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Enlargement of the European Union - the Way Ahead

(speech by Dr Günter Burghardt, Director General, DG1A, European Commission, at Chatham House, 29 January 1998)

Introduction

I am very grateful for the opportunity to speak here today in this famous forum. I have been following the Chatham House research programme on European affairs with great interest, including the recent report on "Britain's Role in a Changing Europe". I noticed in particular that the chapter on preparing the Union for enlargement recommended that the Commission should undertake "an open and detailed examination of the institutional functioning of an enlarged Union". This is of course something that was supposed to have been discussed in the IGC and decided at Amsterdam but regrettably major decisions on institutional reform were again postponed. There is certainly plenty of work here for think tanks like Chatham House to undertake ; the Commission has and will draw on their expertise in its own analysis.

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It seems to me that the political climate in the UK concerning Europe has changed significantly and I read with pleasure Mr Blair's speech in the Hague last week when he talked of the benefits of pooling sovereignty to increase Europe's influence in the world. As President Santer said after the Presidency-Commission meeting early this month, we very much welcome the UK's new constructive attitude towards resolving the pressing challenges facing the European Union. However, beyond the practical issue-related new attitude towards Europe just outlined by Mr Henderson, we would like to see Britain in the future in the vanguard rather than waiting and seeing whether initiatives such as the euro succeeds before joining.

The major challenge is certainly the perspective of an unprecedented enlargement of the Union to the east and southeast of Europe and I applaud the Foreign Secretary's desire to ensure "that the enlargement process gets off to a flying start". I can assure you that this desire is shared at all levels within the Commission. Last week the Commission established a Task Force for the Accession Negotiations under Mr van den Broek. My Directorate General (DG1A), which played the central role in the preparation of the Opinions and other enlargement-related Agenda 2000 work, will continue to deal with relations between the EU and all candidate countries, including bilateral issues, implementation of the Europe Agreements and the pre-accession strategies.

In my presentation today I would like to review briefly the relations between the Union and the central and eastern European countries since 1989, the present state of play after Agenda 2000 and the European Council in Luxembourg, and to consider the way ahead both for the Union and for

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the candidates. Although I shall concentrate on the enlargement process, I hardly need to remind you that the EU has a much larger agenda, some of which Sir Leon Brittan described earlier, which needs to be managed at the same time as enlargement. This includes, on the internal front, the launch of the euro, tackling unemployment, promoting higher environmental standards, dealing with transnational crime ; and on the external front, building a deeper relationship with Russia and Ukraine, cementing transatlantic relations, continuing the reconstruction process in Bosnia, and maintaining the momentum in the Euro-Med partnership.

The Challenge of Enlargement

The present enlargement process presents the greatest challenge to the Union since its creation in the 1950s. Our aim must be an Union, enlarged and deepened, which allows the Union to play its role as the anchor of stability in the new Europe. If we fail in this enterprise, then there is a danger that the integration process itself will be watered down with adverse effects for all our citizens. But if we succeed, the prize is great - the peaceful and democratic unification of Europe for the first time in history.

When the Iron Curtain collapsed in 1989, followed by the unification of Germany in 1990 and the disintegration of the Soviet Union in 1991, there was euphoria on both sides, but also a realisation of the extent of the problems faced by the newly-liberated states on their way to democratic stability and economic reform. Their desire for Western living standards as soon as possible was understandable. But it required a radical change in economic organisation and habits, as well as the reconstruction of their political systems. This was all the more difficult in countries where the

roots of democracy were shallow, and the problems posed by resurgent nationalism and ethnic minorities were combined with social unrest stemming from the economic reforms.

The progress since 1989, however, has been remarkable. But decades of state control are not easily shaken off. Commencing from different points of departure, the countries concerned have made different degrees of progress. The progress has not always been even ; there have been setbacks as well as advances. For these countries, membership of the European Union is a central goal ; and it is a goal which has to do with more than foreign and security policy, it has to do with their long-term economic and political development. For them, membership of the Union represents in the first place - as it did for Greece, Spain and Portugal - not only public acceptance as a member of the European family, but also a means of consolidating, and making irreversible their democratic and economic reforms. They want membership of the Union, together with membership of NATO, also for reasons of security. Last, but not least, they want to participate in the economic benefits of the Union's Single Market and its redistributive policies. One of the main challenges will be to close the large gap which exists between the high expectations of the central and east European countries, and the capacity of the Union to deliver without weakening itself in the process.

The EU's Response

The Union's response to these unexpected shock waves and to the legitimate aspirations of the newly liberated countries was positive. At Copenhagen in 1993 we gave the historic promise that the associated states

of Central and Eastern Europe who so desire **shall** become members of the Union. We followed this up with decisions at Essen in 1994 on the pre-accession strategy, at Cannes in June 1995 on the financial framework and at Madrid in December 1995 on the need to strengthen the Union in order to prepare for enlargement. These decisions provided the basic framework for the analysis and proposals contained in Agenda 2000.

Copenhagen was historic because for the first time in its history the Union promised future membership to countries - even before they officially applied for it. Not even for the last round of enlargement, which brought in as members Austria, Sweden and Finland, countries uniquely well prepared and equipped, did we make such a promise. For no other countries has the Union created this situation where the question is not whether they will join, but how and when ; and to clarify the latter, Copenhagen defined - again, for the first time - the political and economic criteria for membership.

They relate in the first place to democracy, the rule of law, human rights and the protection of minorities; and the Amsterdam summit confirmed the primordial nature of these criteria by modifying the Union Treaty in such a way as to make them an explicit condition of membership. These criteria relate in the second place to the existence of a functioning market economy, and a country's capacity to cope with competitive pressures within the Single Market. Thirdly, they include the capacity to take on the formal obligations of membership, that is the body of rules and laws known as the "acquis".

It was not a surprise that the in-depth examination in the Opinions, which considered both the progress achieved to date, and the prospects for progress in the medium term, showed that some of these countries are better prepared for membership than others. Some began the transition to

systems based on political and economic freedom earlier than others. Some chose more rapid and more far reaching reform strategies than others. Some have been more resolute and more robust in implementing reforms. This is no reproach but simply a reflection of different historical, political, economic and social situations. Today all are on the right track although more time will be needed for results to show through in the countries whose commitment to reform is more recent.

In Agenda 2000, the Commission stated that at present none of the applicant countries were fully ready for EU membership ; but if the reform process was continued, and in some cases intensified, then five countries, in the medium term, could be able to take on the obligations of membership. At the same time, the Commission put forward a strategy designed to ensure that all the applicants will start accession negotiations as soon as they have satisfied the necessary conditions.

There was no element of discrimination in these recommendations. All candidates were assessed in terms of the same criteria and the same indicators. Instead of glossing over the real differences in performance, the Commission developed a comprehensive approach from which no applicant is excluded and which will provide each applicant with the support it needs to prepare for membership.

The Luxembourg European Council

At Luxembourg the European Council broadly endorsed the Commission's proposals in Agenda 2000 concerning the enlargement process. The Heads of State and Government agreed that there should be a) an enlargement process b) an accession process and c) a negotiating process.

The centrepiece of the **enlargement process** is the multilateral framework of an European Conference bringing together all the existing EU member states, plus those European states which actively pursue their candidacy and which share the goals of the Union. In the first instance this invitation has been extended to the ten candidate countries of central and eastern Europe plus Cyprus and Turkey. The Conference will deal with foreign and security policy, justice and home affairs, and other areas of common interest, particularly economic and regional co-operation. The Presidency has proposed that the first meeting of the Conference will take place on 12 March in London.

The **accession process** will open for eleven candidates - Cyprus and the ten central and eastern Europeans - on 30 March with a meeting at Foreign Minister level. The Accession Partnerships will hopefully have been finalised by then with a specific pre-accession menu for Cyprus.

The **negotiating process**, involving bilateral inter-governmental conferences, will open with Cyprus, Hungary, Poland, Estonia, the Czech Republic and Slovenia on 31 March. An important part of the work to be carried out with these six candidates will be an analytic examination of the *acquis* ("screening process"). In parallel, the preparation for negotiations with Romania, Slovakia, Latvia, Lithuania and Bulgaria will be accelerated, and will also involve a screening process.

The accession process is rather like a long motorway journey. Those who wish to arrive safely and in good time at their destination, should ensure that their car is well prepared and serviced for the journey. They should be prepared for all eventualities, including the possibility of being overtaken on the outside lane, traffic jams, and breakdowns. For the countries in the

accession negotiations, there is now a clear departure time but no one can guarantee a definite arrival time for any of them.

A reinforced pre-accession strategy will apply to all the ten central and eastern European candidates. The Commission's proposal for the new instrument of the Accession Partnership as the key feature of the enhanced pre-accession strategy was welcomed by the European Council and approved at last Monday's General Affairs Council. The Commission is now working to prepare the draft partnerships - a process which includes discussions with the candidate countries on the broad priorities. The Phare programme will completely come under the framework of the Accession Partnerships and focus more on the priorities for accession. There will be over 2 billion Ecu available during the last two years under the Cannes envelope (1988/99). The intention is to engage in a rough 70/30 split : 70% on infrastructure and measures to support investment, and 30% on institution building.

From the end of 1998, the Commission will make regular reports to the Council on the progress of the candidate countries. Measuring their progress against the priorities identified in the Accession Partnership, as well as their fulfilment of commitments under the Europe Agreements, will be an important part of that exercise.

Future financial assistance will have to be substantially increased. In Agenda 2000 the Commission proposed a doubling of the financial aid to applicant countries in the period 2000-2006, with aid at the level of 3 billion ECU per year, that is 21 billion ECU for the seven year period as a whole; this 3 billion ECU per year is made up of 1.5 billion ECU for investment and institution building, which are the new priorities of the

Phare programme, 1 billion ECU from the structural funds, and 500 million ECU for the modernisation of the applicants' agricultural sectors.

The Commission has also decided to set up - within the existing Phare envelopes - a special fund of 100 MECU for the period 1998 - 1999 for those countries not yet at the negotiating table. The aim of this "Van den Broek or catch-up facility" is to make available additional financial resources to support a number of specifically targeted priority areas including the completion of the privatisation/restructuring of the banking sector and of large state owned enterprises ; the promotion of foreign direct investment ; and the fight against fraud and corruption.

Turkey and Cyprus

Let me say a few words at this juncture about Turkey and Cyprus. No one doubts the strategic importance of Turkey in a region of considerable importance to the Union. The negative reaction of the Turkish government to the conclusions at Luxembourg was, therefore, highly regrettable, and in this blunt form, unexpected. The Union had made strenuous efforts to take Turkish concerns into consideration and had come up with a fair package which included a re-statement of Turkish eligibility for EU membership at the highest level, its inclusion of Turkey as an active candidate amongst 12 in the proposed European Conference, and an enhanced Customs Union, the centrepiece of a specific pre-accession strategy. Luxembourg has thus satisfied the two main priorities for Turkey.

There was no question of discrimination. However, the Copenhagen criteria apply to Turkey as they do to any other applicant for membership of the Union. I very much hope that the Turkish government, which has

recognised that there are significant deficiencies in meeting these criteria, concentrates on overcoming these problems and participates in the Conference. The founding principles of the Union are tolerance and reconciliation. One cannot force oneself into the EU ; membership is the result of a two-way exercise.

I also hope that Ankara recognises the considerable benefits which EU membership would entail for all those living in Cyprus. We believe that Turkish Cypriot participation in the accession negotiations would be an important confident building measure and would facilitate the enlargement process by contributing towards a lasting political solution for Cyprus. The EU enlargement process and the UN led effort for a political and constitutional solution for the island are two complementary and mutually reinforcing exercises.

An Inclusive and Global Package

The enlargement package agreed at Luxembourg is both inclusive and global. It is inclusive in the sense that none of the applicant countries is left out. Whatever stage of the accession process they have reached, whether they are in negotiations or not, they will benefit from an increased financial effort on the part of the Union. Once they become members, they will progressively benefit from the Community budget in a similar way as other Member States, while those who are not yet members will effectively benefit from the fact that the increased aid of 3 million ECU per year will be divided up among the smaller number remaining outside.

The financial envelope which we have proposed assumes that 5 applicant countries and Cyprus will join in the year 2002. Within the overall

budgetary limits of 1.27% of EU GDP, it is not possible to go further, taking account of the needs of existing Member States and particularly of the aims of economic and social cohesion. What we propose already implies that agricultural reforms will be pursued in such a way as to limit expenditure from the budget and reduce the gap between our price levels and those of the applicant countries. Taking account of these factors, the sum which we have proposed for assisting the applicant countries is realistic: it will help them to make the necessary preparation, without penalising existing members.

The package is global, in the sense that it is designed to assist the applicant countries in all the fields which were identified as priorities in the Opinions. That includes all the criteria of Copenhagen - political and economic, as well as the "acquis" strictly speaking. In this context, one should not forget that a subsequent European Council, in Madrid, highlighted another condition of membership which underpins all the others, namely the development of the administration. In our new approach, we put emphasis on measures to build up institutions and to encourage "good governance" in the applicant countries. The transposition of EC rules into national legislation by an applicant country is not sufficient to ensure a good preparation for membership; without a public administration capable of ensuring that rules are applied effectively, and monitored fairly, such laws will be no more than words on paper.

In terms of preparation for membership all candidates will need to reform their government administration, adapt their institutional frameworks, train and educate a body of experts on EU affairs, and prepare society at large for the challenges of operating within a highly complex European Union which is based on the rule of law.

I am conscious that we are asking much of these countries by way of preparation. To bring their economies and public finances into order, they have painful decisions to take on the financing of pensions, health care, and so on. To complete the process of privatisation, they have to divest the state of its involvement in enterprises, and ensure a "level playing field" in terms of competition within the Single Market. To deal with problems of minorities, they need to take measures and find resources. All this and the *acquis*, too ! Are we asking too much ? Is the Union too strict in its requirements of these new members ?

The Acquis

These are questions with which we shall continue to be faced in the course of the accession negotiations. The Commission has taken a clear position in Agenda 2000. We believe that new Member States should be expected to apply, implement and enforce the *acquis* on accession, and particularly that the measures necessary for the extension of the Single Market should be applied immediately; transitional measures should be limited in time, and should ensure the progressive integration of the new members. This is a position of principle, but one which rests on solid reasons, not simply on dogma.

The first reason has to do with the balance of rights and obligations of membership. The most important prize of membership is not access to the structural funds, or participation in the agricultural policy : it is the right to a vote and a seat in the Community institutions. This is indeed a precious gain, as the last group of new members understood well ; despite the fact that they already had privileged access to the Single Market by means of the

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EEA Agreement, they needed to move to the ultimate stage of membership in order to enjoy the right to have a say in decisions on the Single Market and other matters directly affecting them. For the same reasons, it is reasonable for us to expect the next new members to apply at least the major part of the *acquis* and our policies ; otherwise, why should they enjoy the full rights, which accompany the obligations?

The second reason has to do with the self-interest of the new members. The more rapidly they can participate fully and effectively in the Single Market, the sooner they can expect to obtain the full benefits. Important gains from the extension of the Single Market will accrue to these countries, particularly in view of the growth which it can stimulate in their economies which are (in general) smaller and more rapidly developing than those of existing Member States.

The third reason has to do with the interest of the enlarged Union as a whole. It is accepted that the Union, to avoid paralysis, must reform and strengthen its institutions and their functioning as a precondition for enlargement. The Amsterdam European Council indicated the appropriate directions, without determining the exact measures, and the Commission has recommended in Agenda 2000 that these measures be taken in good time before any new member joins the Union. Perhaps the key question in the institutional debate is how an enlarged Union will operate on the basis of democracy, transparency, subsidiarity and efficiency ? We expect the enlarged Union to be capable of action and development, all the more so since by then the euro will exist. That is why new members joining a rapidly evolving Union will need to be capable of effective participation in its major policies and developments, not relegated to "second-class" membership by a series of opt-outs or excessively long transitional periods.

For these reasons, the Commission considers that the standards to be expected for new members should be at a high level, without being unfair or unreasonable. This approach governed the Opinions, and should continue to guide the pre-accession strategy and the accession negotiations, the objective being to ensure accession in conditions that are satisfactory both for the applicant countries and for the Union. Good preparation is of the essence, and the actual timetable of accession will depend primarily on the progress of individual countries in making the preparation.

The Way Ahead

After Luxembourg, the enlargement process, has moved into a new gear involving difficult decisions for the Member States and the candidates. First, the EU has to decide on some important policy reforms concerning agriculture, structural funds, the budget and institutional reform. These decisions require careful preparation to ensure that we maintain the momentum of the integration process and the cohesion of the Union. The Commission will be making proposals for reform on 18 March.

Second, we need to launch the negotiations, based on the principle that the *acquis* will be applied on accession.

Third, we need a reinforced effort of assistance, for all applicant countries, designed to ensure that they take on as much as possible of the *acquis* in advance of membership. Accession Partnerships should be in place by the end of March and will be mirrored by the candidates' own national accession strategies.

That is essence of our proposals in Agenda 2000. For those countries whose degree of preparation allows envisaging their membership in the medium

term, the start of negotiations will gradually help to grasp the real problems and should lower excessive expectations. For those countries who have not yet made sufficient progress, not a "waiting room", but a training ground.

As regards subject areas to commence the negotiations it strikes me that the Single Market would be a useful starting point. This is an area in which the candidates already have some experience through the White Paper, the Europe Agreements, and their relations with the TAIEX office.

Some of the critical issues likely to figure in the accession negotiations, in addition to future financing and institutional reform, are :

- agriculture : the problems vary from country to country (Poland/Estonia). But the EU will have to continue to reform the CAP - regardless of enlargement - in readiness for the next WTO round
- structural funds : the Agenda 2000 proposals provide a fair basis for a concentration of aid in present Member States whilst providing gradually increasing sums for the new members
- free movement of labour : a sensitive issue in countries such as Germany and Austria.
- environment : huge problem area - very costly for candidates to meet EU standards
- EMU : new members will not have to join the euro, but participate in the second stage of EMU
- Third Pillar : Amsterdam decided that new members will have to take on Schengen in its entirety - again very costly and complicated

Timing

In the past, the length of accession negotiations has varied considerably. I need hardly remind this audience that the UK first applied in 1961 and only joined twelve years later. The negotiations with Spain and Portugal lasted nearly seven years. Those with the EFTA countries were much shorter, but it is important to recall that these were preceded by more than three years of tough negotiations to establish the EEA - a process which involved taking on board some 60% of the *acquis communautaire*. At the time of the EFTA enlargement negotiations, the volume of the *acquis* was estimated at about 60,000 pages of the Official Journal. Current estimates put it at about 80,000 pages of text, of which about half concern agriculture. The 80,000 pages contain about 20,000 legal acts, including approximately 4,000 Directives, 6,000 Regulations and 10,000 Decisions.

One enlargement I have not mentioned is that of Greece, but it may provide a useful lesson. The military were overthrown in 1974 and Greece joined the EU just seven years later. With the intention of quickly consolidating democracy, political motivations had the upper hand at the expense of a solid analysis of the state of economic preparedness.

Conclusion

I spoke earlier of the unification of the European continent on the basis of sharing sovereignty and common institutions. That is indeed the scale of the task which faces us. The European family is numerous: big and small states, new and old nations - some newly-created on old foundations - and various fora. The Union with 15 members includes less than half of that family - by comparison with the 54 members of the OSCE and the 40 members of the

Council of Europe - but the enlargement on which we are embarked will bring us to comprise the majority. That will imply a major responsibility for political and economic order among the members of the family - including those who aspire to membership of the Union but are not yet able to take on the obligations - and also for relations with its neighbours.

An enlarged Union, with a population near to 500 million, and an economic product one third higher than that of the USA, must expect to be a major provider of economic assistance and political stability. It will need to deepen its relations with Russia, the Ukraine, and the Newly Independent States. It will need to handle the unfinished business of creating order and peace in the Balkan peninsula. For all these purposes, an efficient and credible common foreign and security policy is indispensable. In this context I hope that the UK, with its impressive resources in this field, will play a more prominent role in future. The projection of the EU's weight on the international scene requires both political will and an efficient foreign policy machinery.

In addition, we must encourage regional co-operation in the areas such as the Black Sea and the Baltic where the interests of member states and of non-members are inseparably involved. Regional forums will become more important, not less important, as the Union expands. Talking together and acting together to resolve problems is a habit which needs to be formed in preparation for membership of the Union, not left until after accession.

The creation of a stronger European framework for peace, prosperity and stability is the major task for the Union as we approach the year 2000 and look beyond it. I cannot put it better than in the words of Timothy Garton Ash, a member of the Commission on Britain and Europe, who in 1993

concluded his account of German reunification in the book "In Europe's Name" with these prophetic remarks :

"In the early twenty-first century, it is possible that at least part of the former Eastern Europe will be an area of secure liberal democratic states co-operating with neighbours and partners in a larger European Union and Western Alliance. It is possible that Polish, Hungarian and Czech citizens will have rights, freedoms and life-chances comparable to those enjoyed by Spanish, Portuguese and Greek citizens in the 1980's. It is possible that tolerance, pluralism, democracy and the virtues of ever closer co-operation will spread from West to East. But it is also possible that intolerance, tribalism, and the forces of disintegration will spread from East to West, threatening even the substance of what has been achieved in the European Union"

In the light of history, we can expect our efforts to be judged by this measure: did we have the leadership and creativity to rise to this challenge ? Did we have the right combination of idealism and realism to satisfy the aspirations of the European peoples for a wider and stronger Union ? I believe that Agenda 2000 provides the right basis for our deliberations, and I am confident that our Member States will ultimately take the necessary decisions to ensure a successful enlargement process and to close the gap between the rhetoric and getting the job done. As Robin Cook said in Strasbourg last week : "The stakes are too high to get it wrong, for both the applicants, and the existing members".

On the eve of a new century it is important to reflect on the mistakes of the past - relations conducted on the balance of power principle and two dreadful European civil wars caused by excessive nationalism. For the 21st century we must construct a united Europe based on different principles, but

principles which have proved themselves in the past forty years : these are tolerance, co-operation and integration ; in other words the community approach based on sharing sovereignty.

I am pleased the new British government shares these values because it is the only solid foundation on which to build the new Europe "whole and free".

Thank you for your attention.