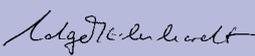


EDITORIAL
EDITORIAL

Recent weeks and months have triggered an extraordinary interest in European politics and the workings of the European institutions. Circumstances have by no means been favourable and word of a European crisis is spreading. In Chinese the same symbol is used to represent the concept of crisis and the concept of opportunity. Seen in this way, the corruption crisis in the EU can be viewed as an opportunity to shape the constitution. The European Union is in the midst of a process in which its constitution is being shaped, without this being stated openly and occasionally without it even being recognised or there being a willingness to recognise that this is what is happening. In fact what is at issue is the question of adapting the structure of the institutions in Europe to the challenges of the 21st century. Both vertically, i.e. in relation to cooperation between local, regional, national and European levels, and horizontally, i.e. in relation to the federal cooperation between the different players at an EU level, there is a need for a clearly defined assignment of responsibilities. Tasks and mandates must be defined in order to strengthen the principle of accountability, the central fundamental principle of democratic legitimacy, at all levels of European politics. A European constitution cannot be created by a Big Bang, but will be the inevitable long-term consequence of the new European political reality and the requirements associated with that reality, so that its institutional structure is coherent and its actions credible. ZEI will be at the forefront of the next intergovernmental conference as it makes its contribution to the process of thinking ahead and laying the groundwork in this constitutional debate.


Prof. Dr. Ludger Kühnhardt

INTERJURISDICTIONAL COMPETITION BETWEEN MEMBER STATES

New Research Focus at ZEI

by Christian Koenig

A new key area of the work at ZEI is focussed on research into interjurisdictional competition between the EU member states. The interdisciplinary project is a joint initiative of Jürgen von Hagen and Christian Koenig, directors at ZEI. Interjurisdictional competition arises in a “regulations market for public goods-tax-benefit packages”, in which the Member States compete to attract labour, capital and entrepreneurial innovation. In this regulations market, which by now has been neglected within the European Union, differences in tax and other regulatory burdens between the Member States create different access price offers for membership of various “clubs” which are organised under public law. Transfer of competence from the level of the Member State to the supranational level can be understood as the result of jurisdictional competition to achieve the most efficient collective problem solutions. Supranational or federal jurisdictions should arise in interjurisdictional competition and from the bottom upwards in the search for the most efficient collective solution level (bottom-up approach). This applies above all to supranational harmonisation which, as a sovereign regulatory cartel of the Member States in the Council of Ministers, reduces the incentive for mobility for those participants in the single market which, without harmonisation, would move into another Member State with regulations more favourable to them. According to “bottom-up” logic, harmonisation – at all events with regard to mobile participants in the single market - requires justification in terms of an explanation of the failure of interjurisdictional competition.

The extent to which interjurisdictional competition between Member States challenges even the rules firmly established

under applicable EU competition law is illustrated by the example of control of state aid. Interjurisdictional competition results from the simple fact that Member States can provide a more attractive location for companies to come and set up business than other Member States. Artificial differences in competitive conditions between Member States are a prerequisite for interjurisdictional competition to function. If Member States offer so-called “public goods-tax-benefit packages” in a previously neglected single market for collective problem solutions and companies are seen as the demand side, state aid can be understood as price discounts/rebates granted by the supply side (Member States) to the demand side (companies). It would then, however, be logical at least if state aid could be negotiated between the supply and demand sides as rebates against the normal price (normal taxation) in the single market for industrial locations. Control of state aid (i.e. control of rebates) would have to be targeted against unfair practices, especially against discrimination or dumping, as in the case of markets for private goods and services. A categorical ban on state aid (ban on rebates) could prevent price competition between different Member States and reinforce excessive location prices (taxes) in the long term.

Interjurisdictional competition between Member States must in future be incorporated in the formulation of European integration rules and principles, in particular the EU competition rules. Even axiomatic rules and principles of the single market which have never been questioned must be fundamentally re-examined. The objective of research is to develop “model rules” which on the one hand create coherence between the dual-level competition between Mem-



Christian Koenig

Foto: ZEI

ber States` jurisdictions and the competition between companies. On the other hand new rules shall stimulate the "bottom-up" competition between Member States` regulations and supranational action (in particular, harmonisation).



Prof. Christian Koenig is director at ZEI and head of the department „Political, legal and institutionell issues“.

Main focal points of the work of the 'Political, legal and institutional issues' department at ZEI

On 1 April 1999 Professor Christian Koenig assumed leadership of the 'Political, legal and institutional issues' department at ZEI, thus filling the third and final department post at the Center for European Integration Studies. Previously, Professor Koenig had been Professor of Constitutional and Administrative Law at the Philipps University in Marburg.

Professor Koenig and his staff will chiefly be concerned with the legal conditions for the process of European integration. The main focal points of their research will then be implemented by three research project groups working in close cooperation with each other.

- Research project group 1 is concerned with the institutions, procedures and principles of European integration, procedural law at the European Court of Justice, with the political, legal and institutional conditions for integration required for a successful enlargement eastwards and new standards for

implementing the principle of subsidiarity.

- Research project group 2 concentrates on the European regulation of telecommunications and the new media with the objective of elaborating regulations for integration in specific sectors in order to facilitate institutional competition among member states.

- Research project group 3 mainly works in the field of EC legal procedures for regulating the 'life sciences', in particular in relation to procedures for the approval of drugs and for monitoring gene technology and tele-medicine.

Close cooperation between the research project groups in the development of regulations which will apply across sectors should ensure optimal coordination between action on a supranational level (particularly harmonisation) and institutional competition among member states.

Public Opinion on Transformation in Eastern Europe

Reforms in Eastern Europe are causing in part significant changes for its population. An analysis carried out at ZEI concentrates on the extent to which the population is „satisfied“ with the reforms.

by Bernd Hayo

The transformation of the economic and political system in Eastern Europe is progressing in different countries at a different speed. Some countries, such as Poland, Hungary or Czech Republic have significantly converged towards the Western countries, while in Kazakhstan, Belarus or Albania many reforms have not even been started.

In view of the deep changes coming about as a result of the reforms, it is important to gain sufficient satisfaction and support within the populations. Arguably, the likelihood of success is larger if the population supports the transformation process. However, the situation in these countries is far from easy for most people. They have not been prepared to handle the far-reaching transformation of the economic, political and social system of their country, significant changes in their everyday lives and a generally higher uncertainty about the future.

EU DATA

It is therefore interesting and important to study people's attitudes towards the transformation process. Useful data is being provided by the European Commission, as annual surveys are being collected in many Eastern European countries. Some of the

questions are repeated every year, which allows a comparative study not only over different countries but also over time. Aggregating the available data over up to 21 countries and up to 7 years (1990-96) leads to a data set spanning over 100 000 observations.

One interesting question is „Is our country moving in the right direction?“. The average answers are displayed in Figure 1 for the different countries over time. An average value above (below) the zero line indicates that a majority of the population thinks that the respective country is developing in the right (wrong) direction.

Even taking into account the different number of available observations, it is apparent that countries differ strongly with respect to the average responses. From the first diagram, for instance, it is clear that people are very positive in Albania, while they are much less satisfied in the Ukraine or Armenia. In some cases, such as Estonia, the development over time is rather flat, while, for example, in Poland the line fluctuates wildly.

Similar developments can be found for three other questions, relating to "Satisfac-

tion with progress in achieving democracy“, “Changes in the financial situation of the household“, and the “Expectation of the financial situation for next year“. This suggests that the answers on these – in principle – different dimensions can be derived from a more basic, underlying attitude of people, which is called a “factor“. The underlying factor is coined “General satisfaction with the Transformation Process“ and can be derived from the data using appropriate statistical techniques.

THE INFLUENCE OF AGE, GENDER, EDUCATION AND INCOME

In a next step, it is interesting to analyse the determinants of people’s satisfaction with the transformation process. This question can be tackled using statistical methods allowing for a number of explanatory variables to be used at the same time. Apart from distinguishing the respondents with respect to country and year of survey, there is information on age, gender, education and relative income position in the data set.

Older people are more sceptical about progress in transformation. This statement can be sharpened: Respondents who are about 50 years old tend to be least satisfied. Exactly this group is hit hardest by the changes, as labour market studies indicate. Those people are too old to adjust easily, but also too young to retire. It is not quite clear why women are less satisfied than men. There is some indication, though, that changes in labour market conditions, such as some losses in equal opportunity employment regulations and daily child-care opportunities, have hurt women more than men.

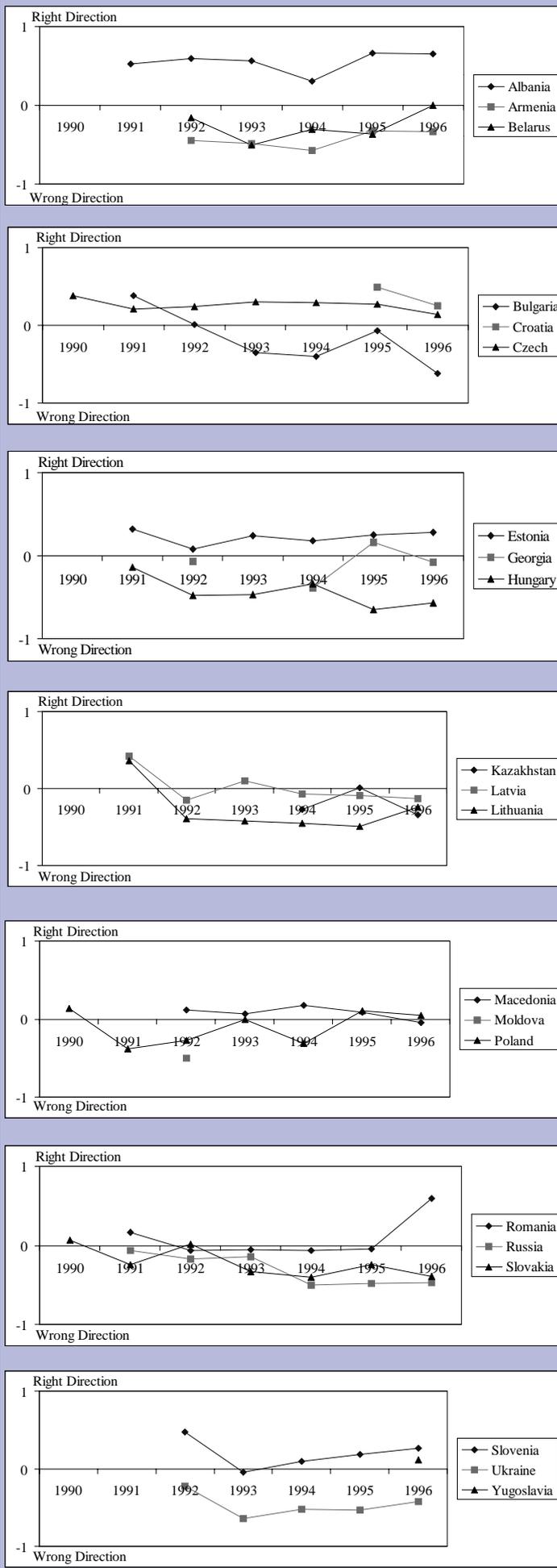
Better educated people are more positive about the progress in transformation. They can understand more easily that the adoption of a new political and economic framework causes significant frictions and that it takes some time before the gains of this effort can be experienced. Moreover, it can be shown that better education implies a relatively higher pay in the labour market compared to former communist times. Finally, respondents with a relatively larger income tend to be more satisfied with the progress of transformation. This result is not surprising, as these people have either already gained from the new system or at least have not lost much by the transition.

NATIONAL DIFFERENCES

When comparing the answers of respondents with respect to national differences, while considering socio-demographic variables, it is found that people in Albania, in the different countries of the former Yugoslavia and the Czech Republic are particularly satisfied with the general progress in transformation, while dissatisfaction appears to be most prominent in Hungary, Ukraine, Russia and Armenia. These results are similar to the ones obtained from Figure 1 and they underline that the evaluation is highly subjective, as a comparison of objective progress between Hungary and Albania makes clear. Arguably, it is the comparison between actual outcomes and personal expectations that affects people’s answers on this issue.

Finally, an analysis of the variables covering the different years when the surveys were collected shows that an approximate U-shaped development of satisfaction with transformation seems to take place. At the beginning of the process, people were relatively positive, then an increasing pessimism set in with a minimum of satisfaction in 1994, and a recovery afterwards. It remains to be seen whether the development continues to be positive or whether people become more sceptical about the progress in transformation again.

Fig.1: „Is our country moving in the right direction?“



Dr. Bernd Hayo is Senior Fellow at ZEI, department „Economic and social issues“.

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The publications can be ordered free of charge. Please call +49-228-73-9218 (Series B) or +49-228-73-1880 (Series C) or contact us by E-Mail: zei@uni-bonn.de.

A list of all ZEI publications which have been published so far is available on the Internet at <http://www.zei.de>.

ZEI Discussion Paper C42, written by Simon Green, Lecturer at the University of Portsmouth, deals with the perspectives of European citizenship. Since 1945, the combining of the ethnic groups of many European countries has been fundamentally changed, due to immigration, and has inevitably led, in many cases, to a new definition of national self-image, which, despite differing traditions, have gradually converged. This trend has been completed through the formulation of supranational European citizenship. However, to what extent should Union citizenship replace national citizenship? What meaning should it hold? Above all, how can a unified national citizenship law ever sufficiently reflect the heterogeneous traditions of the Member States?

Constituting the European Union: Integration Dynamics and Magnetic Effects

by Jürgen Elvert

On 12 March 1999 staff from the research project 'Constituting the European Union: Integration Dynamics and Magnetic Effects' met at the Center for European Integration Studies for a final session regarding the work programme. The participants found out about research opportunities and agreed on the way to proceed. By 2002 research should be completed on the integration dynamics created by the EEC/EC and the magnetic effects which form the basis of the three-stage enlargement process. Causes and effects on various areas - the political and legal systems, the economy and society and education and culture - will be examined using longitudinal and cross-sections. In addition, it will be necessary to examine the effect of enlargement on the core countries of the EEC. The project will be able to rely on the cooperation of 85 specialists in various fields from the applicant countries. Their contributions will form the basis of nine national case studies to be presented in the form of an enlargement report suitable for quick reference. In addition, they will also be published in unabridged form, suitable for scientific and research purposes. ■

PD Dr. Jürgen Elvert (University of Kiel) is Senior Fellow at ZEI and coordinates the research project in collaboration with the University of Kiel and the Centre for European Studies at the University of Limerick.

Parliaments' Forum on EU Accession - A new ZEI project

With the aim to strengthen the role of the national parliaments in the new democracies of Central and Eastern Europe and Cyprus in the process of the EU enlargement ZEI launched the "Parliaments' Forum on EU Accession".

von Holger Gleich

Bringing together the chairmen or vice-chairmen of the European Integration Committees of all eleven candidate countries, parliamentarians and experts from the academic and business sector in the EU countries and representatives of EU institutions, the Forum provides the opportunity to the candidate countries for a regular dialogue and

exchange of experiences on the various aspects of the accession process. The Forum meets at intervals of eight to nine months in Bonn.

At its first meeting on 6-7 April, the Director-General of the European Commission's Task Force on Accession Negotiations, Nikolaus van der Pas, presented the current state of the negotiations between the EU and the applicant countries. In an open and lively debate the representatives of all the candidate countries who were joined by their ambassadors expressed their views and opinions on the accession negotiations and presented their countries' experiences with the accession process. Afterwards, the participants were given interesting insights into Finland's experiences with the accession process by the former chairman of the ne-

gotiation delegation for Finland's EU-Membership, Ambassador Pertti Salolainen. The Parliaments' Forum was also addressed by Hans-Friedrich von Ploetz, State Secretary in the German Foreign Office, who informed on Germany's EU presidency and its implications for the accession process.

After this general overview, the second day of the meeting was devoted to the regulation of telecommunications in the EU as one of the many subjects where all candidate countries have the same interest despite varying approaches in detail. Prof. Christian Koenig introduced the general discussion with an overview of the issues and problems of the regulatory framework of the telecommunication market. Experts from the business sector presented their views during the debate.

The second meeting of the Parliaments' Forum is scheduled to be held after the EU Helsinki Summit. ■

Holger Gleich is research associate at ZEI, department „Economic and social issues“.

OSCE manifests grave concerns regarding the presidential elections in Kazakhstan

by Peter Wittschorek

Located at one of the most diverse interfaces between Europe and Asia, the central Asian Republic of Kazakhstan, surrounded by the Caspian Sea, the Russian Federation, China and several central Asian republics, is moving into a position of increasing interest to western researchers and politicians. The political, economic and social development of the Republic since the break-up of the Soviet Union and its independence at the beginning of the 1990s points to major trends for the whole area, an area with enormous social and economic potential.

For many years the process of democratisation in this country was an example to other states undergoing transition – something for which mainly President Nursultan Nazarbaev received world-wide recognition. However, this trend has recently come to an end as a result of several developments – from the extension of Nazarbaev's term of office in a referendum and the creation in 1995 of a parliament assigned an extraordinarily insignificant role, to the most recent presidential elections on 10 January 1999, which were unexpectedly brought forward. Such steps, mainly justified with reference to the entirely legitimate concern for economic, social and ethnic stability, have led

to the establishment of a system with authoritarian features.

This was further consolidated by the result of the presidential elections, in which Nazarbaev won a safe victory, with an 81.7 % share of the vote (voter turnout was 86.2 %). The international observers who monitored the preparations for the elections and their execution, mainly as part of the OSCE's "Election Assessment Mission" and a research project by the European Institute for the Media (EIM) supported by the European Commission, did not doubt the genuineness of the result itself. However they did feel the need to draw attention to the oppressive domination of the campaign by Nazarbaev during the time leading up to the elections and came to the conclusion that some of the external influences, such as the fact that the election date was fixed at short notice, that some candidates were not allowed to stand for election and the media presence of the



Professor Dr. Anatoly Mikhailov (on the right), European Humanities University, Minsk, discussing the topic: „Democracy and Culture: Where is the former Soviet Union going?“ on 26 January 1999 in the framework of the „ZEI Europadialog“ Foto: ZEI

incumbent president, did justify grave reservations as to whether the election process as a whole complied with the rules of a democracy.

Their assessments have been published in the concluding reports of the OSCE mission and the EIM. The ZEI Discussion Paper C38 also deals with that topic. ■

Peter Wittschorek is research associate at ZEI, department „European value systems, cultures and languages“.

Romain Kirt

Romain Kirt, Government Adviser in Luxembourg, spent several weeks as Senior Fellow at ZEI.



Romain Kirt, Government Adviser in Luxembourg

ZEI: Mr. Kirt, shortly before the German government moves to Berlin, Germany has the presidency of the Council. How has the Federal Government dealt with matters so far? Has it been in command of the crisis which has resulted from the resignation of the EU Commission?

Kirt: The main task facing any country with the presidency of the Council is to act as mediator. So far the new government has achieved this very well. In the end phase of the Agenda 2000 negotiations Germany has clearly placed greater European interests before its own national interests. Nevertheless, these 'greater' interests coincide with Germany's own national interests – no EU country will benefit more from eastern enlargement than Germany.

The resignation of the EU Commission would have presented major problems to any Council presidency. In my opinion, the German Federal Government has bravely

remained in command of the crisis by avoiding a larger scale debate surrounding the choice of Santer's successor. The appointment of the new president was, however, a little too smooth for my liking.

ZEI: Will the resignation of Santer and the Commission in any way alter the position of the smaller countries in the EU?

Kirt: Mr. Santer and the Commission resigned because the Treaties left no other option. An individual Commissioner cannot be forced to resign as a result of a vote of no confidence. The publicity which has already resulted from the resignation of the Santer Commission will obviously leave its mark. However it will certainly not have implications for the position of the small countries in the EU. Legally, even a Commission President from a large country would have been forced to resign together with his Commission.

ZEI: In the light of recent events, will it not be more difficult for Luxembourg to continue to insist on having its own Commissioner in Brussels? Will the Amsterdam Treaty have implications for the position of the smaller countries?

Kirt: The Santer Commission and the personal achievements of Mr. Santer will not be measured in terms of the resignation of his Commission. I remember that under Santer Monetary Union was decisively achieved and agreement reached on Agenda 2000. The euro and Agenda 2000 will have a huge influence on the future of Europe in the 21st century; whereas the resignation of the Commission will remain a detail in the history of the process of European integration.

As far as the rest of the Amsterdam Treaty is concerned, it is conceivable that in future the President of the European Commission will be able to dismiss an individual Commissioner. This signals a strengthening of the position of the EU Commission President.

ZEI: How do the smaller EU states view the prospect of their own economic survival in the age of globalisation?

Kirt: The smaller EU states are aware of the dangers of globalisation. As members of the EU and of European Monetary Union, they are part of a global player. Being a small state most definitely has its advantages. It makes you more flexible and more able to act quickly. For Luxembourg the major challenge is the need to prepare its 'human potential' - the only 'raw material' available to the country - for globalisation.

ZEI: How do people in Luxembourg view the perception of your country as a tax haven? Are you afraid of the image problem associated with that?

Kirt: Luxembourg is challenging the image of the 'gnome of Luxembourg'. Prosperity is certainly not only due to the management of financial assets. After all, banking is not the only sector in the Luxembourg economy. In contrast to some of its neighbouring countries, Luxembourg responded rapidly and flexibly to structural challenges. For example, in the 70s a third of the Luxembourg workforce was still employed in the steel industry. Nowadays only about 7000 people work in steel. If Luxembourg had not consistently made the transition to the tertiary sector, it would now be in the same situation as the Saarland, Lorraine or the former Belgian coal-mining areas.

ZEF WINDOW ZEF-WINDOW

NEWS FROM THE CENTER FOR DEVELOPMENT RESEARCH (ZEF)

Professor Dr. Andreas Wimmer, University of Zürich and Director of the Swiss Forum for Migration Studies at University of Neuchâtel accepted the Position as Professor for Cultural and Political Change at ZEF and will join as a Director of this Department in October 1999.

Professor Holm Tiessen, Senior Fellow in the Ecology/Natural Resources Program of ZEF, was awarded the prestigious Humboldt Prize in March in recognition of his work on nutrient cycling in tropical soils. Working from his current base at the University of Saskatchewan, Professor Tiessen maintains a strong research program in Latin America, collaborating with a host of national partners to elucidate ways to protect organic soil matter, one of the sources of life. Professor Tiessen will use his prize to work at ZEF for several months in each of the coming years in order to strengthen the ties between the two research groups.

Aral Sea dilemma: In collaboration with Dr. Moustafaev of UNESCO, the long-term partner of BMBF in the Aral Sea region, Professor Paul L. G. Vlek and Dr. Nick van de Giesen of ZEF will conduct a feasibility study in the Khiva-Nukus-Menyak region in Uzbekistan to assess the possibilities of establishing a water-related agricultural project in the Aral Sea region. Rationale: To a large extent, the depletion of the Aral Sea is due to an enormous increase in the agricultural area placed under irrigation.

The Center for Development Research closely cooperates with the Center for European Integration Studies (ZEI). The two centers together constitute the International Academic Forum (IWF) at the University of Bonn. ZEF is an international, interdisciplinary research institute that contributes to resolving global development problems. Further information: <http://www.zef.de>

Minister-President of North Rhine-Westphalia - as guest at ZEI

On 29 April 1999 the Minister-President of North Rhine-Westphalia presented at ZEI within the framework of the "ZEI Europaforum" his government's recommendations for European Integration. During animated discussions which followed, Clement called for a broadening of across the border trade. He stated that in the case of Northrhine-Westphalia, economic and cultural integration with the Benelux states is significantly more im-



Wolfgang Clement at ZEI
Foto: Press Service Int.

portant than for example with Bavaria or Saxony. The speech will be published as a ZEI Discussion Paper. ■

Banking Stability in Central and Eastern Europe

by Christian E. Weller

While the South East Asian financial crisis, beginning in 1997, spread to Russia and Brazil by 1998, the transition economies in Central and Eastern Europe seem to be largely unaffected by international financial contagion. The lack of recent banking crises in Central and Eastern European economies (CEECs) is the more surprising considering that most economies have experienced severe banking sector problems in the recent past, that large bad loan ratios are still prevalent, that banking regulation and supervision are only slowly improving, and that stabilizing policies, such as capital and exchange rate controls, have gradually been eliminated.

By looking at some economic trends in nine CEECs (Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia) it becomes clear that one main reason for banking crises, namely an increase in speculative financing, does not occur in these economies. On the contrary, real credit declines or at least grows slower than real industrial output in the months leading up to a crisis. That is, firms experience financial constraints, forcing them to improve their internal financing instead. Also, consider that the most stable banks are those that do not lend out any money. Hence, less credit relative to output means that banks become more stable. In other words, both an improving financial situation of businesses, and lower credit exposure of banks reduce the chance of bank crises. Further, banking crises in other emerging economies – and some industrialized economies – often follow a speculative

bubble in stock or real estate markets. However, stock markets in CEECs are rather new, and consequently relatively unimportant in economic terms. Similarly, real estate markets are still hampered by unresolved property rights. Even where asset market speculation exists, such as in Poland with the introduction of Bank Slaski shares, it cannot have real repercussions.

Some trends in CEECs also point to possible future problems. Asset markets are becoming more developed as legal and economic institutions improve. At the same time, CEECs have reduced or even eliminated their capital controls, thereby allowing for greater short-term capital mobility in and out of the transition economies. Remember that, for instance, one of the major factors that sent the Korean economy over the edge in 1997 was that firms and banks had borrowed short-term funds overseas to invest in Russian or Brazilian government bonds and real estate speculation. With increased capital mobility, and with more developed asset markets, the door is open for more speculative financing in CEECs in the future.

Does a greater chance of banking crises mean necessarily that, should another Asian financial crisis occur, banks in CEECs will fall? Clearly not, but it is important to realize that the recent banking system stability in CEECs has mainly been due to a unique economic and institutional constellation. Hence, to avoid future instabilities institutions, such as financial market transparency, legal clarity, and adequate supervision and regulation, need to be established sooner rather than later. ■

ZEI CALENDAR

JUNE 1999

8. ZEI-Europadialog (12:30): Dr. Thomas Schwarz, Vanderbilt University, Nashville: "The Johnson Administration and Europe: Transition or Neglect?"
8. ZEI-Europaforum (16:30 - 18:00; Venue: Hall of the University of Bonn): Kiro Gligorov, President of Macedonia: "The Commitment of the Republic of Macedonia towards Membership in the EU and NATO".
15. ZEI-Europadialog (12:30): Dr. Ljerka Mintas Hodak, Deputy Prime Minister and Minister for European Integration, Croatia: "Activities of the Croatian Government in the Process of European Integration".
22. ZEI-Europadialog (12.30): Bernhard Zepter, EU-Kommission: "Zum Abschluß der deutschen EU-Präsidentschaft: Bilanz und Perspektiven".
29. ZEI-Europadialog (12:30): Prof. Dr. Robert M. Orr, Vice President and Director of Government Relations, NIPPON MOTOROLA and Professor of Political Science, Tempel University Japan: "Trans-Atlantic Trade Relations: What Europe can learn from American-Japanese Trade Conflicts" (in cooperation with DGAP).

JULY 1999

6. ZEI-Europadialog (12:30): Dr. Mustafa Nail Alkan, Deputy Director European Community Research Center, Ankara: "Die Modernisierung der Türkei und die Herausforderungen für die europäische Politik"
13. ZEI-Europadialog (12:30): Dr. Gudmundur Heidar Frimannsson, Universität Akureyri, Island: "Civic Education in Europe: Some General Principles".

If not indicated otherwise, all events will take place at ZEI in Bonn. Further information can be found at <http://www.zei.de>

Dr. Christian Weller is Senior Fellow at the Center for European Integration Studies, department „Economic and social issues“.

The Future of Euro-Atlantic Relations

by Susanne Baier-Allen

The launch of the Euro and the enlargement of NATO mark two important milestones in Euro-Atlantic relations. First, with the arrival of economic and monetary union, Europe now feels itself in a position to challenge America's dominance in the international economic order, seeking to equal, if not replace, the dollar as the leading currency at the world's financial centers. Moreover, Europe is also looking to play a greater role in world affairs, especially in foreign and security policy. But the EU has yet to pass the litmus test as an engaged and vigorous foreign policy player.

Second, the accession of the three former communist countries – the Czech Republic, Hungary, and Poland – marks the passing of the NATO we have known during the cold war. Coinciding with the 50th anniversary of the Atlantic alliance, the joining of these three new members therefore sets a good starting point for the re-birth of a new NATO with a revised Strategic Concept taking account of post-cold war changes to and challenges for the international system.

AMERICA AS A MODEL FOR EUROPE?

In recognition of these events, ZEI hosted a conference on "The Future of Euro-Atlantic Relations" in March 1999 which brought together high-level policy-makers, diplomats, economists, and academic experts from the U.S. and Europe to discuss recent developments in foreign and security policy, economic co-operation, and cultural ties, with their likely impact on the future of the Euro-Atlantic partnership.

The common thread that ran throughout the conference was the recognition that these new developments in foreign and economic politics mark a unique opportunity in Euro-Atlantic relations: if Europe were able to translate its formidable financial power into a strong foreign policy role, then it would truly balance and complement American engagement abroad; and if the United States were able to adjust its foreign policy to seriously consider international engagement where it neither takes the lead nor goes it alone, then it would send a clear signal of its acceptance of a European partner.

Karsten D. Voigt, the Co-ordinator for German-American Relations at the Foreign Office of Germany, asked whether America is still a model for Europe. He argued, that whilst there has been a considerable process of Americanization in Europe, espe-

cially culturally and linguistically, countries should not follow only the example and standards of a single country. Further, one can not simply replicate the concepts of another country, as different countries have very different value systems. Rather, he stressed



Karsten Voigt, Co-ordinator for German-American Relations at the Foreign Office
Foto: ZEI

his preference for a "learning interaction" between both sides of the Atlantic.

In addressing the reverse question, journalist Elizabeth Pond went beyond Voigt's point on "learning interaction", suggesting more specifically, and somewhat surprisingly, that Europe should be seen as a model for the United States. First, in terms of its political consensus, and second, in its use of "soft power", or peaceful persuasion, as a balance to military threat.

One example of the European approach – emphasized in the speech by Ambassador Karel Kovanda (Head of the Czech Mission to NATO and WEU) – is the case of the Czech Republic, which has just joined NATO and has been negotiating with the European Union for membership for almost one year. As Kovanda pointed out, even with no "clear and present danger", the "unpredictability of history" teaches us the importance not only of alliances such as NATO, but also of not ignoring, and hence spurning, those that do not belong to the club. In his view, Russia, with its nuclear arsenal, will still remain a serious challenge to Euro-Atlantic security for the next 15 to 50 years.

This view was also shared by Ambassa-

dor Robert D. Blackwill, Professor for International Security at Harvard University. As he pointed out, there has been a congruency of U.S. and EU vital, external interests in Europe, which accounts for the by and large successful transatlantic co-operation in dealing with Europe. However, outside Europe, improvements could and will have to be made in approaching and tackling threats to security, and crises. These improvements will require that the U.S. and the EU not only maintain their close collaboration on Europe, but that they also design a similar working model for U.S.-EU collaboration in dealing with the Greater Middle East and the Asia-Pacific region, with a policy interchange marked by "transparency, candor, and mutual respect".

In a final panel, questions of economic and trade relations were discussed. Brendan Devlin from the Trade Directorate of the European Commission pointed out that given the complexity of issues involved in U.S.-EU economic and trade relations, the relationship between the two partners is working remarkably well. Wall Street Journal journalist Brian Coleman gave an insight into the American perspective on the Euro, pointing to the "dawn of a new economic era with the Euro's arrival" which will require innovative approaches from both sides of the Atlantic to place the Euro in the global economic system. In a similar vein, Jens van Scherpenberg (Stiftung Wissenschaft und Politik, Ebenhausen) pointed to the fact that the existence of a second superpower in foreign economic policy issues will now require some form of shared sovereignty within a multilateral framework in which the U.S. and Europe play a leading role as transatlantic partners.

Extended versions of the presentations will be published in the publication series of the Center for European Integration Studies.

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