



XVIIIth COSAC
London, 18 & 19 May 1998



Summary of Proceedings
Compte Rendu Analytique

XVIIIth COSAC, Church House, London

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Agenda for COSAC, London, 18 & 19 May 1998

Monday 18 May

- 0930 Conference opens. Adoption of draft agenda and time limits.
- 0940 Opening of debate on economic and monetary union.
- 1100 Coffee break.
- 1115 Presentation on the Economic and Financial Role of the City of London by Miss Judith Mayhew, Chairman of the Policy and Resources Committee of the Corporation of the City of London.
- 1130 Speech by Mrs Helen Liddell MP, Economic Secretary, HM Treasury; followed by questions.
- 1215 Session breaks for lunch.
- 1445 Opening of debate on Parliamentary scrutiny of activity under the Third Pillar of the European Union.
- 1610 Coffee/tea break.
- 1630 Debate resumes.
- After conclusion of the above debate: debate on proposed amendment of the rules of COSAC (provision for additional meetings) and on representation of COSAC at outside events.
- 1730 End of afternoon sitting.

Tuesday 19 May

- 0930 Speech by Lord Richard, Leader of the House of Lords and Lord Privy Seal, followed by questions.
- 1030 Opening of debate on enlargement of the European Union.
- 1100 Coffee break and group photograph.
- 1130 Debate resumes.
- 1215 Session breaks for lunch.
- 1430 Afternoon sitting opens. Debate resumes.
- c1600 Debate concludes.

XVIIIth COSAC, Church House, London

MONDAY 18 MAY

OPENING OF THE CONFERENCE

In accordance with article 10(b) of the rules of COSAC, the Lord Tordoff, Chairman of the European Communities Committee of the House of Lords, and Mr Jimmy Hood, Chairman of the European Legislation Committee of the House of Commons, opened the conference.

Mr HOOD (*Co-Chairman*) welcomed the delegates to the XVIIIth meeting of COSAC. He particularly welcomed the delegates from the applicant countries, who were attending as observers. He also drew attention to the fact that there was one delegate present who had attended all 18 COSACs, Mr Genton of France, who was planning to retire after this meeting. He congratulated Mr Genton on his achievement.

On a practical note, he said it was essential for delegates wishing to speak in debates to give their names in advance to Mr Mohan or Mrs Flood, who would be sitting beside the Chairmen. Only delegates whose names were on the list would be called to speak in debates.

He drew the attention of the Conference to a change to the draft agenda since its circulation the previous week. The Foreign Secretary, Mr Robin Cook, would be unable to address the Conference on Tuesday morning, and Lord Richard, Leader of the House of Lords and a former member of the European Commission, would do so in his place. The Conference adopted the amended agenda.

The Conference was invited to agree that speeches should be limited to a maximum of 10 minutes each. The Conference agreed the time limit.

ECONOMIC AND MONETARY UNION

Lord TORDOFF (*Co-Chairman*) explained that Lord Barnett was unable to be present to introduce his paper on Economic and Monetary Union. Baroness Williams of Crosby, who was to speak in place of Lord Barnett, had been delayed, and he therefore proposed to introduce the paper himself.

The object of all the reports which were made by the House of Lords European Communities Committee was to provide information for Parliament, the Commission and the Government. The Committee's reports were therefore all based on the evidence which it collected.

The House of Lords Committee had not addressed the question of whether the United Kingdom should be in or out of European Monetary Union, but had produced a Report on the consequences for the United Kingdom of joining or not joining. Sub-Committee A of the Committee was now looking at the European Central Bank. Significant contributions had been received from Mr Wim Duisenberg, Mr Eddie George (Governor of the Bank of England), the City of London, the Confederation of British Industry and the Trades Union Congress. The Report would be published soon.

Lord Barnett had spelt out the issues to be addressed by the delegates in his paper. COSAC was to debate a major issue. It was hoped that the delegates would be able to exchange views on how problems were to be overcome.

Mr TORRES (*Portugal*) said that he was sorry that Lord Barnett was absent. COSAC should address the questions of independence and accountability of the European Central Bank. It was necessary to create an economic forum where the European Parliament and National Parliaments could all participate to ensure greater transparency of the workings of the Central Bank. On that issue, it was regrettable that the minutes of decisions of the Central Bank would not be published promptly. A monetary and economic forum would have to examine the question of how much information should be provided for the European Parliament. This would have to be followed up by National Parliaments.

Within the terms of the stability pact, there might still be conflict in times of crisis. Countries could fall out of line with monetary objectives. The United States was currently concerned about exchange rates, and this was something that the European Central Bank would have to address, as Europe had a voice within the G8. It was important for COSAC to discuss fiscal and budgetary questions. Lord Barnett had stressed in his paper that COSAC should be informed about these matters and work closely with the European Parliament.

Mr DONNELLY (*European Parliament*) said that he regretted the absence of Lord Barnett, as he had identified the key issues in his paper. A number of issues had been identified by the European Parliament in hearings with the Executive Board of the European Central Bank. The question of the publication of the Central Bank's minutes was crucial; under current proposals they were to be published only after sixteen years. The European Parliament saw this as unacceptable. Mr Duisenberg was concerned that national representatives of the European Central Bank would come under national pressures. The European Parliament could accept that the way individuals voted on the Executive Board should not be published. It was hoped that, in return for this, Mr Duisenberg would allow quicker publication of the minutes.

It was the responsibility of the representatives of each country in the Central Bank to report back to each National Parliament. National Parliaments had to ensure proper scrutiny of their representatives on the governing body. This was not done in all countries. A European economic forum had been proposed to ensure proper dialogue between Parliaments. National Parliaments dealt with matters of fiscal and budgetary policy, whilst the European Parliament dealt with monetary policy. A strong regular dialogue was needed between the two, going beyond discussion of purely monetary policy.

The proposed economic forum of finance committees of National Parliaments should meet twice a year to consider, first, the annual report of the European Central Bank, and secondly, the annual report of the European Commission.

The roles of the European Parliament and National Parliaments should be co-ordinated in terms of employment programmes and economic policies.

The proposed forum could make use of a research organisation, for instance, the Centre for Economic Policy Research. The forum's first meeting should be informal and should be in June this year, before the European Central Bank began operation.

Mr TORRES (*Portugal*) said that the European Parliament's proposals were contradictory. The Economic and Monetary Forum should appear before the European Parliament, who should then inform COSAC.

Mr VANEKELEN (*The Netherlands*) said that it was regrettable that the Foreign Secretary was unable to attend.

Lord Barnett's report raised a number of questions to which as yet there were no answers. Completion of the internal market was the most important element. Monetary Union should form the basis for further integration in other areas.

All those Member States in the first round of Monetary Union had adopted the same starting points regardless of their political persuasion. This was symptomatic of the underlying philosophy of Monetary Union.

The Bank of England had been made independent. There was now a question of whether there was a real difference between the position of the Bank of England in relation to Parliamentary scrutiny and the European Central Bank in relation to European Parliamentary scrutiny.

All the Member States needed an independent Central Bank to promote better economic and monetary policy making.

COSAC could not insist that the minutes of European Central Bank discussions were published, but he welcomed the proposed regular appearance of the Directors of the European Central Bank before the Scrutiny Committee of the European Parliament.

Lord TORDOFF welcomed Baroness Williams of Crosby, who would listen to the debate and make her response at the end.

Mr HATRY (*Belgium*) said that Lord Barnett's report raised a number of problems with the introduction of a single currency, but did not set out the significant advantages the European Union would draw from the project.

First, there was a need for transparency in European Central Bank actions. Practice in this regard would be the best guide, and it would not be feasible for each of the Board members of the European Central Bank to appear before the Parliamentary committees in each Member State.

Account had to be taken of the conflict between the internal stability of the single currency and external exchange rate stability. The currency system almost collapsed in the early 1990s because of three incompatible objectives: the stability of the currency; free movement in capital; and autonomous social economic and monetary policies in Member States. If the European Central Bank followed an objective different from currency stability, problems would arise again.

Member States had relinquished all economic instruments with the introduction of the single currency. They now had control only of social policy.

The European area was less homogeneous than the United States. There were too many rigidities for free movement to work in practice in Europe. Some of the economies of smaller Member States were now overheating while several larger Member States had economies in the downturn of the economic cycle. The first test of the European Central Bank would be to show its ability to deal with this situation.

Mr BARRAU (*France*) said that in recent months some had said that EMU would not start on time so it was a matter for rejoicing that 11 countries would adopt the euro. It was also true that the four Member States which would not join at the start had not adopted a negative stance and could be seen as expected to join. The markets had also been positive, as had the United States.

Three important questions needed to be considered. First, how would the Legislative Council be set up to counter-balance the absolute independence of the European Central Bank? ECOFIN had been reinforced and the establishment of the euro Council demonstrated the willingness of politicians to take an interest in the ECB.

Secondly, he echoed the words of Mr Torres. On maintenance and supervision, he would go further. He recognised that it was the role of the European Parliament to act as the supervisory body and regarded the mechanism suggested by Mr Donnelly of the European Parliament as interesting and useful. However, in each Member State people felt the need to be able to exercise control at national level. There was a tradition of requiring governors of Central Banks to be accountable to those authorities that followed monetary policies.

National Parliaments could have their say through a European Parliamentary Committee, composed of National Parliamentary Finance Committees, which should interview the President and Members of the Committee of the ECB. He had been told that this would mean much travelling, but he thought that it was important to inform the representatives of public opinion.

Thirdly, at this new stage of European integration, it was time to move forward. The same energy which had been deployed in achieving a single currency should now be used to fight unemployment and create more effective European economies, tackling the issues of developing the European social model, the question of labour relations and social dumping.

Mr APOSTOLIDIS (*Greece*) regretted that Lord Barnett had concentrated on the negative effects of Monetary Union. The final judge would be the citizen and there was a need to demonstrate the positive effects.

The four Member States not participating in EMU were now following a new road. This created problems for the eleven other countries as well. If the criteria had been valid for the eleven, were they still valid for the four? He had in mind his own country in particular and the question of the fiscal-public debt.

It was important to explain to European citizens how social problems were to be tackled. More active participation in the form of Parliamentary scrutiny of the process of integration was needed. In conclusion, it was important to address the question of Europe moving forward at various speeds, which was a subject which should concern those inside Monetary Union as well as those outside.

Mr SOLBES (*Spain*) recalled that at a previous meeting of COSAC all had agreed to monitor the complex process of Monetary Union. Of course economies would move at varying speeds. It was important that incorrect management should not have a negative impact. It was also important that public opinion should be aware of the difficulties. An objective of the ECB was the stability of prices. As far as institutional relationships were concerned, he believed that it was necessary that there should be a certain co-operation, in the same way as Central Banks had a relationship with National Governments. It was the job of National Parliaments to inform the citizen and they should therefore have greater participation in the process.

He did not share the view which had been put forward by his French colleagues. There was a need for increased co-operation between the European Parliament and National Parliaments; indeed, there was a need to find a middle way which went beyond the current routes between National Parliaments and the European Parliament. It was necessary for some information about the European Central Bank to be public, but it was not necessary to publish the Bank's minutes. A resumé of the minutes would be sufficient.

Mr DURKAN (*Ireland*) said that there appeared to be a desire to do the one thing that should not be done, namely to politicise the European Central Bank. It was crucial to ensure the independence of the Bank and of the political system surrounding it. The Bank had to be strong to withstand national pressures, but also sensitive to national needs. Each country would be represented on the Bank's Board and each country would be able to make its own case in that forum.

Ireland had been one of the original countries in favour of Monetary Union. It had not been easy to be a part of the process and sacrifices had had to be made. It was to be hoped that the United Kingdom would choose to join the single currency in the near future, as the success of the euro depended to a great extent on the participation of the United Kingdom. The European Central Bank needed to have an opportunity to get on with its job and to show its paces. Attempting to publish the Bank's minutes would be to attempt to do business by public acclamation, which, as everybody knew, was the worst possible way to do business.

Mr WABRO (*Germany*) said that he wished to link the proposals and the questions raised in Lord Barnett's paper to Europe's citizens. The Bundesrat and Bundestag had both voted in favour of the euro, but there had been scepticism about this decision on the part of the German public. Documents produced by the Bundesrat had always attempted to take this scepticism into account and it now seemed that most people accepted the euro. The German people had great faith in the German Federal Bank as the guardian of the German mark.

There was clearly a need for a supervisory function in relation to the proceedings of the European Central Bank but it was crucial to ensure the Bank's independence. The European Parliament's role should be strengthened in order to bring the citizens closer to the European Union. Much work still needed to be done to persuade the public to accept the euro. COSAC provided an excellent forum to discuss ways to take this task forward.

Lord TORDOFF (*Co-Chairman*) said that he was sorry he would not be able to call all the speakers whose names were on the list, but he had called a speaker from each delegation that wished to take part. Delegates who had not been able to speak might be able to raise their points in questions addressed to Mrs Liddell later on.

Mr BEDIN (*Italy*) said that comparisons between the European Central Bank and national banks failed to take account of the fact that national banks were attuned to individual countries but the European Central Bank could not be correlated to any country. Each country would be represented on the Board of the European Central Bank and it was necessary to consider carefully the relationship between the Bank and the national institutions. There was no need to invent new systems of control as the system in operation in relation to ECOFIN could be used or adapted. It was necessary to find a new way of using national sovereignty: the harmonisation of fiscal systems had made it possible for individual countries to intervene.

He said that the European Parliament and the Italian Senate were both concerned that fiscal harmonisation and harmonisation of public administration to allow for the introduction of the euro should be done without increasing costs to businesses and individuals. It was important to

focus on the implications for employment. It was hoped that the Austrian Presidency would address these issues.

Baroness WILLIAMS OF CROSBY (*United Kingdom*) said that she had enjoyed the debate, although she regretted the absence of Lord Barnett. The Sub-Committee had been struck by the points made by Mr Apostolidis, who had stressed the importance of the political will shown in getting European Monetary Union off the ground. Mr Durkan and Mr Wabro had also stressed this point. An extraordinary political commitment had been made. Two years ago the Sub-Committee had assumed that only six or seven countries would join monetary union at the start, but eleven countries had already been accepted. The United Kingdom was committed to enter as soon as convenient.

The independence of national banks had been critical. In the United Kingdom, the change to an independent Bank of England had taken place only a few days after the election in May 1997. Mr Wabro had noted that it would be difficult for the European Central Bank to establish the same level of credibility as the Bundesbank. The arguments over the establishment of the Bank had not helped in this respect. Mr Duisenberg had said that he would give evidence four times a year to the European Parliament: there was also a need for the scrutiny of national representatives of the Bank by National Parliaments.

Mr Torres had stressed the importance of transparency in the workings of the Bank. Significant progress was needed in this respect. It was vital that there was an effectively functioning interface between politicians and bankers. Mr Bedin and Mr Apostolidis had stressed the importance of fiscal policy; this area was crucial to the single currency experiment. Fiscal balance was critical, and was defined by political decisions which lay at the heart of a functioning democracy. Mr Solbes had expressed concerns about the stability and growth pact. These concerns were valid. The European Central Bank seemed to be progressing very well but it relied on continuing high levels of growth and increases in employment. Mr Barrau had also noted this. In some countries the level of the debt ratio left very limited room for manoeuvre. This problem had to be addressed while there was still economic growth, in case there was a future economic downturn.

Structural reform was also at the heart of the issue. Europe had to remain committed to social justice, but also had to examine how its structures addressed the demands of the global economy. The euro would provide a complement to the dollar bloc and the yen bloc, and would increase the significance of Europe. The current crisis in Asia had shown how easily systems could be destabilised. The European Central Bank had benefited from tremendous levels of preparation: there was a real political commitment to its success.

Lord TORDOFF closed the first part of the morning sitting.

PRESENTATION ON THE CITY OF LONDON

Miss Judith MAYHEW (*Chairman of the Policy and Resources Committee of the Corporation of the City of London*) outlined what she described as the significant role of the City of London as the financial capital of Europe, due to the immense size and diversity of its markets, the quality of its financial advice and the amount of capital it was able to raise. She also discussed preparations for the new single currency which she said was seen as an opportunity for trade in the interest of the whole of Europe. She stressed that the City of London saw itself as a European asset. With Tokyo and New York it was one of the three big financial capitals of the world but differed from the other two in that it derived its strength from conducting international business, not from a large domestic market. It was therefore a wholesale centre, divorced from the UK retail and financial services industries.

She considered how the City would be affected by Monetary Union. The foreign exchange dealings in the City were twice those of New York and three times those of Tokyo. The reason for this was the strength of the dollar and yen markets in London.

London was the second most important trading centre in yen, Swiss francs and Canadian and Australian dollars after the domestic markets for those currencies. Foreign exchange was the key to London's success. More American banks did business in London than in New York and more Japanese banks did business in London than in Tokyo. European banks also did a great deal of trade in the City of London.

London was one of the most important centres in the world, if not the most important, for trading in international bonds, derivatives and investment fund management. In terms of non-life insurance, London provided a unique market for insurance and re-insurance, particularly in relation to marine and aviation risk. London's insurance market was open to competition and relied on the close ties between buyers, brokers and insurers. London was a prime centre for innovation and boasted experts in every field. It was successful because it was global, inclusive, and welcoming.

Monetary Union would be a great challenge for the City of London. Although the United Kingdom was not a member, the City of London would nevertheless be in the centre of the euro zone. London had always been a centre for non-sterling trading and would now be a centre for trading in euros. It was in Europe's interests to harness the expertise and facilities of the City of London. London's markets and institutions had adapted themselves so that it would be possible for them to trade in euros from the outset. Trade in euros would not affect London's trading in dollars and yen.

At the end of the current year there would be a "conversion weekend" when firms and businesses would convert their financial arrangements into euros and re-denominate their securities. This conversion would be complex and expensive: the size of the London markets, and their links with New York and Tokyo, made the conversion even harder. The conversion would take place during the weekend of 31 December, which ironically was a "Bank Holiday" weekend.

The introduction of the euro was seen as an opportunity by the City. London thrived on liquid markets. It was hoped that the United Kingdom would join the Monetary Union, but the City would thrive even if it did not. London was prepared; much was being done to ensure the smooth introduction of the euro.

Mr HOOD told the conference that Mrs Helen Liddell had been delayed, but Judith Mayhew had agreed to take questions.

Mr TUOMIOJA (*Finland*) asked whether the fact that high levels of homelessness existed in London, which was one of the most prominent financial capitals, represented a failure of the market system.

Miss MAYHEW acknowledged that eleven of the poorest districts in Europe were in the neighbourhood of one of the richest parts of Europe. However, she said that the City had put a great deal of money into projects for the homeless.

Mr HOOD thanked Miss Mayhew and welcomed Mrs Liddell to the Conference. He said that she would talk on the United Kingdom's attitudes to Economic and Monetary Union and would take questions after her address.

**SPEECH BY MRS HELEN LIDDELL, MP,
ECONOMIC SECRETARY TO HM TREASURY**

Mrs LIDDELL thanked Mr Hood and Lord Tordoff for her welcome. She noted that economic integration had gathered in pace since the 1980s. The establishment of the single market in 1992 had created a massive domestic market of 370 million consumers. The market was not perfect, but it had led to very significant changes. Monetary Union was the culmination of that process.

The Commission had concluded that eleven states had met the criteria for Monetary Union. ECOFIN, under the chairmanship of the British Chancellor of the Exchequer, Gordon Brown, had endorsed this. The convergence reports and the opinion of the European Parliament had been vital when considering whether states had met the legal and economic conditions of the Maastricht Treaty. All eleven states chosen had made progress in price stability; average inflation in the European Union had gone down from 5.5% in 1991 to under 2% in 1997. Long term interest rates were also below reference levels. There had been progress in reducing budget deficits and reducing debt levels. The Council had concluded that progress was rapidly being made in the right direction. Sustainable convergence was being achieved. Greece and Sweden had not met the criteria, and the United Kingdom and Denmark were exercising their right to opt out.

If European Monetary Union was to deliver its full potential, the economic agenda of convergence had to be sustained to provide a sustainable fiscal position. Fiscal discipline had to be applied to product, service, labour and capital markets. Monetary Union would not solve all of Europe's problems, and Europe had to be committed to at least a decade of economic reform. Monetary Union would bring tangible benefits to the people of Europe.

More competition in Europe must lead to lower prices for products and services. Business expansion was needed to increase investment and employment. Easing labour market problems would allow more training and further development of the skills base. Much of this work needed to be done at the Member State level, with the European Union acting as a forum for developing best practice and a driving force for change.

The United Kingdom Government recognised the potential benefits of a single currency. It would be good for jobs, businesses and future prosperity. If the single currency was a success and the economic benefits were unambiguous then the UK would join. Currently, the United Kingdom economy met the quantitative targets in the Maastricht Treaty; however, the UK economic cycle was not in a position to share interest rates.

The United Kingdom economy needed greater flexibility. If the Government joined the single currency at this point, it would lose those levers of national policy needed to achieve this flexibility. However, it was logical for the Government to take steps to prepare for joining the single currency after the next General Election if this was what the Government, Parliament and the people wanted.

Monetary policy had been put on an independent footing. Monetary policy needed to be consistent with the aim of achieving convergence.

The United Kingdom had played an active part in economic reform in the European Union. The Government recognised the need to prepare United Kingdom businesses for the single currency. Although the main responsibility lay with businesses themselves, the Government had a vital role to play in raising awareness and providing information. The Government had consulted business on what information they would need on the euro and would be providing this information in a number of forms. Businesses should be able to use euros for contracts, issuing shares and preparing accounts. Banks would offer services in euros and the Government would put in place means for businesses to pay taxes in euros. The Government aimed to help all businesses in the United Kingdom take advantage of the euro by providing necessary legal and administrative help.

The Government hoped that the United Kingdom had made a contribution to setting Member States on the path to macro-economic convergence and structural reform. Economic and Monetary Union was only part of a significant new adventure which included economic reform and full commitment from every Member State.

The scrutiny process was crucial to maintain the support of the peoples of Europe. It was vital to ensure that the interests of all European Union citizens were included. There was also a historical commitment to enlargement.

Mr HOOD (*Co-Chairman*) thanked the Minister and invited questions.

Mr MEDEIROS FERREIRA (*Portugal*) congratulated the Minister on her speech and asked: Had the United Kingdom strategy expected there to be eleven founder Member States of the euro? How was price stability in each Member State to be guaranteed, and how would the conversion rate between national currencies and the euro be set? and did the United Kingdom think that democratic control of the European Central Bank should be at the European Council or National Parliamentary level? How would this be achieved without a multiplicity of controlling bodies?

Mr IMBENI (*European Parliament*) asked, of the different proposals made for democratic control of the European Central Bank by National Parliaments, which did the United Kingdom Government prefer?

Responding to questions, Mrs LIDDELL said that the UK was not seeking a "round figure" for the Single Currency. It was dangerous for a currency that was not convergent to join. The UK's policy of "prepare and decide" was the correct one.

If the key economic conditions were right, this would exert pressure to drive down prices. She saw benefits to the consumer from the competitiveness and transparency that the Single Currency would bring.

As far as the ECB was concerned, there was no UK position on the structures for control. ECOFIN was the obvious home for deciding the broad economic policies and Amsterdam had restated that. It had taken 12 hours to decide who should be the first Governor of the ECB, but she regarded that as a small time to wait for such a historic decision. Stability of the ECB had been set in place for at least 12 years. The success of the ECB and its firmness of management would be critical to the success of EMU.

Mr TOBISSON (*Sweden*) commented that his country had been disqualified on the basis that its currency had not been in the Exchange Rate Mechanism for two years and was not stable enough. Earlier his Government had said that this requirement was obsolete, but it had accepted this decision. He asked Mrs Liddell if the UK believed it necessary for its currency to participate in the ERM before it joined Stage 3 of EMU.

Dr WIECZOREK (*Germany*) asked about the relative roles of EURO-X and ECOFIN.

Mrs LIDDELL replied that the UK had made it clear that it would not join the ERM. Italy had shown that this was not necessary and that exchange rate stability was the key factor. The UK did consider that the ECB legal requirements should be adhered to and this explained the delay in the appointment of Mr Duisenberg. It was for him to decide when he should stand down.

On EURO-X, she said that it was natural that the 11 would have special issues to discuss which related exclusively to them. It was helpful that they had taken a co-operative view on those outside the euro area, who would be invited to participate where their interests were likely to be affected, and the UK Chancellor would be involved. The UK, she said, would assist the eleven as far as possible.

Mr Hood closed the morning sitting.

PARLIAMENTARY SCRUTINY OF THE THIRD PILLAR

Lord TORDOFF (*Co-Chairman*) said that it was no surprise to have Third Pillar scrutiny on the agenda, as the United Kingdom had expressed an interest in it at the last few meetings of COSAC. Since the European Parliament had, in theory, no locus on the subject, it was very important for National Parliaments. Indeed, the House of Lords had recently appointed a Sub-committee specifically to tackle the subject, and he was very pleased to welcome its Chairman, Lord Wallace of Saltaire.

Lord WALLACE OF SALTIRE (*United Kingdom*) began by explaining that his Sub-Committee dealt with a range of issues: social affairs, education, employment, justice and home affairs. It had also been looking at the incorporation of the Schengen Agreement where, although the United Kingdom was not formally a member, questions arose as to its allocation between the First and Third Pillars.

The Sub-Committee informed the United Kingdom Parliament what was happening under the Third Pillar, and it had been a shock to the members to see the extent of engagement under the Pillar, and the internationalisation of both the police and the Home Office. However, there was a problem arising from the informality of the Third Pillar, which meant that there was no formal access to information. Tensions arose in relation to the efficiency with which criminal cases were dealt with on the one hand, and in relation to accountability and civil liberties on the other.

A further problem arose when texts became available, since this was an area where there was no Commission right of initiative, and Governments preferred not to release information prematurely, but to wait until matters were more defined at a later stage. Furthermore, about one third of meetings in the Council took place under the Third Pillar, so early sight of documents could result in an overwhelming number of documents.

Three basic questions arose: how best to share information between national scrutiny committees; the scope for co-operation between those scrutiny committees and the European Parliament; and how best to treat sensitive issues of domestic law which were subject to different national practices.

Mr COSTA (*Portugal*) said there was a documentary deficit and a limited input for National Parliaments. This led to reduced public credibility, and to mistrust and indifference.

A greater role was needed for the legislative process in National Parliaments. National Parliaments also needed to co-operate to harmonise political values and deliberations on Third Pillar matters and to increase transparency.

Mr VAN OVEN (*Netherlands*) made several comments on the points raised by Lord Wallace.

In the Netherlands, any decision on Third Pillar matters had to be served on parliament within 15 days. The need for both chambers to agree led to serious time difficulties, particularly in the Second Chamber.

National Parliaments should all receive the same papers at the same time. The K.4 Committee and COREPER meetings placed enormous pressure on a parliament dealing with an influx of documents in different languages and at different stages of development.

The possibility of exchanging views with other members of National Parliaments was to be welcomed. It would also be useful to co-ordinate national viewpoints.

Attempts were being made to streamline European criminal law, especially in reaching a common definition of a "criminal offence". The relationship between national and Community criminal law raised many questions. National Parliaments had less freedom in many aspects of the European criminal code. He urged further discussions in COSAC on this issue.

The joint asylum policy of the last five years had assigned minimum standards. National Parliaments were urged to keep track of developments. The Austrian Presidency was urged to raise this matter for debate at the next COSAC meeting.

Mr ELLIOTT (*European Parliament*) reported that the European Parliament Civil Liberties Committee had been set up before the Maastricht Treaty to advise on Third Pillar issues.

The Maastricht Treaty had extended the European Parliament's role of "prior consultation" in civil liberties matters. However, the history of judicial and home affairs matters at the European level still left a lot to be desired. One example was the recent victory in the European Court of Justice which ruled that the European Council had not respected the Treaty requirements of "prior consultation".

Europe had achieved greater openness in civil liberties but there was still a long way to go. Greater transparency required the discussion of the broader issues by public bodies. There was a need to involve both the European Parliament and National Parliaments.

The Member States were doing what they could to assist applicant countries, but the vexed question of free movement remained. The United Kingdom, for instance, felt that it should use the advantages of being an island and had not entered into Schengen, but this could lead to difficulties in the longer run. He had heard Legal Advisers argue for hours about Article 7(a) and it was clear that there was no easily defined position on this. He welcomed the United

Kingdom's decision to end passport checks on departures to the EU and elsewhere. This had encountered criticism that it would enable the abduction of children, but there were other ways to deal with that problem.

He looked forward to an extended role for Europol and talked of the need to combat organised international crime. Some people said that there should be a common European police force like the FBI, but others said that first there should be democratic accountability and a system for following up complaints, as there was in some Member States. It was essential not to allow organised crime to operate unhindered.

He had noticed a trend towards a more restrictive attitude towards movement, and, although he understood the pressures, he would be unhappy to see a 'Fortress Europe'. Europe should not be totally open, but neither should it be locked and bolted. Sensible structures should be put in place, sensitive to asylum seekers. Co-operation between parliaments was vital and he was anxious to see this expanded and developed.

Lord TORDOFF (*Co-Chairman*) recommended other parliamentarians to follow the example of the House of Lords which had had a constructive session with the European Ombudsman.

Mr LIGOT (*France*) said it had been useful to hear what different Member States were using in the way of resources, information and controls.

The French National Assembly was able to pass resolutions on all proposals from the European Commission, provided that they were of a legislative nature, under Article 88(4) of the French Constitution. Open discussions could then be held in public on these and once adopted they were transmitted to the French Government, which was free to use them as it wished.

The procedure for Third Pillar legislation removed the scope for scrutiny. The Secretary General produced reports on Home Affairs issues conducted at the Inter-Governmental level within 20 specific groups. Four thousand documents had now been made available which worked out at about 1,000 per annum. They were studied by those members interested in European affairs and if of a legal nature in terms of the French Constitution were selected for study. Three information reports were issued each year.

In 1995 the National Assembly European Committee requested the transmission of two legislative proposals. The French Government did not agree, arguing that the issues (borders and visas) did not fall within the Treaty but came under Article K 3 of the TEU.

Parliament should not leave issues such as asylum, alien status, civil and alien codes, to Inter-Governmental Co-operation under the Third Pillar. The French Parliament for the first time should be able to give a legal opinion on international projects.

Following Amsterdam all this would be modified, which would be extremely useful and provide the same rights for inter-governmental issues within the Constitution. The Third Pillar was of direct concern to the public, more than any other Pillar, and unless the public had a legal right to make its voice heard, there would be anti-European consequences.

Mr RUBERTI (*Italy*) said that the striking feature of this meeting of COSAC was the inclusion on the agenda of the Third Pillar. The fact that almost 30% of documents now related to the Third Pillar was evidence of the great increase in activity in this area. The provision of a common space of freedom and security in Europe was of the utmost importance. The democratic deficit in inter-governmental co-operation under the Third Pillar was greater in relation to the European Parliament and National Parliaments.

Third Pillar matters should be on the agenda of the next COSAC meeting, as should institutional reform and the role of the European Parliament and National Parliaments in relation to inter-governmental co-operation.

The integration of Chapter VI of the Amsterdam Treaty was a crucial part of the integration of the Treaty. In Italy, a new committee had been set up to scrutinise the integration of the Schengen Agreement. This Committee was now very influential in matters relating to the freedom of movement of citizens and security co-operation.

Mrs LÖFSTEDT (*Sweden*) told the Conference that in Sweden, all three Pillars were treated in the same way. It was therefore necessary for the Government to provide Parliament with as much Third Pillar information as possible. The greatest problem in relation to Third Pillar matters was not pressure of time, but that it was easy to forget what was happening between the half yearly meetings.

Another problem was the difficulty of obtaining treaty texts in Swedish. The Swedish Government shared the Parliament's frustration at the difficulty of obtaining texts which were legally binding. The Swedish Parliament now had good procedures for implementing Third Pillar decisions. There was now a Justice Committee which followed inter-governmental negotiations very carefully. This mechanism made it all the more important for the Parliament to ensure that it had access to the documentation it needed.

Lord TORDOFF (*Co-Chairman*) informed the Conference that after many years of loyal service, Mrs Löfstedt was leaving to spend more time with her family. He wished her well for the future.

Mr SCHEUER (*Luxembourg*) said that the Amsterdam Treaty had not yet been ratified in Luxembourg. He agreed with the comments made by his Dutch colleague in relation to First Pillar matters. It was important to note that the Third Pillar had been re-defined in wider terms and that police co-operation had grown greatly. Nevertheless, there was no need for the development of any new instruments under the Third Pillar. It should still be left to individual countries to make decisions within the Third Pillar framework. The EUROPOL Convention would be greatly enhanced by the ratification of the Amsterdam Treaty, but the question of the parliamentary control of EUROPOL had not been adequately addressed. National Parliaments would have to rely on their Governments to keep them informed.

Mr APOSTOLIDIS (*Greece*) said that the Greek Parliament had always supported a common policy on asylum and immigration; the abolition of borders should not hamper the rights of the citizen. The United Kingdom Presidency had taken an initiative on cross-border crime in the General Affairs Council, which was acceptable to Greece, but there were a number of shortcomings in relation to real problems, such as human rights in Turkey. Another significant problem for Greece was the immense cost of dealing with illegal immigrants, but this was necessary in order to gain credibility.

Mr MEYER (*Germany*) referred to Lord Wallace's opening statement about the tensions that arose between efficiency and accountability. This was inherent in any of the Third Pillar questions. Reference had also been made to the police preference for informality, which everyone recognised, but there was also a need to foster formal co-operation. Furthermore, the Amsterdam Treaty had led to progress in law enforcement, which was welcomed in Germany. There should be co-operation, and an effort to do away with obstacles. For example, legal assistance was available only if criminal activities took place in more than one country, and the principle of reciprocity was also an obstacle. Germany had now adopted the principle that operated in the Netherlands, which was that criminal activity should not pay, and that, if people benefited from illegal activity, there should be some taxation procedure. He also referred to the support of the European Parliament for the harmonisation of criminal law. This was a matter for governments, but it would be helpful to draw up a charter for civil liberties, which could be set alongside the predominant economic dimension of the Union.

Mr BUKSTI (*Denmark*) reported that there would be a referendum in Denmark on 28 May. Both the Schengen and Europol agreements were being employed in support of a "no" vote. The question at issue was how to ensure parliamentary scrutiny under the Third Pillar. In Denmark, Third Pillar matters were dealt with like other European matters by the European

Affairs Committee. There were, however, three problems: how to prepare the information; when the documents arrived; and how the Government handled the information it had.

The real problem was with items which were "A" points on Council agendas. Parliament needed these documents before this stage. A proper dialogue was needed between COSAC, National Parliaments and the Council.

Mr KANTARTZIS (*Greece*) said that the Greek Communist Party had opposed both the Schengen and Europol agreements. Both were presented under the pretext of dealing with organised crime. Both agreements were dangerous for the personal and civil rights of man. Both agreements allowed the collection and processing of political, ideological and religious data on citizens. The Greek Communist Party saw the objectives of these agreements as dealing with popular workers' movements. The Greek Communist Party did not support these undemocratic provisions of the Europol Agreement which had extended European competence beyond Parliamentary control.

Mr ENCARNAÇÃO (*Portugal*) said that the area of civil liberties was too important for Parliaments to be left on the margins. Parliaments and citizens had a duty to guarantee civil liberties. These guarantees should cross party affiliations. All governments had an obligation to protect the fundamental rights of freedom and safety.

There was currently no harmonisation of penal laws or police forces, although the Schengen Agreement had created changes in these areas. Progress made in the Schengen Agreement was important but the Agreement had to be examined carefully to ensure guarantees which were essential for a democratic state. The Europol Agreement should encourage co-operation and agreement, but should not be a convention. Co-operation between parliaments could create an area of freedom and safety in the European Union.

Mr GENTON (*France*) said that parliamentary control of Third Pillar matters was less developed than control under the First Pillar. The French Senate had spoken in favour of harmonising criminal procedures and had promoted a European Criminal Ministry. Inter-parliamentary contact was needed for this and COSAC was encouraged to play a role.

Lord WALLACE OF SALTAIRE, replying to the debate, said that the contributions had been very interesting. He began by saying that the British Parliament should complete its ratification of the Amsterdam Treaty this week. It was clear that COSAC had a great deal more to say on Third Pillar matters. He said he would be interested to know how the Swedish Parliament dealt with scrutiny of all three Pillars in the same way, especially Second Pillar matters.

The real issue was to create an area of freedom and safety. The conditions for the creation of freedom and safety were not necessarily the same, and tensions between the two needed to be dealt with.

It was not possible to harmonise entirely police forces and penal codes, which were rooted in each Member State's traditions. The different relationships and areas of overlap needed to be coped with while maintaining control.

In their role as parliamentarians, those caring about safety did not always see the need for accountability, but accountability was central to many Third Pillar issues. Some countries were encountering substantial problems, for instance the smuggling of people. In London some ethnic communities had grown noticeably. No one knew exactly how, but it was clear people were coming in from Eastern Europe. In balancing justice, civil liberties and controls a simple position could not be adopted. As Mr Apostolidis had said, the Second and Third Pillars went together: if there was a breakdown of law and order in Algeria, more immigrants would head for Europe. It would be easier if the neater First Pillar procedures applied, and it was to be hoped that they would to many sections of Pillar Three. However, police co-operation would continue in many areas.

In conclusion, he said he and his colleagues had found the exchange of information with other committees very useful and they would want it to continue.

Lord Tordoff closed the first part of the afternoon session

PROPOSED AMENDMENT TO THE RULES OF COSAC

Mr HOOD (*Co-Chairman*) said that proposed amendments to the rules of procedure had been made available to delegates and he invited Lord Tordoff to move their approval.

Lord TORDOFF (*Co-Chairman*) said that the changes had been put forward following a suggestion in January by Mr Durkan of Ireland. The changes had been approved by the Presidency Troika, including the European Parliament representative. The first change related to extraordinary meetings of COSAC, which at present had to be plenary sessions. It was proposed that in future such meetings could be of Chairmen only. Secondly, it was proposed that, for an extraordinary meeting to be called, an absolute majority of the Chairmen of the European Affairs Committees of National Parliaments and the Chairman of the European Parliament Committee on Institutional Affairs should be required. Thirdly, preparatory meetings of Chairmen now took one day; so far as emergency meetings were concerned, these should allow for a maximum of one day.

Mr LYDON (*Ireland*) said that the inadequacies of the present rules had come to light earlier in the year when there had been barriers set up in the United Kingdom to Irish exports. He was glad to support the proposed changes.

Ms HERMANS (*Belgium*) said that Belgium agreed with the changes proposed.

Mr TUOMIOJA (*Finland*) said that, whilst he had no objections to the changes, the question of COSAC meetings was essentially one for National Parliaments.

Mr KANTARTZIS (*Greece*) said that he objected to the change proposed. Until now, meetings had been on a plenary basis only. A conference of Chairmen would result in a smaller number of participants.

Mr WABRO (*Germany*) said that, like the previous speaker, he was not happy with the changes suggested. It was not clear to him what the Irish problem was, and he did not think the proposal was justified.

The Chairman said that it was clear there was not a consensus among the delegates. Consequently, under Rule 13 (c) of COSAC, the proposal fell.

PROPOSAL FOR COSAC REPRESENTATION AT OUTSIDE EVENTS

Lord TORDOFF (*Co-Chairman*) reported on a letter received from the State parliament of Schleswig-Holstein, Germany, inviting COSAC to send a representative to the Baltic Conference. He and Mr Hood had proposed a paper, which had been circulated, on the main issue raised by the invitation. The role of a representative of COSAC would have to be limited to reporting factually on discussion at COSAC and reporting the event back to COSAC. This raised several issues: how would the representative be appointed? Also, COSAC had no funds of its own and therefore the cost would have to be met by the National Parliament of the representative. The European Parliament played a role different from all other COSAC members in European Affairs so COSAC should not send a Member of the European Parliament.

Lord Tordoff recommended the conclusions set out in paragraph 8 of the paper.

Mr MARTINEZ (*Spain*) thanked Lord Tordoff for the document explaining the problems and suggesting solutions. The Amsterdam Treaty recognised the existence of COSAC, and COSAC should therefore be prepared to send representatives to other fora. Once the representative's role had been established, representation should be at an institutional level. The representative should take note and report on the forum. The Spanish delegation thought it most appropriate to appoint a specialist in European Union affairs.

Mrs FONTAINE (*European Parliament*) thought that it was best to be realistic, but a representative, despite the limitations, could only enhance the prestige of COSAC.

The document raised three issues: the status of the representative; the method of appointment; and the financial implications. She suggested a half-way house between the two solutions set out in the document. COSAC could give a mandate to a representative to accept such an invitation, although each invitation should be considered on its merit. The representative could only have observer status and could not be a representative of the European Parliament for the simple reason that he would be invited under a different hat. A European Parliament representative, however, should not be specifically excluded.

Mrs LÖFSTEDT (*Sweden*) said that COSAC was a forum and a forum could not be represented at an outside event. There was no such thing as a COSAC mandate. National Parliaments could give the Presidency Country a mandate to attend. The Swedish delegation supported the Danish proposal.

Mr BUKSTI (*Denmark*) said that COSAC was a forum for the exchange of views and dialogue between National Parliaments. It was not an institution and therefore could not be represented

at an outside event. The Presidency country should participate in such invitations and should report to COSAC.

Mr TUOMIOJA (*Finland*) thought it would be useful for a COSAC observer to attend some international meetings. The Finnish delegation was prepared to accept the first conclusion in the paper. It was, however, not appropriate for the person bearing the COSAC label to have a double mandate by representing either the European Parliament or a National Parliament at the same time.

Mr WIECZOREK (*Germany*) thought that the Land invitation did not appreciate the role of COSAC. The German delegation shared the concerns of the Danish and Swedish delegations. A COSAC representative could make matters more complicated than would be necessary. If COSAC was to be represented at an outside event, then COSAC should not make binding rules, but let the Troika and the EU Presidency country decide in each instance. The German delegation agreed with conclusion 2.

On the question of representatives of COSAC participating, that could be done on an ad hoc basis, but not as a rule and it would not be sensible to make a binding decision to do so.

Mr KANTARTZIS (*Greece*) said the proposal would cause problems and not solve anything. Issues which the representative proposed would be challenged and he disagreed with the idea of such representation. Regarding the other proposal, he believed there should not be a prohibition on EP delegates representing COSAC and he opposed the amendment to the rules on this point.

Mr APOSTOLIDIS (*Greece*) said that he agreed with Mrs Fontaine's comment. COSAC had its head in the sand. It acknowledged that it was a forum but at the same time it was constantly hesitating. These concerns did not help to promote its image. It could not ask about its own existence every time it met, whilst asking citizens to respect it as an institution. It could be represented as an observer and say what COSAC stood for, giving it some profile in Europe. In Greece the other five parties represented 95%, whilst the Communist party represented only 5%.

Mr IMBENI (*European Parliament*) said that it was no longer the case, as the Swedes and Danes had claimed, that COSAC was simply a forum. The Amsterdam Treaty had changed its role so that it was no longer a forum but nor was it an institution. It was something in between.

Mr BEDIN (*Italy*) advocated a pragmatic view. Given the positions taken by the other COSAC members and underlined by the Chairman, they should agree not to give it a representative role or to affirm the principle that it had an external representation. It could, however, recognise that the Presidency could co-ordinate and represent it where invited, restricting its actions to Presidency actions

Mr HOOD said that it was clear that there was not a consensus for the amendment, which therefore fell.

Mr Hood closed the afternoon sitting.

TUESDAY 19 MAY

SPEECH BY THE RT. HON THE LORD RICHARD, LORD PRIVY SEAL AND LEADER OF THE
HOUSE OF LORDS

Lord TORDOFF (*Co-Chairman*) welcomed Lord Richard, who was standing in for Mr Robin Cook, Secretary of State for Foreign Affairs.

Lord RICHARD emphasised that the United Kingdom Government attached great importance to the role of National Parliaments and the European Parliament in strengthening democratic legitimacy, and therefore welcomed the Protocol on the role of National Parliaments in the Amsterdam Treaty. How it would be used was a matter for COSAC, but the UK hoped that it would be fully used.

Enlargement presented both a challenge and an opportunity in the building of the new Europe. What type of new Europe it would be, and what contribution it could make to the world, was yet to become clear, but popular support was essential. The UK wanted to play a full and constructive role in entrenching peace and prosperity, but it was also conscious that the legitimate concerns of the people, who regarded Brussels as remote, had to be addressed.

The pre-Accession Strategy provided the right framework. Substantial help was being provided to the applicant States and the process was now well on track, though Turkey's reaction had been disappointing. The European Conference on 12 March had shown, in its work on drugs and crime, what could be achieved through pan-European close co-operation. Now it was important to secure agreement on the Accession Partnerships.

The first phase was now complete and the process was well underway. An analytical examination of the *acquis* had started, questions on 'horizontal' issues would be tackled as the need arose, but the fundamental decisions had been made and a key point had been reached. Now the hard bargaining would begin.

He emphasised the magnitude of what was being undertaken. The effects of decades of Communism could not be undone in a short time. Many more years of transformation would be required by candidate countries where the democratic experience had been shorter than in the rest of Europe. Success would depend on the efforts of the candidates where the process might meet with some popular discontent. But the Member States also needed to undergo changes. Reform of the CAP and the Structural Funds would have to be tackled.

Enlargement was a key theme for the UK Presidency. The Presidency had provided the United Kingdom with an opportunity to show a new attitude to the European Union. The main themes

of the Presidency had been subjects such as economic reform, Economic and Monetary Union, Agenda 2000, and crime. The Council had endorsed the UK's priorities, and progress had been made in all of these areas. Measures had been taken to improve the single market, and EMU was on track.

The present Government had reversed the previous Government's hostility to Europe and had declared a wish to join the single currency when it made economic sense. Progress had also been made in police co-operation. There had been record seizures of drugs and new rules had been drawn up to enable driving disqualifications to be recognised trans-nationally.

Enlargement necessitated major structural change in individual countries and ties with neighbours would have to be strengthened. The goals of the European Union were peace and stability across Europe and it was important not to lose sight of these goals. The Union enabled trans-national problems such as crime and pollution to be tackled more effectively. Enlargement presented many opportunities and it was important that it was pursued without delay in order to meet the global challenges of our time.

Lord TORDOFF (*Co-Chairman*) invited questions.

Mr VAN EEKELLEN (*Netherlands*) welcomed the positive tone of Lord Richard's speech but said that he was sceptical as to the content of the speech. The UK was, for example, still not a member of EMU. He asked Lord Richard what institutional reforms were necessary in Brussels in order to facilitate enlargement.

Lord RICHARD said that he understood Mr Van Eekelen's scepticism, but asked him to give the United Kingdom credit for the great change in attitude which had recently taken place. European issues now went right to the heart of Whitehall. It was also important to give the Government credit for its decision in principle to join EMU. The most important reform which enlargement would render necessary was a reform of the size of the Commission. When he had been a member of the Commission, there had been 14 Commissioners, and even at that time it had not been clear that there were really 14 jobs to be done. The idea of 20 or 25 countries taking part in this system was unthinkable. Having said that, the fundamental relationship between the Commission and the Council should remain unchanged.

In his time at the Commission, Commissioners had attempted to find EU-wide solutions for the EU's problems. The Council's role was as a forum for national interests. This was the uniqueness of the EU institutions. He did not seek to change that structure but to give it greater democratic legitimacy.

Mr MARTINEZ (*Spain*) asked whether there was still to be a joint forum for both first and second wave applicant countries, so that second wave countries had an opportunity to familiarise themselves with the Union before accession. He also asked what initiatives the United Kingdom had adopted in relation to Cyprus, a country whose membership, he noted, was not to be divided in the EU.

Lord RICHARD said that he was keen to see settlement of the Cyprus problem. He supported the accession of Cyprus as a bi-zonal federation and also supported the United Nations' peace process. A forum for all EU applicant countries was desirable in advance of negotiations to enable all to learn more about the institutions. A practical aid programme was also available. It was unfortunate that Turkey did not feel able to participate in the enlargement conference. He did not consider that the Luxembourg European Council had been unfair to Turkey, but hoped that Cardiff would offer a new opportunity. The European Council had recognised Turkey as a valid candidate for membership in principle, but she first needed political and economic reform.

Lord BARNETT (*United Kingdom*) asked whether Government policy towards the Single European Currency had changed, as Lord Richard had said that the United Kingdom would join when her economic cycle came right. He asked whether this could be before the end of the current Parliament.

Lord RICHARD replied, in the words of Helen Liddell (Economic Secretary to HM Treasury), that the Government recognised the potential benefits of economic and monetary union and that there was no constitutional bar to Britain joining. Britain would join if the single currency was good for jobs.

Mr MEDEIROS FERREIRA (*Portugal*) considered that applicant countries were now more pessimistic about their accession in the short term while the EU itself had a more optimistic vision of enlargement. He asked why this difference had arisen and what sort of timetable the United Kingdom envisaged.

Lord RICHARD answered that accession was a difficult process. Negotiations had to be right. The worst result would be quick and wrong while the best would be quick and right. He was in favour of thoroughness rather than speed. He noted that applications could proceed at different speeds for different countries. He was pleased that the EU seemed more optimistic about enlargement but concerned that applicant countries should not lose their drive.

Lord TORDOFF thanked Lord Richard for his contribution.

ENLARGEMENT OF THE EUROPEAN UNION

Mr CASALE (*United Kingdom*) introduced the paper prepared by Mr Hood. He said that since the new Labour Government had been in office, there had been a change in both the substance and style of the UK's relations with the rest of the European Community. There was now a more constructive approach, which was necessary if the Community was to approach the 21st Century with confidence.

He was delighted to see the applicant countries represented at this meeting, and hoped that, by the time of the next UK Presidency, they would be full and equal partners.

As to what was needed for enlargement, he recalled that COSAC had discussed the subject last December, but much had happened since then, such as the launching of the Agenda 2000 proposals, the introduction of the euro and the European Conference. All these emphasised the need to step up pressures on such questions as institutional reform.

They also highlighted the need to look hard at the way in which Parliamentary Select Committees worked. One of the benefits of the UK Presidency had been the visits the European Legislation Committee had received from its counterparts in other Member States. This had led to useful exchanges of ideas, and to a greater insight into what others did. For example, discovery that the Swedish Committee had had meetings with the Court of Auditors had led to a member of the Court appearing before the UK Committee.

It had also been clear that the Committees in other Member States were more policy driven, whereas in the UK the approach tended to be document driven. However, the UK Committee was now enhancing its role, for example by taking evidence from Ministers both before and after Councils.

The question now was how the system could be adjusted to the Accession process. The short answer was, not very easily, and it would be interesting to hear how others intended to cope. In the meantime, he identified three main issues. First, the need to take a longer term view. Secondly, to probe Government thinking on Agenda 2000, particularly on the financial dimensions, where more emphasis should be placed on the reform of the CAP rather than on re-allocating money for Structural Funds. Thirdly, the European Council had emphasised the need for a single framework for enlargement. However, it needed to be asked whether this was correct. In particular, were the applicants homogeneous, and might not some of them find it difficult to accept the *acquis*?

Mr VELING (*Netherlands*) said that it was worth remembering that the European Union had started as a historical answer to World War Two. Peace remained an important aim today in Europe and expansion was a historical duty. There were mutual responsibilities and dependencies and questions that needed to be tackled jointly. All the candidates should be given serious consideration and each allowed to adapt at its own speed. The criteria applied should not only be economic.

Mr dos SANTOS (*Portugal*) said that the process of enlargement, following the proposals formulated by the Commission, was very important. Some of the more sceptical or slower countries must have been surprised that 11 had been able to join the euro club. Europe could not go back. What was needed was institutional reform. He agreed with Mrs Liddell when she said that the real test of the single currency would be its effect on people and economies. The success of these measures and of enlargement would be judged by the citizens, and Parliamentarians should go back to their demands.

Enlargement should not send Europe backwards. Economic and social cohesion was fundamental, and change should be integrated and progress consolidated. Colleagues present had to police their Governments on all aspects of integration. There was a constant debate in Portugal on European matters, and a pro-European spirit, which had been fostered by the President of the Committee on European Affairs, Mr. Ferreira.

Mr HÚSKA (*Slovak Republic*) said that unorthodox procedures were often criticised, but a variety of approaches was a precondition of democratic development. The European experience in the 20th Century had been one of large and bloody wars. But serious problems were not just associated with wars. The world had seen drug dealing, white slave trafficking and global mega-speculation by market predators. New models of statehood and ways of achieving economic transition should be acknowledged. European integration should not lead to a monolithic world. Individualism should not be reproached and over-emphasised, while universality was underestimated.

Parliaments throughout Europe were in the process of ratifying proposals on the biodiversity of flora and fauna. At the same time insufficient attention was being given to national, social and cultural and economic diversity. Integration was frequently described as a "fusion", but was such uniformity needed?

Slovakia was bent on self-improvement and resolving internal conflicts left by the old geopolitical structures. Europe should adapt its model of uniformity.

Lord TORDOFF (*Co-Chairman*) said that the list of speakers was very long and he asked delegates to restrict their remarks to six minutes.

Mr DE GIOVANNI (*European Parliament*) said that the enlargement of the EU was fundamental to the enhancement of Europe's economy, culture, peace and stability. The paper prepared by Mr Hood was quite right to call for institutional reform. It was up to National Parliaments and the European Parliament to put pressure on governments to ensure that institutional reform was put at the top of the agenda. In order to help with this, it was necessary to build up informal contacts between national parliaments and the European Parliament.

Mr KELAM (*Estonia*) said that he agreed with much of Mr Hood's text. Enlargement and EMU were very difficult tests for the EU, and the stresses and strains were shared by both sides. EMU, institutional reform and enlargement should be viewed as mutually stimulating processes and were therefore to be welcomed. Applicant countries needed timely information on matters such as institutional reform. The Estonian committee had recently visited the European Parliament, and members of that Parliament had asked members of the Estonian Parliament what suggestions they had for institutional reform.

In relation to Baltic co-operation, the Estonian committee had recently heard that the Latvians had caught the Estonians up in their preparations to join the EU. Latvia's progress was to be welcomed: the Baltic States were not in competition with each other, and progress made by any one State would serve to help the others. Problems for Estonia remained in relation to Schengen (it was, for example, still necessary for Estonians to obtain a visa in order to visit Brussels), and in relation to matters such as telecommunications. Overall, Estonia was making good progress and had recently met the economic requirements for membership of the EU.

Mr SCHIEDER (*Austria*) informed the conference that the next meeting of COSAC would be in Vienna on 23 and 24 November. The structure would mirror the structure of the present COSAC. There would be a Troika meeting in July (although no date had yet been set), and the Troika would discuss the agenda for the Vienna meeting. Many topics had been proposed, such as employment, the Third Pillar, Comitology, the future of COSAC and the ratification of Amsterdam. The Troika would try to decide which of these topics were the most suitable.

Mr LENNMARKER (*Sweden*) said that the Swedish Parliament would follow the accession negotiations through their European Affairs Committee and would invite the Swedish representative in those negotiations to report frequently, perhaps monthly. It was important that those countries with whom negotiations had not yet commenced were able to start as soon as they reached the appropriate level. He echoed Lord Richard in saying that negotiations should be quick and right. Prolonged negotiations would be damaging both to the Union and to the internal agendas of the applicant countries. The negotiation process put much strain on the resources of applicants.

He noted that it was the nature of negotiations to focus on problems, but that the result would be of huge benefit to the Community. The price of not enlarging could be high and he drew attention to the price paid by Yugoslavia for failing to integrate.

Ms STOICA (*Romania*) was pleased to be present as a representative of an applicant country, and welcomed their inclusion as observers in COSAC. She hoped that negotiations would be conducted without discrimination and with accord and that Romania would accede in the short term.

Romania had done much towards macro-economic stabilisation and privatisation. The restructuring of electricity and water delivery was to take place this year, and a law on the civil service and public administration was currently before Parliament. The gradual process of alignment with the single market was continuing.

She noted one obstacle in the relationship between Romania and the Community, namely the continuing visa requirement. Despite substantial efforts to improve border controls and customs, Romanians and Bulgarians still required visas for entry to the EU. Romania and Bulgaria had joined together to discuss such matters.

Mr RUBERTI (*Italy*) drew a distinction between the platitudes that enlargement was important and historical, a challenge and an opportunity and the practical consideration of the problems involved. He argued that enlargement should not be made subordinate to institutional reform and increased efficiency. He questioned the future role of cohesion policy, timely in the light of discussions on the Agenda 2000 reforms. The impact of enlargement on cohesion policy would undoubtedly be large and the role of the policy in reducing disparities might need to alter. Lastly he noted that enlargement would change the geo-political and funding balance of the Community, especially in relation to the Mediterranean.

Mr PAPADOPOULOS (*Cyprus*) said that, if the European Union wanted to achieve a geographic balance, then enlargement to the south could only mean the inclusion of Cyprus. Cyprus had done much preparatory work to bring its legislation into line with the *acquis*, and was ready for the negotiations to begin. He had also been very impressed by the idea in the Chairman's paper of guidance being given to applicants, and also thought that it would be helpful if the applicants themselves could co-ordinate their activities in order to achieve the necessary adjustments.

He could not conclude without referring to earlier comments on Cyprus made by the Spanish delegate during the session with Lord Richard. As a former permanent representative to the UN, Lord Richard would know where the fault lay in the lack of progress in finding a solution to the Cyprus problem, and it would be unfair if the accession of Cyprus were to depend upon the position taken by the other party. In particular, a solution was not possible if the Turkish

Government was not willing to forgo the gains it had secured through the occupation of part of Cyprus.

Lord BARNETT (*United Kingdom*) said that he disagreed with the statement in the Chairman's paper that "the situation regarding enlargement has developed significantly". Although most Member States said they were in favour of enlargement, they intended to delay the process as much as possible because of concerns about the financial implications. The difficulties were evident if one looked at existing growth forecasts, and would be even greater if growth turned out to be less than forecast. As things stood, it would take 25 years for the GNP of the applicant countries to reach even 50% of the present Community level, and this would in any case require assistance that was unlikely to be forthcoming. He concluded that there would be no increase in the 1.27% GNP ceiling, and that hard decisions would be needed on such things as the CAP if the necessary resources were to be found. It was therefore essential for delegates to bring maximum pressure on their governments to prevent delay.

Mr MAZOWIECKI (*Poland*) said that he was happy with the Chairman's paper and with the comments made earlier by Lord Richard. He was also pleased that this meeting was considering the subject seriously, and he hoped that the Vienna session would do so as well. Discussion in the Community had recently been dominated by the debate over the euro, but enlargement was even more important. Indeed, reunification was a better term, since for Poland the process represented the end of the post-war division of Europe.

Poland had fought hard to change its political agenda and create a democratic state, as well as to take all the steps necessary for it to join the EU. It was the role of Parliament to carry out scrutiny of the Polish Government during the negotiation and adaptation process and also to make sure that its laws were in line with European legislation. The problems were enormous. Poland would be looking for help and he would be making informal contacts through COSAC.

The Polish people had concerns about European integration, as did the people in the other countries represented in COSAC. This was quite understandable. The Parliaments of the 15 Member States had to fight against those concerns so that they did not develop into a political issue. Whilst COSAC was an important forum for establishing contacts, bilateral contact between Committees would also be welcome.

Mr BARRAU (*France*) said that for historical and cultural reasons France would of course support Poland's application. He described as "dangerous" comments by Lord Barnett, who had painted a picture of everything going badly with money running out and no reform possible of the CAP or the Structural Funds. France did not wish to see Europe reduced to a Free Trade Area, after years of effort. The threat that it would do so was permanent. France had fought the

recent Commission proposal for an Atlantic Treaty at commercial level, pointing out that it had had no mandate to put forward this proposal.

France was in favour of joint policies, reform of the structural funds and more effective policies to combat unemployment. The CAP was not old-fashioned, as Lord Barnett had implied. Many experts were saying that to restrict the budget to its present threshold of 1.27% was unrealistic and if there was a criticism to be made of the Commission's proposal under Agenda 2000, it was that the financial aspects had been underestimated. Change was needed. New policies and a new contribution system for a stronger budget were what was needed.

The French National Assembly, under its President Laurent Fabius, would be holding a seminar on 4 June on Enlargement and the European Institutions, at which it was hoped that some of the ambiguities could be dispelled. Reforms should be made so as to ensure that the institutions worked better. This phase was normal and was not a threat to enlargement, nor a pre-requisite.

Lord TORDOFF (*Co-Chairman*) said that Lord Barnett was not a Free Trade Area man but an EU man. An accurate account of his views could be found in the Lords Committee's Report on the internet at www.parliament.uk.

Mr KUBILIUS (*Lithuania*) said that this was a very good moment for the EU to show that the enlargement process was flexible. Lithuania was waiting for an invitation. It had been worried about talk of a second wave of enlargement and he was even more worried after hearing Lord Barnett's speech. The process should be flexible and inclusive and not carried out in two waves. He appreciated the comments in Mr Hood's note that Parliaments should not allow enlargement to be distracted by other priorities, such as the launch of EMU. It was important to recognise the achievements of the individual countries. If it was envisaged that the second round would take place at a significantly later date in the future, this should be spelt out now, rather than there being talk of the unreadiness of candidate countries to open negotiations. There could be negative consequences. It would be better if the EU were to withdraw now rather than make empty promises. The Lithuanian people would blame their Parliamentarians and reforms that could be made would be delayed.

There were rumours that the applicant countries that had already started formal negotiations were being advised to institute visa régimes with their neighbouring countries, even if these were expected to join in the not too distant future. A situation could develop in which Estonia and Poland brought in visa régimes, for the first time, for Lithuanians. This came at a time when Lithuania was negotiating agreements to abolish visa régimes with others such as Germany. It could then be easier for Lithuanians to enter Poland via the UK or Germany rather than directly. This would not solve international crime but simply create new problems.

Mr OOSTLANDER (*European Parliament*) said that there had at first been a misunderstanding among parliamentarians about the nature of the enlarged Europe. Rather than being a loose alliance, they had discovered it would be something that was much more.

The Commission had seemed to have trouble responding to points made in relation to the accession agreements. The Commission had suggested that the independence of the courts should be a medium-term aim: any suggestion such as this should be subject to parliamentary consultation. Amendments to the accession agreements should also be subject to parliamentary agreement or consultation.

The absence of Turkey from negotiations was notable. Turkey was a state which did not have a proper respect for the rule of law. Human rights were not respected in Turkey. It was crucial for the European Union to retain the image of being a group of countries which did respect the rule of law.

The cost of the enlargement of the EU was not as great as was sometimes suggested. Suggestions had been made that the money could be used in other ways, but such suggestions did not take the benefits of enlargement into account.

Lord Tordoff closed the morning sitting.

ENLARGEMENT OF THE EUROPEAN UNION

Lord TORDOFF re-opened the debate.

Mr AGOV (*Bulgaria*) quoted the frieze around the conference chamber: "Holy is the true light and passing wonderful lending radiance to them that endured the heat of the conflict". He considered that after Luxembourg the Community had experienced true light for approaching enlargement. The two-wave decision had been a good decision for all. Bulgaria's approach was pragmatic. They hoped that their negotiations would be quick and right, commencing in 2001. Speed ought to be possible as by that time Bulgaria would be very well prepared.

He supported the ambition of the Westminster committees to visit and study the applicant countries. The German Committee had already visited Bulgaria. All reports by scrutiny committees should be shared so that everyone involved could see how each other's applications were progressing.

Bulgaria was working with Romania on matters of mutual interest, and that Greece was to be invited as a partner in these discussions. This would strengthen regional co-operation - an important aspect of enlargement.

On visas, he argued that calling for Bulgaria and Romania to be removed from the common list did not mean that visa requirements would immediately be lifted, but it would enable the two countries to commence negotiations with the Schengen states and other Member States to lift requirements within two to three years. It was encouraging that a motion in support of this was due to be voted on by the European Parliament.

Mr PETERLE (*Slovenia*) considered that the romantic phase of enlargement was over and that the pragmatic had commenced. The speed of accessions depended on internal developments on both sides. He suggested that the Vienna COSAC should look at the first-round screening process. The Slovenian Parliament had linked with other countries to increase parliamentary understanding, as had the Bulgarians. Those Member States which had not ratified the EU agreement with Slovenia should do so.

Ms HERMANS (*Belgium*) said that Belgium supported the approach of the Dutch and French in considering enlargement not to be just an economic and free trade process, but an historic political decision. Belgium was aware that this would cause political problems, especially in relation to the EU institutions, budget and cohesion policy. At the same time as these issues were being addressed, discussions should commence with the applicant countries, as momentum was important.

There was value in cultural, as well as political, exchanges, for example in education and in training. These were never mentioned at COSAC, but they contributed much.

Mr GUARDANS (*Spain*) said that Spain was positive about enlargement, not just because Europe was incomplete without the applicant countries, but also because each applicant country had a specific contribution to make. As a late entrant to the EU, Spain was particularly well placed to understand what it meant to applicant countries to join the EU. Nevertheless, enlargement had to be done properly and without excessive speed.

Everybody was agreed about the importance of enlargement, but insufficient funds had been provided for the process. It was bad management to fix a ceiling of 1.27% of GDP when more money might be necessary. Institutional reform was crucial for the future of the EU which, after all, was not simply a bank but was a union based on common security and political unity. The relationship between enlargement and Third Pillar co-operation was very important. There was also a need for closer co-operation in relation to matters such as security, the judiciary and the free movement of people.

Mr VAN OVEN (*Netherlands*) said that, given the length of the accession procedure, it seemed that the Europe Conference was here to stay. The question then naturally arose whether the Europe Conference was really a non-decision making body. The Europe Conference had, for example, established a group of experts to study transnational organised crime. That group was due to report at the Europe Conference's next meeting. Actions such as these made it seem more likely that the Europe Conference would begin to make decisions in competition with the other decision making bodies under the Second and Third Pillars.

There were two possibilities, and they were both unattractive. The first possibility was that the Europe Conference would rubber stamp decisions already made under the Second and Third Pillars: this arrangement would prevent applicant countries from contributing to decisions. The second possibility was that the Europe Conference would amend or reject decisions already made under the Second and Third Pillars: this arrangement would undermine the scrutiny currently carried out by National Parliaments.

Mr TUOMIOJA (*Finland*) said that Finland was very sincere in welcoming the applicant countries. Finland had a vision of the future of Europe, but future generations would make their own decisions and it was a mistake to prescribe the future. Institutional reform would no doubt be difficult, but it was important not to overstate the difficulty. A new intergovernmental conference on institutional reform was unnecessary: institutional reform could be addressed in conjunction with enlargement.

Reform of the Structural Funds and of agricultural policy had to be implemented. It was not acceptable for new members to be treated differently with regard to agricultural and structural support. This question had to be addressed by Agenda 2000. The European Union had to be prepared for a longer timetable of enlargement than had been previously assumed. It was possible that it would be as long as eight years before new members were able to join. It was important, nonetheless, not to lose sight of the goal of enlargement, considering other measures to integrate States into European co-operation.

Mr MAJKA (*Poland*) said that in organisational and technical terms, Poland was ready for integration. Poland had made great efforts in this direction and also towards eventual integration into European Monetary Union; it was hoped that by 2006 Poland would be ready to join. Poland hoped to meet the EMU criteria whether they were accepted or not. The criteria represented the parameters of a healthy economy.

Institutional reform was necessary; it should be carried out simultaneously with enlargement. Poland wished to know the likely details of such reform so that it could adapt its own approach accordingly. Similarly, it wished to know the expected shape of a reformed Common Agricultural Policy so that it could tailor its adoption strategy.

There were important considerations in the area of justice and internal affairs. This was particularly relevant for Poland's eastern borders. Organised crime, the smuggling of merchandise and people, and visa restrictions had to be addressed. Poland was aware of the size of the task but would live up to the challenge.

Mr WIECZOREK (*Germany*) said that in consideration of enlargement it was crucial to understand the real problems faced by applicant States. The European Union had to make realistic assessments of problems and be prepared to provide meaningful assistance. In the areas of structural reform and agricultural policy it was not yet possible to formulate a negotiation strategy. It was not known what the implications of the introduction of the euro would be. It was important that Agenda 2000 clarified these issues.

The question of institutional reform could have been solved at Amsterdam. It was important that reform was linked to the first accessions, otherwise Member States could deliberately use the issue as a brake on enlargement.

Mr INKENS (*Latvia*) said that enlargement had many angles, and he wished to mention one of the effects on Latvia. Whilst the decision taken in Luxembourg might seem to be reasonable, the splitting up of the applicant countries did have undesirable consequences. This had shown itself particularly in Latvian-Russian relations where difficulties had arisen over proposals to amend citizenship laws, which had resulted from Russian pressure that had previously been directed

mainly at Estonia. The only answer to this was to start accession negotiations for countries like Latvia as soon as possible so as to provide some kind of umbrella for them. In any case, early accession was justified, in view of Latvian progress in adapting itself to membership, its high rate of GDP growth, and impressive levels of per capita foreign investment.

Mr BEDIN (*Italy*) stressed the role of National Parliaments in relation to both governments and public opinion. The Italian view was that enlargement should be inclusive, not exclusive, and that it was therefore necessary to involve States who had not yet commenced negotiations. They needed to be encouraged so as to prevent any cooling of enthusiasm. It also had to be borne in mind that public opinion within existing Member States needed to be heeded. Whilst most were in favour of enlargement in theory, there was a danger that the more negative aspects would begin to dominate. A good example of this would be possible reductions in the amount of structural money going to southern Italy.

Finally, Italy believed that institutional reform was a necessary accompaniment to enlargement, but he wondered whether, in relation to COSAC, *ad hoc* meetings were sufficient. It was possible that greater co-operation at the European level would be desirable, without cutting across the role of the European Parliament.

Mr SASI (*Finland*) said that enlargement would lead to greater peace and prosperity, but that there were nevertheless costs involved. However, he felt that these could be met by avoiding wasteful expenditure, such as that on the CAP tobacco regime and maintaining two sites for the European Parliament. Looking ahead to the Vienna meeting, he hoped that the Nordic dimension of enlargement would be discussed, and that there would be an exchange of ideas on such issues as the twinning of schools with those in applicant countries.

Lord TORDOFF said that delegates might be interested in a report on the tobacco régime by the House of Lords' committee, available on the internet at www.parliament.uk.

Mr LIGOT (*France*) noted the consensus in COSAC on the irreversible nature of enlargement, that it should not be delayed, that institutional reform was necessary and especially that the difficulties of enlargement should not delay the process. There were differences in the deadlines and timetables for the two waves, which especially concerned second wave applicants. The Mediterranean states were concerned by the shift in the balance of the Union to the east, especially in relation to Cohesion funding. A question which had to be addressed was what resources were to be available for the CAP following enlargement. He argued that Member States' contributions to the EU budget could not increase. Overall, enlargement should be approached with optimism and determination.

Mr CASALE, in response to the debate, said that the contributions had been interesting and wide ranging. Those involved in enlargement had both to look at the stars and be aware of what was under foot at the same time. In looking at the stars there had been consensus that enlargement should happen. The former Prime Minister of Poland had said that what was being discussed was not merely enlargement of the EU, but the reunification of Europe. There was consensus that Europe was to be based on the rule of law, fairness, democracy, efficiency, peace and co-operation. There had also been differences, notably over the speed of accessions.

There had been less discussion than Mr Hood's paper had invited in relation to Community financing and the changes necessarily involved. Could the 1.27 per cent ceiling be met? Where would the cuts in the CAP and structural funds be made? How should scrutiny of the accession process take place? He noted that scrutiny of the CAP and structural funds could not be undertaken except in the context of enlargement.

He hoped that the United Kingdom's invitation for a joint visit to applicant countries would be taken up. In conclusion, he called for continued co-operation and communication between scrutiny committees and noted that the reports of the scrutiny committees in the UK Parliament were published on the Internet.

Lord TORDOFF thanked all involved in the XVIIIth COSAC. He drew delegates' attention to a memorial service for Mr W E Gladstone, the centenary of whose death it was that day, which was to take place in Westminster Abbey at 5 o'clock.

The conference concluded.