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President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Materials
Jacques Santer - President - European Commission - June 12, 1996

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A. CLASSIFICATION

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☐	JDW Transcripts
☐	Social Events
☐	Other

B. SUBJECT: MEETING: MR. JACQUES SANTER, PRESIDENT, EUROPEAN COMMISSION

VENUE: E1227 (CONF. RM.)

NOTE: GREETING TO BE VIDEO TAPED BY EC

CONTACT: SANDY ALMOND @ 862-9541 // PETER

STEPHENS COORDINATING

CONTACT: KARIN PEETERS @ 862-9511 // FAX: 429-1766

IN ATTENDANCE: JDW, KOCH-WESER, MALLOCH-BROWN, ATSUKO, JOHANNES LINN

EC ATTENDEES:

MR. JACQUES SANTER, PRESIDENT

AMBASSADOR HUGO PAEMAN, EC AMBASSADOR IN

WASHINGTON D.C.

MRS. CHRISTINE ROGER, MEMBER OF THE CABINET OF MR.

SANTER

MR. ASLAM AZIZ, MINISTER COUNSELLOR FOR

DEVELOPMENT, EC IN WASHINGTON D.C.

EXC: ATSUKO

LUNCHEON: HOSTED BY SECRETARY OF COMMERCE, MICKEY KANTOR // IN HONOR OF MR. JACQUES SANTER

VENUE: EXECUTIVE DINING ROOM // ROOM 5839

CONTACT: MR. VARGA @ 482-5638

AMONG THOSE TO BE IN ATTENDANCE:

SIR LEON BRITTAN, VICE PRESIDENT, EC

AMBASSADOR HUGO PAEMAN, EC AMBASSADOR IN

WASHINGTON D.C.

MR. JUERGEN SCHREMPP, CHAIRMAN OF THE BOARD OF

MANAGEMENT OF DAIMLER BENZ

MS. CHARLENE BARSHEFSKY, ACTING U.S. TRADE

REPRESENTATIVE

MR. JEAN LUKE, JR., CEO, WESTVACO

MR. KRENZLER, DIRECTOR-GENERAL FOR EXTERNAL

ECONOMIC RELATIONS, EC

EXC: ATSUKO

DATE: 06/12/96

C. VPU

A L L - I N - 1 N O T E

DATE: 11-Jun-1996 09:31am

TO: Josie Bassinette (JOSIE BASSINETTE)
TO: Atsuko Horiguchi (ATSUKO HORIGUCHI)

FROM: Christine Wallich, EC2DR (CHRISTINE WALLICH)

EXT.: 37686

SUBJECT: Additional Information -- Bosnia -- Jaques Santer Lunch with JDW

As you know, Mr Santer visited Bosnia last week.

The visit was tense and did not go well --the Bosnians expressed concern over the EC program --both its slow disbursement progress and its fragmentation --in a public press conference -- and almost refused to sign the second tranche program.

The EC left, apparently feeling that Bosnia had bitten the hand that fed, and perhaps also concerned that the EC compared badly to the World bank program.

Since we have been under fire also in the past --the PM is sometimes blunt -- we can sympathise with EC on this. We very much hope these tensions do not lead to any withdrawal of support for WB/EC partnerships --and cofinancing. A strong statement of support for the EC program in Bosnia would resonate well.

The Bosnians also rejected the EC's "regional approach" under which over time, EC support would be related to regional reintegration amongst the Balkan countries. The Bosnian view was that the EC should take a country -by country focus -- a perspective we also share.

Best regards, Christine

CC: Rachel Lomax	(RACHEL LOMAX)
CC: Mark Malloch Brown	(MARK MALLOCH BROWN)
CC: Johannes Linn	(JOHANNES LINN)
CC: Jean-Michel Severino	(JEAN-MICHEL SEVERINO)
CC: MARY SHEEHAN	(MARY SHEEHAN @A1@WBHQB)
CC: RORY C. OSULLIVAN	(RORY C. OSULLIVAN @A1@BOSNIA)

NOTE



MARK MALLOCH BROWN
Vice President
External Affairs

June 7, 1996

Mr. James D. Wolfensohn

Jim,

JDW: A TV crew from EU will cover your greeting Mr. Santer in the sitting area outside your office. A brief photo op will be followed by a quick Q & A session only if you and JS feel this is appropriate. No media will be allowed into your mtg.
→ Pls note Christine Viall's note (front folder).
attn: [unclear]

Your Meeting with Jacques Santer, President of the European Commission
Wednesday, June 12, 1996

This short meeting is a largely informal opportunity to get acquainted and exchange some views prior to the Lyon Summit.

Jacques Santer was appointed as chair of the European Commission (and hence President) for a five-year term, beginning in January 1995. Attached are his c.v. and a note on his appointment. A national of Luxembourg, he previously served as Prime Minister. As Minister of State for Finance, he also served as Luxembourg's Governor for the World Bank.

The EU ranks as the second largest multilateral concessional donor, after IDA, and is our second-largest source of multilateral cofinancing (after the IDB), providing about \$870 billion in cofinancing per year on average over FY91-95. In comparison, Japanese official cofinancing has been \$1.4 billion per year on average in this period.

{ EU
EDF
EIB

The fifteen EU member countries combined have a total voting power of almost 26 percent in IBRD.¹ They are the backbone of IDA, having committed almost 43 percent of IDA resources (cumulatively through IDA10), compared to almost 25 percent from the U.S. and almost 18 percent from Japan. **You might ask Mr. Santer to emphasize to EU member countries the importance of their role in broader international fora, such as the World Bank Group.**



Lyon Summit

Mr. Santer is coming to the U.S. for a pre-Lyon meeting with the White House. For at least a decade, the EC President has attended G7 summits as an observer for specific sessions. Last month, Rachel Lomax met with Jim Cloos, Mr. Santer's Chef de Cabinet and

¹ After the Special Capital Increase for Japan is approved, other shareholders' voting power will fall slightly. EU countries' total potential voting power will fall from 25.89 percent to 25.36 percent. U.S. potential voting power will fall from 16.89 percent to 16.54 percent.

sherpa, as part of her pre-Lyon rounds. **We understand from Mr. Santer's office that he has seen the letter sent to you by President Chirac (attached).** (last tab).

You might wish to brief Mr. Santer on the **multilateral debt initiative, IDA, and Africa.**

- **On the multilateral debt initiative, you might update Mr. Santer on where things stand after the informal Board seminars to be held on Monday, June 10.** It would be premature at this stage for you to raise the subject of an EU contribution with Mr. Santer. As you know, we would eventually like to seek a contribution from the EU for a trust fund, to cover debt owed to EU institutions by eligible HIPC² and possibly also some of the debt owed to the African Development Bank/Fund.
- You might **inform Mr. Santer of the evolving situation in IDA with regard to the U.S. arrears.** You might ask him for his support and to let his contacts at the White House know of his concern about this situation.
- **On Africa you might mention our close cooperation with the Commission in the Special Program of Assistance for Africa (SPA), now entering its fourth phase.** The EU provides a large amount of funding for Africa through the European Development Fund (EDF), the funding agreement under the Lome Conventions on aid and trade between EU member states and countries in Africa, the Caribbean, and the Pacific.

World Bank-EU Relations

The backdrop for your meeting with Mr. Santer is the growing World Bank-EC relationship, at both the general level and operationally in specific regions. **We understand that the Commission may be interested in organizing more regular consultations at the senior level.** We suggest that at this stage, **you avoid any discussion or agreement to this.**

You might refer to several important developments in our general relations:

- **The Bank has opened an office in Brussels,** with a Resident Representative devoted to EU relations (Spiros Voyadzis).

²

Exposure to EU institutions by the nine most affected HIPC²s totals \$672 million, of which \$237 million owed to the European Commission; \$209 million owed to the EDF; and \$226 million owed to the EIB.

- You met with **EC Ambassador, Hugo Paemen** in April,³ which was followed up by a luncheon I hosted with Africa, ECA, and MNA Regional Vice Presidents on June 3.
- **Your plans to visit Brussels for a day during the week of November 18. Would this be a convenient time to call on Mr. Santer and some of the Commissioners?**

Operational Cooperation

The heart of EU-Bank cooperation is really at the operational level. The Commission's aid priorities very much reflect the historical, ex-colonial relationships of EU member states (in Africa, for example) or vital security interests (supported through special aid agreements, such as PHARE in central Europe and TACIS in the former Soviet Union countries and the EUROMED initiative for the Mediterranean). Some key points follow.

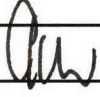
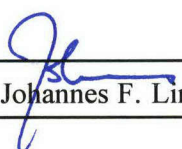
- In the ECA, **Bosnia is the centerpiece of our relationship with the EU.** Johannes Linn visited Brussels in April. Given that **EU accession is the top issue for central European countries** (Poland, Hungary, and the Czech Republic), he agreed to organize a series of **seminars for EC and Bank staff** to sensitize them to the need for close cooperation, particularly to avoid conflicting policy advice.
- In Africa, **the EC is a major participants in the SPA** and often points to its role in influencing the direction of conditionality in Bank adjustment programs.
- In the MNA region, the **EU has been the largest donor to the West Bank and Gaza**, particularly in providing budgetary support. **In Lebanon**, we are ready to collaborate with the EU on reconstruction, and **cooperation is also good in Jordan**. The EU announced a major initiative for the Mediterranean basin countries at the **EUROMED conference** last November, with funding of ECU 10 billion from the Commission and the EIB.
- We need to **reinforce ties and collaboration on Asia and LAC**. In March, the EU held a Europe-Asia Summit in Bangkok, with the objective of increasing trade and opening markets for EU companies. Russ Cheetham plans to visit Brussels in June.
- The **EC is contributing to InfoDev and is a member donor of CGAP**. Finally, most recently, the Commission and OED have decided to collaborate on evaluation procedures and to work together to strengthen the evaluation capacity of developing countries.

Mark

³

As you may recall, Ambassador Paemen mentioned to you, off the record, his concern that the new Development Committee procedures left the EC, as an Observer, out of the most important discussions. You responded that you needed more time to consolidate the revitalization of the Development Committee, but you might reconsider including Observers later on.

THE WORLD BANK/IFC

ROUTING SLIP				DATE: June 7, 1996	
NAME				ROOM NO.	
Mr. James D. Wolfensohn, EXC				E12-27	
Through: Mr. Caio Koch-Weser, EXC 				D10-093	
☐	URGENT	☐	For Action/Comment	☐	Per Your Request
☐	Appropriate Disposition	☐	Information/Discard	☐	Returned
☐	Approval/Clearance	☐	Note and Return	☐	See My E-Mail
☐	File	☐	Per Our Conversation	☐	Signature/Initial
RE: Briefing Notes					
REMARKS: Attached please find the briefing note for your lunch with EC President Santer. Also attached is a briefing note on the status of the World Bank's activities on the ground in Bosnia. We would welcome the opportunity to brief you on the Bosnia program and get your reaction to the recent note we sent you on "Risks in the Bosnia Program" before we leave for the Peace Implementation Conference in Florence.					
FROM:  Johannes F. Linn			ROOM NO.: H12-071		EXT.: 80602

Jim:

Your Meeting with Mr. Santer: World Bank/EC Coordination in Bosnia

1. President Santer thinks that the cooperation works well, and he may not even bring up Bosnia during the meeting. We also believe that the collaboration is going well. In view of the recent negative publicity and perception of the Bosnian PM about the EC's accomplishments, two main messages would be useful: (i) EC is doing a great job in Bosnia; and (ii) continued strong partnership with the Bank, including joint financing of projects is needed and appreciated. Finally, you should know that the EC and the World Bank will jointly prepare a short note for the Lyon summit on reconstruction in Bosnia, focusing on financing needs for 1997, but also taking stock of progress to date.
2. The Bosnian Prime Minister's recent comments to the EC representative in Sarajevo to the effect that World Bank projects were moving faster than the EC's, which were unduly fragmented, and his proposal that the EC cofinance with the World Bank to effect faster disbursement, may drift the EC away from actually doing so. There have also been statements by the PM of member states providing tied aid and being in Bosnia for "mercantile reasons".
3. These remarks, while well-intended, may have put the EC on the defensive and may have had a perverse/reverse effect. Further, there has been a series of unfortunate press reports, out of Bosnia, reporting on "bad EC performance" in the reconstruction process, including the Washington Post's recent article on EU failures in Mostar (attached), that have hit a raw nerve.
4. *A statement of support from you about the EC program and how well it is doing would be helpful to mend these fences (even if we didn't break them!)*
5. *It would also be helpful if you reiterated the desire on the part of the Bank for close partnerships, and collaboration at all levels, including at the level of joint financing of projects and programs. Timing is critical as we are putting together financing plans for major sector programs and need to come to closure soon if the desired results on the ground are to be forthcoming¹.*
6. Finally, *with respect to the member states, it would be helpful if you asked Mr. Santer to urge member states to boost their willingness to join us in financing, as a priority, the agreed reconstruction program.* (As you may know, (i) the small scale, and difficulty of coordinating bilateral assistance, makes it difficult to achieve critical mass in important sectors, such as power, transport and telecommunications; (ii) much bilateral aid is tied, making it difficult to fit into agreed programs; and (iii) many bilateral programs, while undeniably making an important contribution, are outside of the reconstruction program-- and could be brought in, if encouraged by the EC.)


Johannes

cc: Malloch-Brown, Lomax, Severino, Koch-Weser, Wallich

CWallich:tr

June 7, 1996

m:\bosnia\santer.jdw

^{1/} We would welcome support in education, where financing of schools is pending final approval, and in the health sector, where a similar decision is pending regarding clinics. EC financial support to IMG as a project implementation agency for the social sectors has also been agreed but not yet acted upon--while project implementation is stalled awaiting approval. The power sector, district heating and employment generation are further areas where EC funding is critical.

BOSNIA: WORLD BANK-SUPPORTED PROJECTS UNDER IMPLEMENTATION
STATUS REPORT (MAY 31, 1996)

Summary: By end-May, the US\$150 million Trust Fund for the Reconstruction of Bosnia and Herzegovina (TFBH) had been fully committed for seven projects. Some US\$65-70 million had been committed, in the form of procurement contracts or commitments for cash payment, from the TFBH and from Bank-administered donor trust funds. Some US\$15 million had been disbursed from these sources. Another US\$30-35 million worth of procurement, under the Bank-supported projects was underway, financed by donors on a parallel basis. Below is a project by project summary¹:

EMERGENCY RECOVERY PROJECT

I. CRITICAL IMPORTS COMPONENT:

Power equipment: Contracts for US\$10.5 million signed and reconstruction works started (financed by the Bank or from Bank-administered trust funds). Another US\$5 million is under procurement financed by the EC under the project.

Transport construction equipment: Contracts for US\$6-7 million will be signed in the coming weeks.

Agriculture: Seeds and other agricultural inputs (not financed by the Bank) for about US\$6 million have been delivered by FAO.

II. LINE OF CREDIT COMPONENT:

Working capital credits: 55 applications have been received. Total value is about US\$10 million. Eight projects approved for US\$1 million.

III. SUPPORT TO GOVERNMENT INSTITUTIONS COMPONENT:

Repair of government buildings: Contracts for about US\$5 million signed; repair works started.

Office equipment: US\$2.5 million ordered.

Salary supplement for government employees: US\$0.16 million for state government and US\$0.48 million for Federation government paid for the first month (total will be about US\$5 million for one year, on a declining basis).

IV. EMERGENCY SOCIAL FUND COMPONENT:

Cash support to the poorest: US\$3.5 million paid for the first month.

Rehabilitation of orphanages: Contracts for US\$1.6 million signed. Works started.

Payments to foster parents: US\$0.2 million paid.

¹ Three projects (district heating, school reconstruction and war victims rehabilitation) were approved on 5/14/96 and signed on 5/20/96. The agreements are not yet effective.

EMERGENCY FARM RECONSTRUCTION PROJECT

- I. **Farm equipment:** Contracts for US\$19.5 million from TFBH and US\$6.3 million from the EC signed. Equipment to be delivered between June 15-September 16, 1996.
- II. **Livestock:** Contracts for US\$6.3, financed by IFAD, signed. Livestock to arrive between July 1-September 1, 1996.

WATER, SANITATION AND SOLID WASTE URGENT WORKS PROJECT

- I. **Equipment:** Procurement for US\$5 million, financed by the EC, is underway.
- II. **Works:** Contracts for US\$0.3 million, financed by us, awarded. About 15 projects have been prepared and ready for bidding.

Note: Effectiveness was delayed by internal debate between the state and the Federation regarding the subsidiary agreement, and delayed appointment of PIU director.

EMERGENCY TRANSPORT RECONSTRUCTION PROJECT

- I. **Repair of bridges:** Contracts for US\$2 million, financed by the TFBH, signed. Design is being prepared for nine bridges; the design of one international bridge has been approved by the Bank.
- II. **Repair of roads:** Design for two road sections is being done; repair work can start this month. Contracts for six road sections will be awarded in June and July.

Note: Effectiveness held up by internal debate between the state and Federation governments regarding the subsidiary agreement. A Project Start-up Advance is in place.

OTHER ACTIVITIES FINANCED FROM BANK-ADMINISTERED TRUST FUNDS

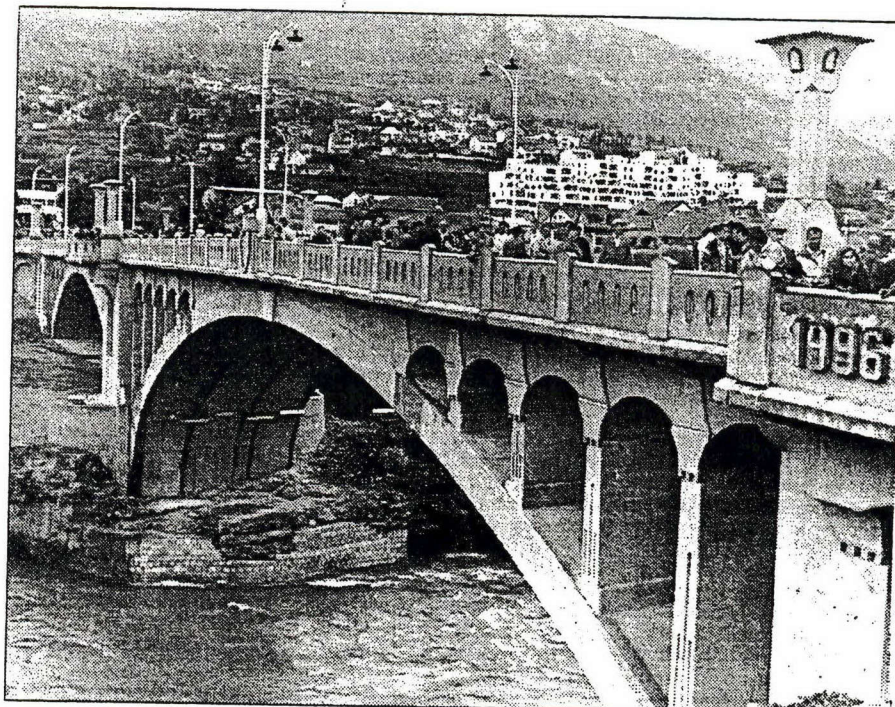
The Bank has been financing a number of self-standing, small-scale pilot projects from the Bank-administered Dutch trust fund. Examples include:

- repair of the tramway in Sarajevo
- clean-up of the Sarajevo cemeteries
- micro-credit and business advice to refugee women (implemented by a local NGO)
- micro-credit to demobilized soldiers (implemented by World Vision)
- training workshops in business plans (implemented by World Vision and local NGO)
- village credit funds (implemented by the International Rescue Committee)
- housing repairs in Sarajevo, Olovo, Vitez and Gornji Vakuf
- repair of water pumps in apartment buildings



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Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date March 12, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date March 12, 2025
Withdrawn by Diego Hernández	Date March 12, 2025			



European Union financed rebuilding, in detail, a bridge over Neretva River destroyed in Mostar during the war. BY JOZO PAVKOVIC—ASSOCIATED PRESS

EU Fails to Integrate Mostar

War Damage Repaired but Croats, Muslims Still Apart

By Jonathan C. Randal
Washington Post Foreign Service

WITH their two-year mandate to administer this heavily damaged southern city expiring next month, European Union officials are torn between leaving amid failure and staying on despite their fears that a renewed commitment could turn into a trap.

Such a dire choice contrasts with initial high hopes for demonstrating European foreign policy prowess and creating an example for all Bosnia by reuniting the war-torn city, deeply divided for more than three years between its formally allied Croats and Muslims.

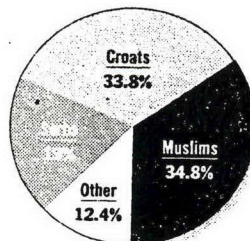
Beyond the 75-square-mile confines of its Mostar mandate, the EU's dilemma is seen as a small-scale model of the larger conundrum facing the NATO-led, 60,000-man force implementing November's Dayton accords that stopped 3½ years of fighting in Bosnia.

What to do about Mostar's enduring Croat-Muslim hatreds and suspicions has turned into a raging behind-the-scenes debate at the Ero Hotel, which shelters the EU headquarters from the violence that begins at its very doors.

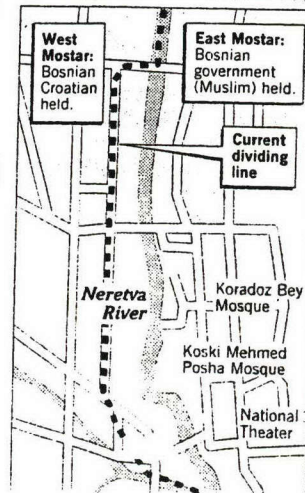
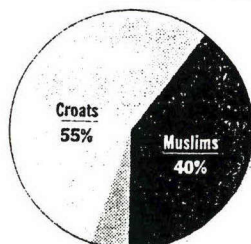
The EU, like the larger NATO

MOSTAR'S POPULATION

In 1992



In 1996



The EU, like the larger NATO force, worries about "exit strategy," the current diplomatic-military term for withdrawal lest Bosnia suck the international community into long-term commitments. Yet there are plans to keep a scaled-down NATO military force in Bosnia into 1997, for fear that hostilities would resume if all the peacekeepers are removed in December.

Some EU officials want to cut their losses and quit Mostar on schedule, leaving its residents to ponder the risks of renewing the year-long Croat siege of the city's Muslim-populated eastern half—which U.S. diplomacy ended in March 1994. Some 1,500 Bosnians, mostly Muslims, were killed.

Other EU staffers fear that departing would only sharpen American accusations of European fecklessness. "The shadow of Richard Holbrooke," the Dayton agreement's architect, "hangs over the decision about renewing the mandate, which European Union leaders must take soon," remarked one staffer who, like others, asked not to be cited by name. "Everyone connected with the EU is aware Holbrooke has good reason to label the Mostar effort a failure."

Thanks to its \$180 million budget, the EU operation here has massively repaired Mostar's schools,

Serbs and other
10%

roads, bridges and other infrastructure and become the principal employer for the estimated 35,000 Croats and 25,000 Muslims who live on opposing sides of the Neretva River. But neither the EU's largess nor the Muslim-Croat federation, formed under U.S. auspices to administer half of Bosnia, has been able to reunite the city's Muslim and Croat police forces, much less its municipal government.

Largely to blame, according to EU staffers, are intransigent Bosnian Croat nationalists. They remain determined to turn Mostar into the capital of the Croat Republic of Herceg-Bosna, a separatist entity that was supposed to have disappeared with creation of the Croat-Muslim federation two years ago.

A senior EU official who favors ending the mandate confessed that he still had "no clear picture of Croat Mostar's power structure," widely believed to take orders from the president of neighboring Croatia, Franjo Tudjman. "Theirs is a strange collective system, designed to hide responsibility."



BY DAVE COOK—THE WASHINGTON POST

From the start, it has proved a system prone to violence. Within weeks of Hans Koschnik's arrival as EU administrator in August 1994, Croat policemen fired a rocket-propelled grenade through his Ero Hotel apartment.

The former mayor of Bremen, Germany, was further humiliated this February when Croat hardliners attacked his car just outside the hotel. Neither the police chief nor the EU-funded mayor of predominantly Croat western Mostar apologized.

Koschnik resigned after EU foreign ministers, within days of the incident, disavowed him. They approved gutting his already whittled-down plans for salvaging a joint Croat-Muslim "central district" as a gesture to his initial goal of reunification. The Croats were allowed to reimpose wartime front lines, drastically reducing the district's impact.

Safet Orucevic, Muslim eastern Mostar's mayor, also resigned, briefly. But many local Muslims re-

See MOSTAR, A28, Col. 4

Mostar a Challenge for EU

MOSTAR, From A25

main convinced that Tudjman and senior Muslim politicians in Sarajevo struck a back-room deal, trading Croat dominance here for Muslim political hegemony there.

"We have the feeling something is wrong, but we cannot prove it," said Mehmed Dizdar, mayor of the once predominantly Muslim town of Stolac, 22 miles southeast of Mostar. "We get more suspicious with every passing day," he added, complaining that neither Sarajevo nor east Mostar authorities seem fully committed to overcoming Croat opposition to allowing Stolac's displaced Muslims to go home, as the Dayton accords provide.

After much haggling, May 31 municipal elections were rescheduled for June 30, the last possible polling date under the EU mandate. Muslim refugees from Mostar—but not Croats or

Serbs—were empowered to cast absentee ballots in special polling stations established in Germany, Norway, Sweden and Switzerland.

Paradoxically, Mostar's Serb minority, whose army attacked both Croats and Muslims when the fighting began in 1992, is thought likely to hold the balance of power here.

EU legal adviser Hans Birchler has resigned amid suggestions that the new arrangements are so flawed that the elections could end in shambles, with the results challenged on widely varying grounds.

Such political maneuvering leaves many Mostar residents cold. Cooped up with nine other family members in a two-room flat, Muslim Irvana Hajdarovic dreams of her home in Stolac, which she was recently allowed to see but not enter on a rare U.N.-sponsored visit.

Oxbrief

EUROPEAN UNION: President Santer

Updated On: Monday, July 18,

07/18/94

EUROPEAN UNION: President Santer

EVENT: Prime Minister Jacques Santer of Luxembourg has been nominated to succeed Jacques Delors as president of the European Commission.

SIGNIFICANCE: Although Santer was chosen as a compromise candidate to assuage Eurosceptics, particularly in the United Kingdom, he is no less committed than Delors to strengthening the integration process. However, he has a stronger belief in free market principles than the previous candidate, Prime Minister Jean Luc Dehaene of Belgium.

ANALYSIS: On July 15, a specially convened summit of EU heads of government unanimously approved the nomination of Jacques Santer, currently prime minister of Luxembourg, to be the next president of the European Commission. The summit resolved the deadlock that arose at the EU's Corfu summit in June, when the United Kingdom vetoed the nomination of Jean-Luc Dehaene, prime minister of Belgium (see OADB, June 27, 1994, II). Unanimity over Santer was engineered by Germany, which currently holds the presidency of the EU. No other candidates were in the running by the time of the July 15 meeting.

The nomination, for a five-year term beginning in January 1995, still has to be approved by the European Parliament. The assembly has long demanded a greater role in choosing commissioners. Given the disquiet caused by the secretive aspects of the nomination process, parliament might use consideration of Santer's selection to assert a future right to make the process more 'accountable'. Such a reform is already set to be discussed at the 1996 inter-governmental conference which will consider the next stage of the EU's institutional development. A struggle between parliament on one side and the Commission and the Council of Ministers on the other may be in prospect later in the year, when the Commission's full membership is announced.

The UK veto of Dehaene had as much to do with domestic politics and the way the nomination had been handled by France and Germany, as with the qualities of Dehaene himself. There are similarities between Dehaene and Santer, with both being Christian Democrat prime ministers of small member states. Admittedly, Luxembourg is even smaller than Belgium, with no political weight in the Union, and Santer's compatriot Gaston Thorn was a relatively ineffective Commission president in the early 1980s. However, such differences are fairly marginal.

More important are the different natures and political beliefs of the two men. It is unclear that Dehaene would have had the sort

EUROPEAN UNION: President Santer

of communication skills to develop independent political authority comparable to that of Delors. Hence, suggestions that Santer will be less effective may be misplaced.

Dehaene and Santer also differ in their political and economic outlook:

- Santer is probably more committed to free market principles. He is likely to show greater scepticism about regulation at the EU level, as opposed to free competition between national standards. This will certainly be the case over tax harmonisation, where Germany is demanding a common withholding tax on savings' dividends. A common EU VAT level is another impending debate, and Santer's scepticism will probably be evident too over other areas of the
- More generally, Santer is by temperament more resistant to the institutional centralisation of power than his Belgian counterpart. He demonstrated as much during the final stages of negotiations on the Maastricht Treaty, which were largely and effectively conducted during Luxembourg's presidency.

The power of the Commission is only in part determined by its president. Until some way into the Delors presidency, most ordinary European citizens were unaware of who the incumbent was. More important factors determining the Commission's influence are the state of the Franco-German relationship, cyclical economic factors, the popularity of the key national governments, and the wider composition of the Commission.

A crucial element determining Santer's freedom of manoeuvre will be the ability of the post-election governments in Germany and France to cooperate. Elections are due in Germany in October and in France next spring. The incoming leaders in each country will have to establish a new cooperative relationship similar to that between Chancellor Helmut Kohl and President Francois Mitterrand if Santer is to enjoy the same political support as Delors.

Likewise, Santer will be dependent on his Commission colleagues, several of whom have yet to be nominated by national governments. Although the president has some leeway in allocating the key portfolios (external relations, competition, industry, the internal market, and agriculture), he is not normally directly in charge of any portfolio himself. Several of Santer's colleagues have more Commission experience than him, and will regard themselves as at least being his equal.

This is where Santer's qualities may come into their own. Despite Delors' high profile and undoubted political successes, especially

EUROPEAN UNION: President Santer

in relation to the internal market programme, it is not clear that he was a good manager of the Commission itself, either as a collegiate decision-making forum or as a bureaucracy. His methods were often controversial and sometimes counter-productive. Delors had unnecessary and frequently ineffective battles with colleagues over key issues, most notably with then agriculture commissioner Ray MacSharry over the EU's position during the final stages of the Uruguay Round negotiations.

Santer's reputation for effective low-key negotiation may, therefore, stand him in good stead. He is said to be a good exponent of collegial management and a good delegator. Santer's skills in improving coordination and cooperation between different parts of the Brussels bureaucracy may be as valuable as high-profile political leadership.

Respect for the Brussels machinery is low among national administrations, even in countries where support for further integration remains high. The Commission is overloaded, its policy initiatives are often poorly conceived and even more poorly executed, and morale among civil servants is low. Brussels is widely thought to have been attempting too much, on too many fronts. A period of stability and consolidation could be welcome after Delors' spectacular but sometimes unpredictable leadership.

Much of the Union's programme on issues such as the timetable and targets for economic and monetary union, enlargement and the integration of Central Europe is already mapped out for the next five years. In this context, a concentrated attempt to improve the Commission's performance could be Santer's real contribution. Moreover, ahead of the 1996 institutional review, there is likely to be merit in allowing reform initiatives to emerge from increasingly Eurosceptical member states.

Santer's strategy is likely to reflect these more low-key objectives. He probably cannot begin with a high profile launch of new initiatives, but will instead work to improve the Commission's performance and establish good working relationships with the incoming French and German governments. He will try to steer his way through preparations for 1996 and obtain some improvements to the EU's decision-making powers of the kind which Delors obtained in 1986 through the Single European Act. The benefits of European economic recovery are likely to be stored up for two-to-three years before the launch of any new EU initiatives for the end of the decade.

CONCLUSION: While lacking Delors' political authority, Santer is at least as able an administrator and negotiator. His key contribution could be to improve and consolidate the Commission's institutional performance in the face of rising Euroscepticism in most member states.

LE PRÉSIDENT DE LA RÉPUBLIQUE

Paris, le 4 JUIN 1996

OFFICIAL TRANSLATION

Dear President,

I am writing about our upcoming meeting, in Lyon, on Saturday 29 June.

Our meeting will be held from 10.45 to 11.45 a.m. and will be followed by a lunch from noon to 1.30 p.m.. Considering the limited amount of time, and to allow for a lively, open discussion among all participants, presentations should not exceed five minutes.

The participants have agreed that the main topic they would like to discuss with you and the other leaders of international institutions is "sustainable development through partnership and integration into the global economy".

The following are the principal elements of the message that the participants will be putting forward :

1. In the context of the increasing globalization of the economy, there is a need to define a renewed partnership for development between developing countries, developed countries and multilateral institutions.

2. An essential objective should be to effectively target official aid on the poorest countries to enable them to reap the benefits of the globalization of world financial and trade flows.

3. To that end, developed countries are resolved to secure substantial flows of development aid and to provide the necessary multilateral support for development.

Mr James D. WOLFENSOHN
President
WORLD BANK
WASHINGTON D.C. 20433
U.S.A

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4. Developing countries are responsible for their own sound legal, political, economic and social policies which encourage private sector development, foreign investment, productive public expenditures and fuller integration into the global economy.

5 Multilateral organizations involved in development must persevere in their efforts to reform and rationalize, concentrate more on their areas of expertise and act with greater effectiveness by improving coordination and cooperation.

II. The participants would like to hear your views on the contribution your organization could make to development policy, in cooperation with the other multilateral organizations. We think that renewed efforts at institutional coordination and cooperation, also involving other actors, would help us to achieve our common objectives.

1. To this end, it would be useful to focus on ways to :

-harmonize objectives and programs for individual countries by clarifying mandates and precisely delineating organizational roles.

-review mechanisms for preventing and responding to crises.

2. Africa is obviously a region which requires particular attention. We would like to hear your views on ways to enhance coordinated efforts to develop a medium-term strategy for Africa. The special initiative on Africa, launched on March 15 by the United Nations Secretary-General, in coordination with other multilateral institutions, can be considered a good starting point.

3. Finally, we feel that we should discuss the coordination of multilateral institutions in Bosnia where rapid deployment of assistance for urgent post-conflict and peace-building needs is particularly important.

I am looking forward to seeing you in Lyon.

Yours sincerely,

Jacques CHIRAC



UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

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TELEFAX COVER SHEET

U.S. DEPARTMENT OF COMMERCE
OFFICE OF EUROPEAN UNION AND REGIONAL AFFAIRS

Herbert C. Hoover Building
Room 3036

Washington, DC 20230

Telephone No. (202) 482-5276

Fax No. (202) 482-2155

FAXED

Number of pages (including cover sheet):

2

Date:

6/11/96

TO: (Name, Address, Telephone No.):

Karen PetersJuergen SchrempfJames WolfensohnJohn Luke, Jr.FROM: (Name & Telephone No.) Don Wright / Frank VargoSUBJECT: Information for Guests of the June 12
Luncheon.

COMMENTS:

PLEASE PASS THE ATTACHED DOCUMENTS WITHOUT DELAY
IF TELECOPY DOES NOT COME THROUGH PROPERLY, PLEASE
CONTACT THE SENDER IMMEDIATELY.
THANK YOU



**LUNCHEON HOSTED BY THE HONORABLE MICHAEL KANTOR
WEDNESDAY, JUNE 12, 1996
12:00 - 1:15 PM**

GUEST LIST

U.S. Government

1. The Honorable Michael Kantor, Secretary of Commerce, Host
2. The Honorable Charlene Barshefsky, Acting U.S. Trade Representative
3. Peter Sher, Chief of Staff, U.S. Department of Commerce
4. Franklin J. Vargo, Deputy Assistant Secretary for Europe, U.S. Dept. of Commerce

Non-U.S. Government

1. H.E. Jacques Santer, President of the European Commission
2. Sir Leon Brittan, Vice President of the European Commission
3. The Honorable James D. Wolfensohn, President, The World Bank
4. H.E. Hugo Paeman, Head of Delegation of the European Commission in Washington
5. Horst Krenzler, Director General for External Economic Relations, European Commission
6. Ivan Rogers, Chief of Staff to Sir Leon Brittan
7. Juergen E. Schrempp, Chairman and CEO, Daimler-Benz
8. John Luke, Jr., CEO, Westvaco

Information for Guests at the June 12 luncheon: All guests are requested to enter the Department of Commerce on the 15th Street side of the building through the Secretary's entrance. This entrance is recognizable by its large blue awning.

Please enter the building and proceed immediately to the guards' desk, where a member of my staff will meet you and escort you to the Secretary's dining room.