working Paper Series:

B02-14

The Long and Short of It: Global Liberalization, Poverty and Inequality (Christian E. Weller and Adam Hersch).

B02-15

Does Broad Money Matter for Interest Rate Policy? (Matthias Brückner and Andreas Schaber).

B02-16

Regional Spezialisierung und Konzentration von Industrieller Aktivität in Accession Countries (Iulia Traistaru, Peter Nijkamp and Simonetta Longhi).

Europe's Democratic Structures: A Role Model for ASEAN?

by **Berno Schmidtman**

Parliamentary representatives from all members of the ASEAN visited ZEI to learn about the history and functioning of the European Parliament.

From March 12–23, 2002, a group of parliamentary representatives, scholars and experts from all the member states of the Association of Southeast Asian Nations (ASEAN) travelled as a single delegation to Europe for the first time. Supported by the Konrad-Adenauer-Foundation (KAF), the ASEAN group embarked on a fact-finding mission to study the feasibility of establishing an ASEAN Parliament.

On the first day of their visit, the delegation took advantage of the European political competency of the University of Bonn's Center for European Integration Studies (ZEI). The KAF delegated ZEI to provide the group with in-depth information and insights into the origins, historical development, structure, organization and working methods of the European Parliament (EP) and its political groups. Could it work as a viable role model for the ambitions of the ASEAN states?

At the last Asian Inter-parliamentary Organisation (AIPO) meeting in October, 2001, the Speaker of the Philippine Parliament, José de Venecia Jr., launched an initiative to establish an ASEAN Parliament. Thus a group of experts departed for Germany and Brussels to learn about how the European Parliament works. The knowledge and perspectives gained through this visit shall be presented at the next AIPO session in Hanoi in September 2002, where the political ramifications for ASEAN will be discussed.

The group consisted of parliamentarians and ambassadors from the Philippines, Laos, Vietnam, Cambodia, Indonesia, Malaysia, Thailand and Singapore as well as the head of the KAF bureau in Manila, Dr. Willibold Frehner. They were welcomed on March 14 by Dr. Peter Zervakis, Senior Research Fellow, and his team. The Philippine delegation leader, Camilo L. Sabio, received a copy of Zervakis' recently published book on *European Political Parties between Cooperation and Integration* (Nomos 2002), which is based on his research projects at ZEI.

After the introduction, Zervakis presented the basic framework of the EU to the ASEAN experts and explained the history of the development and origin of the European Union, highlighting the most significant phases like the enlargement stages, the setbacks as well as the small and big steps of European integration. Likewise, future perspectives were outlined such as the current Constitutional Convention in Brussels, the historic challenge of the EU Eastern Enlargement, and the need to simplify the decision-making process and the treaties. The presentation also entailed future questions, including the debate "Super-state or regression to solely economic integration" and the principle of subsidiarity.

However, owing to the particular purpose of the visit, the report focused on the process of European integration and the European Parliament and its political, historical as well as cultural background. The positions of the European Parties in and outside the EP were discussed in detail. Clearly, the guests saw the necessity to strengthen ASEAN as a supranational organization and to build an ASEAN parliament, taking the European Parliament as a role model. But Zervakis stressed that a mere copy of the European model would be doomed to failure given that a more suitable organizational form for the Southern-Asian circumstances would be the proper solution. However, the guests saw similarities in the preliminary phase, such as the role of the "jealous member states". The presentation provided an overview of the fundamental ideas behind the European Union, from the traumatic experiences of World War II to the federalist movement and the demand for democracy and open borders, ending trade and customs barriers. Among others, the question of "how" the European integration process advanced was of foremost interest, particularly concerning the transformation from economic to political integration.

The recurrent theme of Zervakis' report was the necessity of democracy as a foundation and that from the beginning, more than mere economic integration must be pursued – a statement which immediately met with contention among the participants. As the accession criteria demonstrate, political and economic prerequisites have to be fulfilled while democracy, primacy of the constitution, and respect for human rights remain the basis. Article 128.1 of the TEU illustrates that national identity should be

PUBLICATIONS

Policy/Working Paper Series:

C 86/2001

Janusz Bugajski: Facing the Future: The Balkans to the Year 2010.

C 87/2001

Frank Ronge / Susannah Simon (eds.): Multiculturalism and Ethnic Minorities in Europe.

C 88/2001

Ralf Elm: Notwendigkeit, Aufgaben und Ansätze einer interkulturellen Philosophie. Grundbedingungen eines Dialogs der Kulturen.

C 89/2001

Tapio Raunio / Matti Wiberg: The Big Leap to the West: The Impact of EU on the Finnish Political System.

C 90/2001

Valérie Guérin-Sendelbach (Hrsg.): Interkulturelle Kommunikation in der deutsch-französischen Wirtschaftskooperation.

C 91/2001

Jörg Monar: EU Justice and Home Affairs and the Eastward Enlargement: The Challenge of Diversity and EU Instruments and Strategies.

C 92/2001

Michael Gehler: Finis Neutralität? Historische und politische Aspekte im europäischen Vergleich: Irland, Finnland, Schweden, Schweiz und Österreich.

C 93/2001

Georg Michels: Europa im Kopf – Von Bildern, Klischees und Konflikten.

C 94/2001

Marcus Höreth: The European Commission's White Paper Governance: A 'Tool-Kit' for closing the legitimacy gap of EU policymaking?

C 95/2001

Jürgen Rüländ: ASEAN and the European Union: A Bumpy Interregional Relationship.

C 96/2001

Bo Bjurulf: How did Sweden Manage the European Union?

Discussion Paper-Series:

C 97/2001

Biomedizin und Menschenwürde: Stellungnahmen von Ulrich Eibach, Santiago Ewig, Sabina Laetitia Kowalewski, Volker Herzog, Gerhard Höver, Thomas Sören Hoffmann und Ludger Kühnhardt.

C 98/2002

Lutz Käppel: Das Modernitätspotenzial der alten Sprachen und ihre Bedeutung für die Identität Europas.

C 99/2002

Vaira Vike-Freiberga: Republik Lettland und das Land Nordrhein-Westfalen – Partner in einem vereinten Europa.

C100/2002

Janusz Musial: Periodische Arbeitsmigration aus Polen (Raum Oppeln) nach Deutschland. Ein Testfall für die Erwerbswanderungen nach der Osterweiterung?

C101/2002

Felix Maier (ed.): Managing asymmetric interdependencies within the Euro-Mediterranean Partnership.

C102/2002

Hendrik Vos: The Belgian Presidency and the post-Nice process after Laeken.

C103/2002

Helmut Kohl: Der EURO und die Zukunft Europas.

C104/2002

Ludger Kühnhardt: The Lakes of Europe.

C105/2002

Katharina von Schnurbein: Political Parties and Media Structures in the Czech Discourse on the EU-Accession Process.

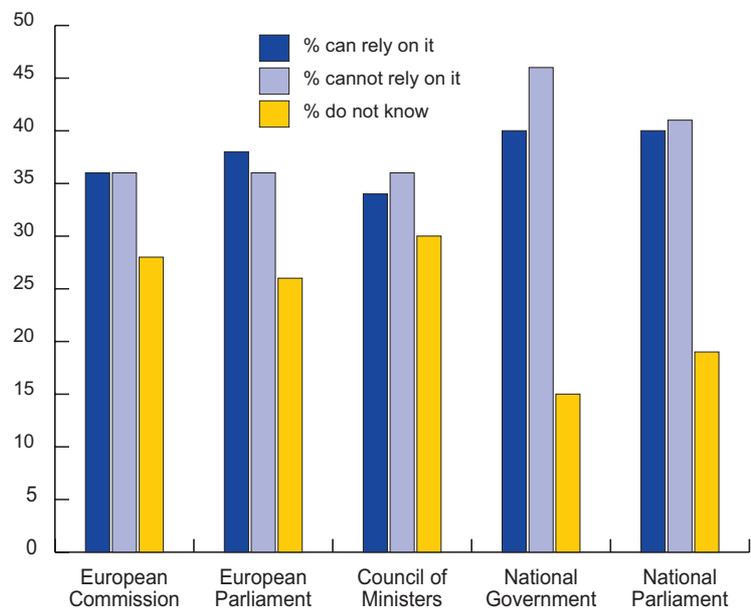
C106/2002

Andrew Dennison: Europe and the 11 September.

C107/2002

Boris Hajoš et al.: The Future of the European Integration Process: Ideas and Concepts of Candidate Countries.

A list of all ZEI publications that have appeared so far can be called up from the Internet at: <http://www.zei.de>.



Public support for European and national institutions

preserved and regional diversity promoted to encourage the common cultural bonds. Zervakis stressed the absolute need for transparency, accountability, and the democratic legitimacy of the EU branches of government. A graph showing the EU citizens' trust in the different EU institutions revealed that, at 53%, trust in the European Parliament clearly surpasses the European Commission at 45% and the Council of Ministers at 38%. Zervakis concluded this to be a result of the EP's higher transparency and the citizens' wish for institutions legitimated by direct democracy. However, critical remarks were not neglected. The citizens' scepticism in certain areas, low participation rates in the last European Elections in comparison with participation at the national level, and the average approval rating of 51% for EU membership during the last decades were sources of concern.

Jared Sonnicksen, B.A., Researcher at ZEI, then provided a brief insight into the American perspective on European integration and the relevant U.S. foreign policy towards the project of Europe. He underlined the advantages of peace and stability in Europe as well as growth and welfare that resulted from regional integration, which from the American point of view lead to a positive evaluation of the European model.

After almost five hours packed with information, the participants accepted the Czech Republic in advance as an EU member by honouring European cultural diversity with a Czech dinner.

In the Preliminary Report (25 March 2002) of the AIPO study group the Philippine head of the delegation, Camilo L. Sabio, stressed: "In the history of AIPO, this is the first time that a Delegation composed of representatives from all member countries ... would be submitting a joint report and rec-

ommendation" (p. 4). Then the report concluded by mentioning the expertise of ZEI: While the EP arose out of the situation of World War II "an ASEAN PARLIAMENT should be fashioned out of the peculiar realities and imperatives of the ASEAN and its Member States." The group unanimously proposed, firstly, the transformation of AIPO into a strengthened, "more effective" governmental institution, and, secondly, the organization of an Ad Hoc Committee "to give this new institution its initial shape and substance". It seems that ZEI could serve as "midwife" for this project. ■

Berno Schmidtmann, University of Cologne, is an Intern in the Research Group "Institutional Development in Europe" at the ZEI Department "European Value Systems, Cultures and Languages".

IMPRINT

Zentrum für Europäische Integrationsforschung
Center for European Integration Studies
Rheinische Friedrich-Wilhelms-Universität Bonn
Walter-Flex-Str. 3
D – 53113 Bonn
Germany

ISSN: 1437-174x

Editorial staff:
Boris Hofmann, Ulrike Steiner, Franz-Josef Meiers,
Patricia Frericks

Tel: 0228/73-7249
Fax: 0228/73-5097
E-Mail: zei@uni-bonn.de
Internet: <http://www.zei.de>

ZEIreport is published three times a year in English and German. It can be ordered free of charge from the above mentioned address.