
D. EUROPE

(a) Overview

In 2001, the European Union (EU) further advanced its integration process. Furthermore, cooperation both within and beyond the region progressed as part of the fight against terrorism following the September 11 terrorist attacks in the United States. During 2001, the Labour Party led by Prime Minister Tony Blair was victorious once again in the U.K. general elections; in Italy, the second administration of Prime Minister Silvio Berlusconi was established as a result of elections for both houses of parliament; and in Portugal, Prime Minister Antonio Guterres submitted his resignation following the results of the nationwide local elections. Meanwhile, diverse reforms were implemented in many countries in Central and Eastern Europe, where accession to the EU is considered to be the top priority.

(b) The European Union (EU)

- *Enlargement of the EU*

At the June 2001 summit meeting in Göteborg, Sweden, the European Council agreed, with certain conditions, that the negotiations on accession of the first candidate countries would be completed by the end of 2002, and that these countries would participate in the 2004 European Parliament elections. Then, at the December summit meeting in Laeken, Belgium, the European Council stated that among those candidates whose accession is currently being negotiated, 10 countries (Poland, the Czech Republic, Hungary, Estonia, Slovenia, Cyprus, the Slovak Republic, Latvia, Lithuania, and Malta) would be able to participate in the 2004 European Parliament elections as EU members, provided that their accession negotiations and domestic reforms progress at their current pace. The European Council encouraged continuing efforts by the two other countries whose accession is under negotiation (Bulgaria and Romania), and the Council sought progress in human rights and in political and economic indices from Turkey, which is an official candidate, but whose accession negotiations have not yet begun.

- *The Future of Europe*

In recent years, there has been a lively discussion regarding the future of Europe, including proposals for a European federation and a European federal union.

At the December meeting in Laeken, the European Council adopted the Laeken Declaration on the Future of the European Union, which stipulates that a convention will be held in Brussels in March 2002 to make preparations for the Intergovernmental Conference (IGC) scheduled for 2004, which will address the drafting of new treaties. The European Council appointed former French President Giscard d'Estaing as chairman of the convention and former Italian Prime Minister Giuliano Amato and former Belgian Prime Minister Jean-Luc Dehaene as the vice-chairmen. In addition to its chairman and vice-chairmen, the convention will be composed of 15 government representatives from the member states, 30 members of their national parliaments, 16 members of the European Parliament, and two European Commission representatives. The accession candidate countries will participate in the convention's proceedings, but they will not have the right to exercise a veto. The convention will complete its proceedings and prepare a final document within one year and is thus responsible for providing a starting point for deliberations at the 2004 IGC.

- *Advance of Intra-Regional Security Cooperation*

At the December 1999 summit held in Helsinki, Finland, the European Council agreed that member states must achieve the capability to deploy military forces of up to 50,000–60,000 persons within 60 days and sustain the forces for at least one year, and preparations have been advancing toward achieving this goal. At the December 2001 Laeken meeting, the European Council adopted the Declaration on the Operational Capability of the European Security and Defense Policy (ESDP), which announced that the EU is now able to conduct some crisis-management operations; it further stated the EU's determination to build up relations and conclude agreements with the North Atlantic Treaty Organization (NATO). The focus of attention is now shifting to how this crisis-management force would be used in actual operations, and to what its relations with NATO would be like in such operations.

(c) Economic Developments

In economic affairs during 2001, the European countries achieved progress in improving the efficiency of securities markets, promoting sustainable development, and passing the European Company Statute.

- *Improving Securities Market Efficiency*

At the summit meeting held in Stockholm in March, the European Council adopted the Resolution on More Effective Securities Market Regulation. This resolution was drafted in an effort to increase the flexibility of European securities markets and in response to concerns regarding an

increased supply of speculative capital. It calls for the full implementation of the Financial Services Action Plan (drafted by the European Commission) by 2005. To these ends, the Resolution calls on all member states and concerned parties to prepare the required legal measures and to realize an integrated securities market by the end of 2003.

- *Promoting Sustainable Development*

Sustainable development was one focus of attention at the June Göteborg European Council, where it was stressed that efforts would be made toward bringing the Kyoto Protocol into effect in 2002. Member states were asked to prepare their own sustainable development strategies, and the European Council provided guidance for future policy development in the four priority areas of climate change, transport, public health, and natural resources. With the United Nations (UN) World Summit on Sustainable Development (WSSD: the Johannesburg Summit), to be held in August–September 2002, the European Council reaffirmed its intention to achieve concrete results toward achieving the UN target whereby each country's Official Development Assistance (ODA) should be equal to at least 0.7 percent of its gross domestic product (GDP).

- *The European Company Statute*

Following up on the developments at the 2000 Nice European Council, the European Company Statute was adopted at a meeting of the Council of Employment and Social Ministers on October 8, 2001. First proposed by the European Commission in 1970, the statute was finally adopted after more than 30 years of examination. The European Company Statute gives companies the option of forming European companies (“Societas Europaeae”) based on European Community law, rather than on the laws of individual EU member states. Specifically, the European Company Statute is established by two pieces of legislation—a regulation stipulating the rules for establishing European companies, and a directive on worker involvement in European companies—and it will come into force on October 8, 2004.

- *European Employment Policy*

At the December Laeken meeting, the European Council confirmed that the EU would continue in its efforts to implement the employment policy stipulated under the Lisbon Strategy,¹⁷ centered around expanding employment opportunities.

17. The Lisbon Strategy, which was adopted at the European Council meeting held in Lisbon, Portugal, in March 2000, identifies the strategic goal for the European Union over the next decade of becoming “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.”

(d) The Euro and the European Central Bank (ECB)

Over the first six months of 2001, the euro depreciated continuously against the U.S. dollar, but the market trend turned toward a stronger euro and a weaker dollar in July and August because of growing pessimism regarding the outlook for the U.S. economy. The value of the euro shot up briefly immediately following the September 11 terrorist attacks in the United States but then gradually declined based on the expected differential in economic growth rates between the U.S. and the euro zone, as signs emerged suggesting an early U.S. recovery.

During the year, the European Central Bank (ECB) lowered interest rates several times and firmly supported the euro zone economy.

On September 17, shortly after the terrorist attacks in the U.S., the ECB lowered interest rates on an emergency basis in coordination with the U.S. Federal Reserve Board (FRB), demonstrating the ECB's ability to mobilize flexible monetary policy.

At the December Laeken meeting, the European Council entertained the possibility of having 10 Central and Eastern European countries accede to the EU in 2004. There are, however, large economic disparities between these candidates and the existing member states, therefore the timing for the introduction of the euro into these candidates remains unclear.

On January 1, 2002, euro currency came into circulation in a smooth launch marked by no major confusion. Henceforth, attention will likely focus on the trends in the EU member states that have not joined the euro zone—that is, the United Kingdom, Denmark, and Sweden.

(e) European Regional Organs

European regional organizations other than the EU include NATO and the Organization for Security and Co-operation in Europe (OSCE) in the security field, as well as the Council of Europe (CE) in the human rights and legal arena; these organs are vigorously developing their respective activities. Japan cooperates with the OSCE as one of the Partners for Co-operation and with the CE as an observer. For example, the Convention on Cyber-crime was originally drafted by the CE, and in November 2001 Japan became a signatory to this treaty together with the other leading developed countries. In other developments, in response to the September 11 terrorist attacks in the United States, NATO announced that, for the first time in its history, it was invoking Article 5 of the North Atlantic Treaty, which stipulates the exercise of the right of collective self-defense.

(f) Western Europe

In the U.K., the Labour Party, led by Prime Minister Tony Blair, took office following the general election of May 1997 for the first time in 18 years. In June 2001, Prime Minister Blair called a general election while the

Labour Party was enjoying a high approval rating, and Labour was victorious, winning 413 seats in the 659-seat parliament. In its platform, the Labour Party called for maintaining its present fiscal administration policy, and for further reforms in public services. Following the election, Prime Minister Blair rearranged his cabinet, restructured the government organization, and appointed former Home Secretary Jack Straw as Secretary of State for Foreign and Commonwealth Affairs.

In France, the government is being run under “cohabitation” between conservative President Jacques Chirac and progressive Prime Minister Lionel Jospin. In the municipal and cantonal elections held in March 2001, while reformers were elected mayor in Lyons and in the capital Paris, the conservative forces won most other contests throughout the country. The conservatives then basically retained their strength in the Senate elections conducted in September 2001, when 102 of the 321 seats were contested. In 2002, a presidential election is scheduled to be held from April to May and a National Assembly election for June, and the key question now is whether or not “cohabitation” will continue.¹⁸

In Germany, the reform coalition established in 1998 between the Social Democratic Party (SDP) and the Green Party maintained for the most part a stable administrative foundation based on the high approval ratings of Chancellor Gerhard Schroeder (SDP) and Foreign Minister Joschka Fischer (Green Party). However, there was a disagreement within the ruling coalition regarding the dispatch of federal troops following the September terrorist attacks in the United States. Chancellor Schroeder linked Bundestag (lower house) approval of the troop deployment together with a vote of confidence in his government, and he won by a very narrow margin. Meanwhile, the status of the Green Party is being debated both within and outside the ruling party, and the political focus is now turning to how the September 2002 federal (Bundestag) elections will change the ruling coalition.

In Italy, considering the schedule for the July 2001 Genoa Summit, President Carlo Azeglio Ciampi dissolved both houses of parliament in March 2001 and parliamentary elections took place in May. In the race for the prime minister’s office, the center-left coalition ran former Rome Mayor Francesco Rutelli against the candidate from the center-right opposition coalition, former Prime Minister Silvio Berlusconi, and the opposition “House of Freedoms” coalition emerged victorious. Accordingly, President Ciampi appointed Prime Minister Berlusconi to office in June, launching the second Berlusconi administration. In January 2002, Foreign Minister Renato Ruggiero resigned over differences of opinion regarding Italy’s EU policy, and Prime Minister Berlusconi temporarily took on the foreign minister’s portfolio as well.

18. In May 2001, a law was passed to briefly extend the term of the present National Assembly representatives (which is usually five years) from April 2002 to June 2002, so the order of the 2002 national elections has been reversed from the past—that is, the presidential election will be held prior to the National Assembly elections. Legislative reforms were already enacted in 2002 to shorten the president’s term from seven years to five years (starting with the next president), so in the future the terms of office of the president and the National Assembly representatives will basically overlap.

In Portugal, the ruling Socialist Party suffered a major defeat, contrary to all expectations, in nationwide local elections held in December 2001 and Prime Minister Antonio Guterres submitted his resignation. As a result, the date of the next general elections was moved up to March 2002.

(g) Central and Eastern Europe

Many Central and Eastern European countries identified accession to the EU (or to NATO, in certain cases) as their top priority issue for 2001, and they implemented wide-ranging reforms.

Over the course of the year, there were changes of government in Bulgaria in June and in Poland in October. These two new administrations both retained existing national policies regarding the EU. The administration in Poland placed the highest priority on accession to the EU, and the administration in Bulgaria placed priority on the accession to both the EU and NATO. The negotiations for accession to the EU membership by Central and Eastern European countries progressed relatively smoothly, as discussions of the most difficult issues (agriculture, fiscal policy, government budgets, regional policy, and others) were postponed. At the December Laeken meeting, the European Council stated that the EU would continue ongoing negotiations with 10 candidate countries toward their accession to the EU in 2004 (all six countries whose accession negotiations began in 1998—that is, Poland, the Czech Republic, Hungary, Estonia, Slovenia, and Cyprus—and four of the six countries (excluding Bulgaria and Romania) whose accession negotiations began in 2000—that is, Latvia, Lithuania, the Slovak Republic, and Malta), thus making those 10 countries likely candidates for EU accession at that time. Regardless, the difficult negotiations on agriculture and other issues still need to be implemented, and the Cyprus issue is also a problem to be discussed. Therefore, there are many outstanding problems that need to be overcome for the 2004 EU expansion. Progress was also achieved in EU relations with the Balkan countries, which to date have been left out of the movement toward EU expansion. Macedonia and Croatia signed Stabilization and Association Agreements with the EU in April and October, respectively.

Japan is working to form new partnerships with Central and Eastern European countries, which are striving to strengthen their relations with Japan while seeking EU accession as their highest priority. Japan's relations with these countries are expanding in diverse fields, along with the progress of reforms in each country. In particular, direct foreign investment by Japan has been expanding in recent years into those Central and Eastern European countries whose EU accession is imminent.

Amid these developments, Japan continued to strengthen its relations with Central and Eastern European countries in 2001. Prime Minister Yoshiro Mori became the first Japanese prime minister ever to visit Greece in January, and Minister for Foreign Affairs Makiko Tanaka visited the Czech Republic and Yugoslavia in July.