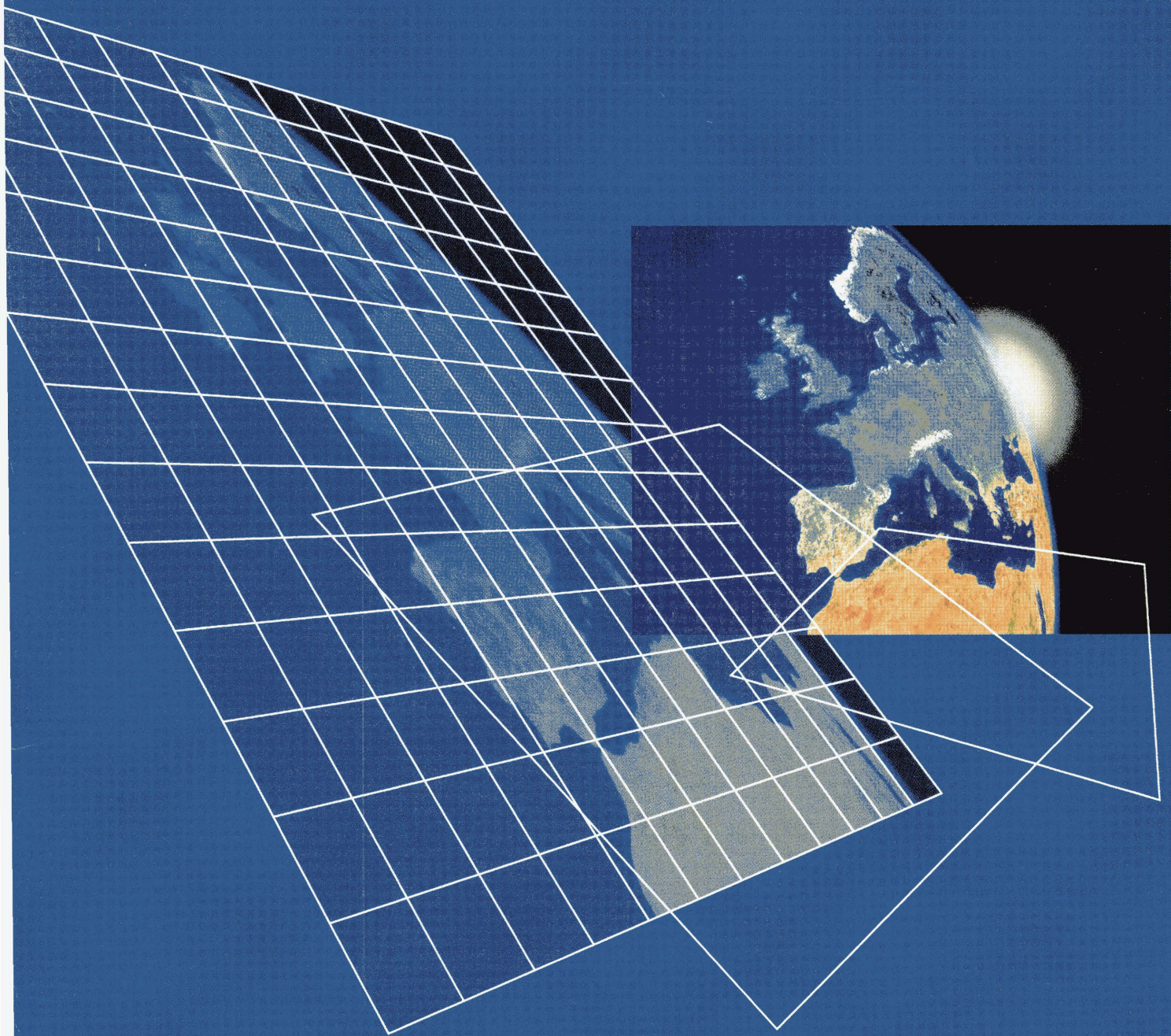


Enlargement of the European Union

An historic opportunity



Enlargement of the European Union

An historic opportunity

A general overview of the enlargement process and the pre-accession strategy of the European Union

Edition 2001



“Enlargement is both an historic opportunity and an obligation for the European Union and so is one of our highest priorities. Our success in concluding this crucial undertaking, on which we have embarked together with the candidate countries, will depend on the vitality and rigour of our collective efforts and on engaging the support of the population, both in the candidate countries and in the current EU Member States. Enlargement must be duly prepared, and can be successful only if it has democratic support. While much progress has already been achieved, very considerable and determined efforts are still required to bring the process to its conclusion. But the way ahead is clear. The process has become irreversible and the benefits of enlargement are already visible.”

Günter Verheugen, Member of the European Commission responsible for Enlargement.

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An unprecedented enlargement

Enlargement is one of the most important opportunities for the European Union as it begins the 21st century. Its historic task is to further the integration of the continent by peaceful means, extending a zone of stability and prosperity to new members. In June 1993, at its Summit in Copenhagen, the European Council declared that 'the associated countries of Central and Eastern Europe that so desire shall become members of the Union'. In December 1997, at Luxembourg the European Council launched the process that will make enlargement possible. This process presently embraces thirteen countries: Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, Slovenia and Turkey. Accession negotiations are underway with the first twelve, and in June 2001 at Göteborg the European Council affirmed that the objective is to complete them by the end of 2002 with these countries that are ready to join, so that they can take part as members in the European Parliament's elections of 2004.

The EU has a long history of successful enlargements. In 1957 six founding members signed the Treaty of Rome: Belgium, France, Germany, Italy, Luxembourg and the Netherlands. Four enlargements have followed:

- 1973** Denmark, Ireland and the United Kingdom
- 1981** Greece
- 1986** Portugal and Spain
- 1995** Austria, Finland and Sweden.

The enlargement facing the EU today is without precedent in terms of scope and diversity: the number of candidates, the area and population and the wealth of different histories and cultures.

The **benefits** of enlargement are both political and economic. In brief:

- The extension of the zone of **peace, stability and prosperity** in Europe will enhance the security of all its peoples.
- The addition of more than 100 million people, in rapidly growing economies, to the EU's market of 370 million will **boost economic growth and create jobs** in both old and new member states.
- There will be a **better quality of life for citizens** throughout Europe as the new members adopt of EU policies for protection of the environment and the fight against crime, drugs and illegal immigration.
- Enlargement will **strengthen the Union's role in world affairs** – in foreign and security policy, trade policy, and the other fields of global governance.

Benefits are **already visible**:

In Central and Eastern Europe, **stable democracies** have emerged and **minorities** are being integrated peacefully into society.

- The **economic reforms** in these countries have led to **high rates of economic growth** (twice the recent EU average) and better **employment prospects**.
- This process has been helped and encouraged by the **prospect of EU membership**, and by the EU's **financial assistance**.

As a result the Union enjoys a **growing trade surplus** with these countries (€ 17 billion in 2000), and this generates **employment and growth** in the member states.

Non-member countries will also benefit from an enlarged Union. A single set of trade rules, and a single set of administrative procedures will apply across the Single Market of the enlarged Union. This will simplify dealings for all firms within Europe and improve conditions for investment and trade, bringing benefits not only to the EU but also to our trading partners across the world.

From co-operation to accession

Soon after the fall of the Berlin Wall in 1989, the European Community quickly established diplomatic relations with the countries of Central and Eastern Europe. It removed long-standing import quotas on a number of products, extended the Generalised System of Preferences (GSP) and, over the next few years, concluded Trade and Co-operation Agreements with Bulgaria, the former Czechoslovakia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovenia.

In the meantime, the European Community's Phare Programme, created in 1989, set out to provide financial support for the countries' efforts to reform and rebuild their economies. Phare soon became the world's largest assistance programme in Central and Eastern Europe, providing technical expertise and investment support.

During the 1990s, the European Community and its Member States progressively concluded Association Agreements, so called 'Europe Agreements', with ten countries of Central and Eastern Europe. The Europe Agreements provide the legal basis for bilateral relations between these countries and the EU. The European Community had already established similar Association Agreements with Turkey (1963), Malta (1970) and Cyprus (1972). In the case of Turkey, a Customs Union entered into force in December 1995.

Association Agreements (for more details see pages 5 and 7)

The Europe Agreements cover trade-related issues, political dialogue, legal approximation and other areas of co-operation including industry, environment, transport and customs. They aim progressively to establish a free-trade area between the EU and the associated countries over a given period, on the basis of reciprocity but applied in an asymmetric manner (i.e. more rapid liberalisation on the EU side than on the side of the associated countries). The Association Agreements with Cyprus, Malta, and Turkey cover similar fields (except political dialogue), and aim progressively to achieve a customs union. With Turkey, this goal has been achieved through the Customs Union Agreement of 1995; with Cyprus, progress towards a customs union is due to be completed by 2002.

Country	Europe Agreement signed	Europe Agreement came into force
Hungary	December 1991	February 1994
Poland	December 1991	February 1994
Bulgaria	March 1993	February 1995
Czech Rep.	October 1993	February 1995
Romania	February 1993	February 1995
Slovak Rep.	October 1993	February 1995
Estonia	June 1995	February 1998
Latvia	June 1995	February 1998
Lithuania	June 1995	February 1998
Slovenia	June 1996	February 1998

Country	Association Agreement signed	Association Agreement came into force
Turkey	September 1963	December 1964
Malta	December 1970	April 1971
Cyprus	December 1972	June 1973

Under the Europe Agreements, trade between the EU and the countries of Central and Eastern Europe grew rapidly, not least because these countries reoriented their trade away from the markets of the former Soviet Union's Council for Mutual Economic Assistance (CMEA). As their single largest source of trade, assistance and investment, the EU soon became the main economic partner for the countries of the region (see Annexes "Trade facts and figures" and "Investments facts & figures"). Indeed, as early as 1994, the EU had become the most important market for exports originating in the region, absorbing more than half of the total. Today the EU absorbs approximately 60% of exports from the countries of Central and Eastern Europe.

Membership applications

The Europe Agreements recognised the associated countries' aspiration to become members of the European Union, an objective that was later confirmed in the individual applications for membership by these countries.

The basic conditions for enlargement were already set out in Article O of the Treaty of Rome, now article 49 of the Treaty on the European Union as further modified by the Amsterdam Treaty. They stipulate that: *"Any European state which respects the principles set out in Article 6(1) [i.e. "liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law"] may apply to become a Member of the Union. It shall address its application to the Council, which shall act unanimously after consulting the Commission and after receiving the assent of the European Parliament, which shall act by an absolute majority of its component members."*

Dates of application for EU membership

(in chronological order)

Turkey	14 April 1987
Cyprus	3 July 1990
Malta	16 July 1990
Hungary	31 March 1994
Poland	5 April 1994
Romania	22 June 1995
Slovak Rep.	27 June 1995
Latvia	13 October 1995
Estonia	24 November 1995
Lithuania	8 December 1995
Bulgaria	14 December 1995
Czech Republic	17 January 1996
Slovenia	10 June 1996

Accession criteria

In 1993, at the Copenhagen European Council, the Union took a decisive step towards the current enlargement, agreeing that “the associated countries in Central and Eastern Europe that so desire shall become members of the European Union.” Thus, enlargement was no longer a question of ‘if’, but ‘when’. Concerning the timing, the European Council states: “Accession will take place as soon as an associated country is able to assume the obligations of membership by satisfying the economic and political conditions required.” At the same time, it defined the membership criteria, which are often referred to as the ‘Copenhagen criteria’.

Madrid European Council

Membership criteria also require that the candidate country must have created the conditions for its integration through the adjustment of its administrative structures, as underlined by the Madrid European Council in December 1995. While it is important that European Community legislation is transposed into national legislation, it is even more important that the legislation is implemented effectively through appropriate administrative and judicial structures. This is a prerequisite of the mutual trust required by EU membership.

Copenhagen European Council

Membership criteria require that the candidate country must have achieved

- ⊗ stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- ⊗ the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;
- ⊗ the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.

Agenda 2000 and the European Commission's Opinions

The Madrid European Council in December 1995 called on the European Commission to submit an assessment of the candidates' applications for membership, and to prepare a detailed analysis of what enlargement would mean for the EU.

In July 1997, the Commission presented Agenda 2000, a single framework in which the Commission outlines the broad perspective for the development of the European Union and its policies beyond the turn of the century; the impact of enlargement on the EU as a whole; and the future financial framework beyond 2000, taking into account the prospect of an enlarged Union. It also included the Commission's Opinions on the candidate countries' applications for membership.

The Commission's Opinions evaluated the situation of each country in relation to the accession criteria (see previous page). The Commission took into account information provided by the candidate countries themselves; assessments made by the Member States; European Parliament reports and resolutions; the work of other international organisations and international financial institutions (IFIs); and progress made under the Europe Agreements. Finally, the Opinions were not only an assessment of the performance of each country up until 1997, but also a forward-looking analysis of expected progress. The Commission had already issued Opinions on Turkey in 1989 and Cyprus and Malta in 1993.

Having evaluated the extent to which the candidates already met the accession criteria, the European Commission recommended in its 1997 Opinions that accession negotiations start with the Czech Republic, Estonia, Hungary, Poland, Slovenia and Cyprus.

Following up on the Opinions, the Commission submits Regular Reports to the Council on further progress achieved by each candidate country (see below page 21). On the basis of the 1999 Regular Reports, the Commission recommended that accession negotiations be opened also with Latvia, Lithuania, Malta, the Slovak Republic, and, subject to certain specific conditions, with Bulgaria and Romania. The Commission's recommendations were followed by the Council.

Pre-accession strategy

At the end of 1994, the Essen European Council defined a pre-accession strategy to prepare the countries of Central and Eastern Europe for EU membership. This strategy was based on three main elements: implementation of the Europe Agreements, the Phare Programme of financial assistance, and a 'structured dialogue' bringing all Member States and candidate countries together to discuss issues of common interest.

Following the proposals of the European Commission in Agenda 2000, the Luxembourg European Council, at the end of 1997, decided on an enhanced pre-accession strategy for the ten candidate countries of Central and Eastern Europe, with a specific strategy for Cyprus (including participation in Community programmes, participation in certain targeted projects and use of TAIEX assistance). Following Malta's reactivation of its application for membership in October 1998, a specific pre-accession strategy was developed also for Malta. Furthermore, in December 1999, on the basis of a recommendation by the Commission, the Helsinki European Council decided to prepare a pre-accession strategy for Turkey.

The EU's pre-accession strategy towards the candidate countries of Central and Eastern Europe is founded on

- ❖ Europe Agreements
- ❖ Accession Partnerships and National Programmes for the Adoption of the *Acquis* (NPAA)
- ❖ Pre-accession assistance, including
 - the Phare Programme
 - environment and transport investment support (ISPA Programme)
 - agricultural and rural development support (SAPARD Programme)
 - co-financing with the international financial institutions (IFIs)
- ❖ Opening of European Community programmes and agencies.

The EU's pre-accession strategy towards Cyprus and Malta is based on

- ❖ Association Agreements
- ❖ Accession Partnerships and National Programmes for the Adoption of the *Acquis* (NPAA)
- ❖ Specific pre-accession assistance
- ❖ Opening of European Community programmes and agencies.

The EU's pre-accession strategy towards Turkey builds on the European Strategy, which was developed in 1998. On 4 March 1998, the European Commission adopted its first operational proposals for this strategy. They covered the deepening of the Customs Union, the extension of the Customs Union to the agricultural and services sectors and the strengthening of co-operation in several other fields. The participation in Community programmes and agencies was also foreseen. In line with the Helsinki conclusions, the pre-accession strategy for Turkey encompasses

- ❖ Association Agreement and Customs Union Agreement
- ❖ Enhanced political dialogue
- ❖ Accession Partnership and National Programme for the Adoption of the *Acquis* (NPAA)
- ❖ Specific assistance under a single financial framework
- ❖ Participation in European Community programmes and agencies.

The Europe Agreements with the countries of Central and Eastern Europe

As basic legal instruments of the relationship between the EU and the ten associated countries of Central and Eastern Europe, the Europe Agreements cover trade-related issues, political dialogue, legal approximation and various other areas of co-operation. The Europe Agreements aim to establish free trade between the EU and the associated countries over a maximum period lasting ten years for Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic, six years for Lithuania and Slovenia, and four years for Latvia. Free trade was established with Estonia from 1 January 1995. No new customs duties or quantitative restrictions are to be introduced in trade between the European Community and the associated countries from the date of entry into force of each Europe Agreement. For other areas, the association includes a maximum transition period: for Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic, this period is limited to ten years; for Slovenia, six years; for Latvia and Lithuania, no later than 31 December 1999. Estonia has no transition period. The Europe Agreements provide for progressive alignment with Community rules as well as a number of specific provisions in areas such as capital movement, rules of competition, intellectual and industrial property rights and public procurement. Despite the asymmetry of the Europe Agreements, which lift restrictions on exports from the countries of Central and Eastern Europe more quickly than those on EU exports, the overall trade balance of the EU with these countries remains largely positive, although it has declined in recent years. In 2000 the

trade surplus was € 14,6 million vis-à-vis all ten candidate countries of Central and Eastern Europe. Since 1994, for each country with which a Europe Agreement is in force, there has been a cycle of annual meetings of the Association Council (ministerial level) and the Association Committee (high-level civil service) as well as frequent multidisciplinary sub-committee meetings (technical level). These institutions of the Europe Agreements have assumed an enlarged role within the reinforced pre-accession strategy, in particular in regard to monitoring the progress made by the partner countries in the adoption and implementation of the *acquis* and the implementation of the Accession Partnerships.

The Association Agreements with Cyprus, Malta and Turkey

The legal framework for the relationship between the European Community and respectively Cyprus, Malta, and Turkey, are the Association Agreements, which date back to the sixties and early seventies. These Agreements cover trade-related issues and various other areas of co-operation. They aim progressively to establish a customs union between the European Community and each of the countries concerned. In the case of Turkey, this objective was achieved in 1995, with the entry into force of the Customs Union Agreement. With Cyprus, progress towards a customs union is due to be completed by 2002. For Malta, there has been little progress under the Association Agreement; however Malta's objective is to conclude the current accession negotiations in 2002, which would de facto lead to a Customs Union with the Community. As opposed to the more recent Europe Agreements, these early Association Agreements do not provide for political dialogue. Such dialogue takes place, in the case of Cyprus and Malta, on the basis of a specific decision of the General Affairs Council, and, in the case of Turkey, on the basis of specific Association Council resolutions and the conclusions of the Helsinki European Council. In December 1997, Turkey unilaterally suspended its political dialogue with the EU, but resumed the process in late 1999.

Accession Partnerships

In Agenda 2000 the European Commission highlighted the need to direct assistance towards the specific needs of each candidate country by providing them with support to overcome particular problems, as illustrated in the Opinions and subsequently in the Regular Reports which the Commission has been producing since 1998. The Accession Partnership responds to this need, and constitutes the central pillar of the reinforced pre-accession strategy. It sets out the priorities for the candidates as they prepare themselves to become members of the EU and brings together all the different forms of EU support within a single framework. The European Council in Luxembourg in December 1997 endorsed the Accession Partnership as the key instrument in strengthening the pre-accession strategy. The first Accession Partnerships for the countries of Central and Eastern Europe were decided in March 1998 and updated in 1999. For Cyprus and Malta, Accession Partnerships were decided in March 2000, on the basis of a separate (similar) Council Regulation, and a first Accession Partnership with Turkey was adopted in March 2001, equally on the basis of separate (similar) Council Regulation. Each country's Accession Partnership sets out clear priorities for further work with a view to preparing for accession. It also highlights the main instruments and financial resources available, all of which should be maximised to target the objectives effectively. The Accession Partnerships have thus become the single programming framework for European Community assistance. The Accession Partnerships are regularly updated, in order to adjust the priorities and cover all pre-accession assistance available. A revision of the Accession Partnerships is expected to take place at the end of 2001.

Priority in the Accession Partnerships of 1999

Bulgaria: economic criteria: take measures to improve the business environment and stimulate domestic and inward investments.

Cyprus: internal market: adopt framework *acquis* for standardisation and certification; pursue VAT harmonisation as regards standard and reduced rates; align legislation and strengthen enforcement of safety standards for maritime transport.

Czech Republic: economic criteria: complete the restructuring of the banking sector (privatisation of the two remaining major banks; resolve bad loan problem).

Estonia: political criteria: implement concrete measures for the integration of non-citizens, including language training, and provide necessary financial support.

Hungary: justice and home affairs: upgrade border posts and "green border control"; improve data and telecommunication infrastructure to enable full participation in the Schengen Information System.

Latvia: political criteria: implement further concrete measures for the integration of non-citizens including language training and provide necessary financial support.

Lithuania: energy: start implementing a comprehensive energy strategy in line with the Nuclear Safety Account agreement, in particular the legal and technical preparation for the definitive closure and decommissioning of Ignalina Nuclear Power Plant Unit 1.

Malta: environment: adopt a strategy and a detailed, directive-specific programme for the transposition, the implementation and the enforcement of the EU environmental *acquis*, in

particular through the development of framework and sector legislation, together with preparation of the necessary implementing regulations and capacity building requirements.

Poland: industrial restructuring: implement revised steel restructuring programme (complete privatisation and begin return to viability).

Romania: economic criteria: restore macro-economic stability, in particular through the implementation of structural reform and establish a medium term strategy; agree on a joint assessment with the European Commission.

Slovak Republic: economic criteria: promote competitiveness, supported by transparent financial sector reform, privatisation of financial institutions and bad-debt recovery mechanisms.

Slovenia: administrative capacity: accelerate reform of the public administration including introduction of a civil service law.

Turkey: political criteria: membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.

Each candidate country has drawn up a National Programme for the Adoption of the *Acquis* that sets out in detail how it intends to fulfil the priorities of the Accession Partnership and to prepare for its integration into the EU. In this way, the NPAA complements the Accession Partnership: it contains a timetable for achieving the priorities and objectives and, where possible and relevant, indicates the human and financial resources to be allocated.

Pre-accession instruments for the countries of Central and Eastern Europe from the year 2000:

Phare

- finances Institution Building measures across all sectors and investment in fields not covered by the other two instruments, including integrated regional development programmes;
- has an annual budget of € 1,560 million;
- comes under the responsibility of the Enlargement Directorate General, which also assumes the overall co-ordination between the three instruments, supported by the Phare Management Committee.

ISPA

- finances major environmental and transport infrastructure projects;
- has an annual budget of € 1,040 million;
- comes under the responsibility of the Regional Policy Directorate General.

SAPARD

- finances agricultural and rural development;
- has an annual budget of € 520 million;
- comes under the responsibility of the Agriculture Directorate General.

Pre-accession assistance

In line with the conclusions of the Berlin European Council (24-25 March 1999), the Community has more than doubled its pre-accession assistance to the candidate countries of Central and Eastern Europe since the year 2000: as proposed by the European Commission in Agenda 2000, € 3,120 million (1999 figures) is made available annually between 2000 and 2006 through the Phare Programme and two other pre-accession instruments, ISPA and SAPARD (see above), which were introduced in 2000. Programming under these three pre-accession instruments follows the principles, priorities and conditions set out in the Accession Partnerships. The pre-accession funds made available after the accession of the first new Member States will be reallocated to the other candidate countries, so that the same global pre-accession resources will help a smaller number of countries.

Pre-accession assistance to Cyprus and Malta:

Pre-accession assistance is provided for Cyprus and Malta under a specific Council regulation, with an allocation of € 95 million for 2000-2004. Assistance is to focus on the harmonisation process (based on the priority areas specified in the Accession Partnerships), and, in the case of Cyprus, on bi-communal measures that can help to bring about a political settlement.

Pre-accession assistance to Turkey:

Pre-accession assistance is provided to Turkey under two «European Strategy» regulations (€ 150 million for 2000-2002), as well as under the MEDA II programme (€ 127 million per year). This means that since 2000 the annual financial allocation to Turkey has nearly doubled, (€ 177 million against € 93 million over 1996-1999). A new single budget line for pre-accession financial assistance for Turkey has been adopted in 2001. A new financial regulation to implement this new legal base and to further streamline procedures is expected to be adopted in 2001.

The Phare Programme

In Agenda 2000, the European Commission proposed to focus the Phare Programme on preparing the countries in Central and Eastern Europe for EU membership by concentrating its support on two crucial priorities in the adoption of the *acquis*: Institution Building and investment support. Following a Communication from Commissioner Verheugen to the Commission: 'Phare 2000 Review-Strengthening preparations for membership' two additional challenges concerning Phare were identified for the period 2000-2006: delivering on past reforms and linking to the Structural Funds. Phare provides a bridge to the Structural Funds and it aims to help the candidate countries familiarise themselves with the structures and procedures that they will need in order to use the Structural Funds efficiently upon accession.

Institution building

Institution building means adapting and strengthening democratic institutions, public administration and organisations that have a responsibility in implementing and enforcing Community legislation. The integration process is not simply a question of introducing legislation, it is also one of ensuring the effective and efficient implementation of the texts. It includes the development of relevant structures, human resources and management skills.

Institution building means designing management systems and training and equipping a wide range of civil servants, public officials, professionals and relevant private sector actors: from judges and financial controllers to environmental inspectors and statisticians, to name but a few. Approximately 30% of Phare funds are being used to meet these Institution building needs, in accordance with the conclusions of the Luxembourg European Council, in particular through the Twinning mechanism.

Twinning

Twinning was launched in May 1998 as the principal instrument for Institution Building. It aims to help the candidate countries to develop modern and efficient administrations, with the same structures, human resources and management skills needed to implement the *acquis* as already exist in the Member States.

Twinning involves the secondment of EU experts to the candidate countries to accompany an ongoing process. Each Twinning project is led by an official from the candidate country and Member State administrations, who together are responsible for the thrust of its design and implementation. At least one Pre-Accession Adviser, an individual seconded from a Member State administration or other mandated Member State body to work full time in the corresponding ministry in the candidate country for a minimum of 12 months, ensures the daily progress of the project. A carefully designed work programme of ad-hoc advisory or training missions by Member State staff complements the permanent presence.

A total of 475 Twinning projects, primarily in the fields of agriculture, environment, public finance, justice and home affairs and preparation for the management of Structural Funds, have been endorsed by the EU between 1998-2001. These represent principal priority sectors that have been identified in the Accession Partnerships. But also other important sectors of EU legislation have been addressed through Twinning for example, social policy, fight against drugs, transport, telecommunications regulation and so forth.

In this way Twinning provides the framework for administrations and semi-public organisations in the candidate countries to receive advice and support from their counterparts in Member States in developing and implementing projects involving the transposition, enforcement and implementation of a specific part of the *acquis*. The main feature of Twinning projects is that they set out to deliver specific and guaranteed results. They are not designed to foster general co-operation, but to achieve specific targets agreed between the parties in advance for the implementation of priority areas of the *acquis*, as set out in the Accession Partnerships.

Twining: Examples of projects

Bulgaria: Improvement of the efficiency of the SAPARD Task Force (Greece, lead partner).

The project achieved the following results:

- Preparation and approval of the National Agricultural and Rural Development Plan (NARDP),
- Establishment of the legal and administrative organisation of the SAPARD paying agency and 3. Reinforcement of the capacity and the skills of the Bulgarian officials of the Ministry of Agriculture and Forestry and of the State Fund Agriculture.'

Czech Republic: Restructuring of the Ministry of Agriculture and Establishment of Market Intervention Agency (Germany, lead partner).

This Twinning project focuses on :

- analysis of the general organisation, functions and activities of the Czech Ministry of Agriculture (at both central and regional level) and proposals for restructuring ;
- establishment of a State Agricultural Intervention Fund for implement, finance and control CAP measures, including a Paying Agency ;
- adaptation of the Czech Market Organisations to the CAP rules ;
- implementation of an agricultural market information system to deliver agricultural data in real time for the use of operators and administrators at national and EU level.

Estonia: Sound Financial Management and Control Systems for the strengthening of good governance and accountability in the public sector (led by Ireland). Significant efforts are required for Estonia to meet EU standards in respect of financial control systems in order to be able to handle the increased responsibility of managing pre-accession instruments and EU funds upon accession. The Irish partners will provide support for the analysis and development of financial control systems, drafting of legislation, capacity building of financial control departments and training of trainers and auditors.

Hungary: Training for Investigation of Organised Crime (project leader United Kingdom in co-operation with the Netherlands, Germany, Italy, France).

The project aims to establish a **training programme for Hungarian law enforcement agencies**, in order to strengthen their capacity to efficiently and effectively combat especially organised crime. The training is targeted at trainers enabling them to develop their own training strategy and design and implement programmes to meet future demands. Due to the highly specialised nature of several modules (criminal terrorism, witness protection, cross border criminality, criminal intelligence analysis, corruption, financial and computer related crime, undercover operations) only a small number of trainers are trained.

Latvia: Improvement of the **State Revenue Service** (Sweden/Belgium). This project seeks on the one hand to create and implement a human resources development plan for the Latvian tax administration, and on the other to establish a pre-arrival control system for the transit and import of prohibited, sensitive and highly taxed goods

Lithuania: three Twinning projects (lead partner: Denmark), staffed with eight Pre-Accession Advisors (PAAs), are established in the **Lithuanian energy sector**. The aim of the Twinning project located in the Ministry of Economy is to ensure that policy and a legal basis for the regulation of the energy sector is put in place. At the two energy utilities, Lithuanian Energy and Lithuanian Gas, Twinning projects assist with restructuring of the companies, introducing western management techniques and information systems, and supporting the unbundling process.

Poland: in the framework of the support for **Third Pillar requirements**, reinforcement of the Ministry of Internal Affairs and the Ministry of Justice in the field of fight against organised crime (France lead partner), through the training of specialist prosecutors and scientific police. The project focuses also on white collar crime and operational training for forensic police: e.g. treatment of finger prints (AFIS), criminal analysis, IT.

Romania: Establishment of a **National Anti-Corruption Structure** (Spain lead partner). Within the General Prosecutor's Office a special unit will be established dedicated to investigating and combating corruption and related organised crime, involving national officials in relation to both "active corruption" and "passive corruption". This highly topical project will strengthen the role of the Romanian staff of the newly created unit and expose them to experience in modern investigation techniques.

Slovakia: Water Management and Protection (Netherlands lead partner). This Twinning project focuses on the harmonisation of sectoral policy and institutional strengthening in the field of water management. A strategy defining the legal and organisational implications of the EU Water Framework Directive and recommendations for a time schedule for its phased implementation are being elaborated. In parallel the monitoring performance for water quality is being assessed and Slovak policy makers and managers are being trained.

Slovenia: Employment project (Sweden lead partner) focused on helping Slovenia to implement the *acquis* on free movement of workers and improve the social security schemes. Emphasis on strengthening the capacity of the Slovene institutions will enable them to participate in the co-ordination of social security at EU level.

While so far Twinning has been limited to the candidate countries of Central and Eastern Europe, as of 2001 Cyprus and Malta are participating in Twinning and preparations for the first projects are underway. Turkey will take part in Twinning as of 2002.

Investing in the *acquis*

Phare's second objective, investment, has taken two forms since the year 2000: investment to strengthen the regulatory infrastructure needed to ensure compliance with the *acquis* is now complemented with investment in Economic and Social Cohesion. Around 70% of Phare resources are allocated for investment, this percentage being equally divided between the two types of investment.

The adoption of the *acquis* means that the candidate countries have to adapt their enterprises and main infrastructure to respect Community norms and standards as soon as possible. This requires considerable investment. This is particularly the case for the enforcement of Community rules in areas such as environment, nuclear safety, transport safety, working conditions, marketing of food products, consumer information, control of production processes. In order to avoid long transitional periods, investment efforts are necessary to adapt to Community norms and to develop major infrastructure. Such investments in regulatory infrastructure enhance candidate countries' ability to meet the EU's accession requirements and to cope with competitive pressure.

Launched in 2000, the second component of investment support is action in the field of Economic and Social Cohesion, based on a National Development Plan. This type of investment focuses as a priority on helping the candidate countries strengthen the institutions that will be needed to implement Structural Funds after accession.

In general, the two types of investment support include diversified actions such as structural and social actions, SME development, adoption of European Community norms, and small and medium-scale infrastructure. Since the year 2000, the new pre-accession instruments, ISPA and SAPARD (see above) have more than doubled the investment capacity in *acquis*-related projects under EU public funding for the candidate countries of Central and Eastern Europe.

Co-financing with the EIB and international financial institutions

In December 1999, the Council of Ministers agreed an envelope of € 8,680 million for the lending activities of the European Investment Bank (EIB), for the period February 2000 - January 2007, in Central and Eastern Europe. In January 2000, the EIB's Board of Governors approved an extension of the EIB's pre-accession facility for lending to the candidate countries for an amount of up to € 8,500 million during a period of 3 1/2 years. Cyprus, Malta and Turkey are at present also eligible for EIB pre-accession financing.

The EIB's pre-accession support covers priority investment in all the candidate countries, in particular those projects that facilitate the adoption of the *acquis communautaire* and strengthen integration with the EU. The financing covers all sectors normally eligible for EIB support, and focuses on environmental protection; the development of transport, telecommunication and energy links; industrial competitiveness and regional development.

The effectiveness of pre-accession support is enhanced when it mobilises funds from the international financial institutions (IFIs). With this in mind, the European Commission signed a Memorandum of Understanding on 2 March 1998 with the European Bank for Reconstruction and Development (EBRD) and the World Bank to reinforce their co-operation and to facilitate co-financing. Four new partners joined this agreement in October 1998: the Nordic Environment Finance Corporation (NEFCO), the Nordic Investment Bank (NIB), the International Financial Corporation (IFC) and the Council of Europe's Social Development Fund. The EIB works closely with the European Commission in serving the EU's policy objectives and collaborates with the other IFIs in the spirit of the Memorandum of Understanding.

In 1998-1999, over € 900 million was mobilised (€ 150 million from Phare and € 750 million from the IFIs) for investment projects in the areas of transport and the environment. Thus, thanks to every Euro in grants provided by Phare, € 5 was mobilised by the IFIs. This ratio of leverage reaches 1:8 when the candidate countries' own contributions are taken into account. Since 2000, the new accession instrument ISPA is the main facility for co-financing infrastructure projects with the EIB and other IFIs. Jointly financed projects in the environmental and transport sectors are under implementation in Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland and Romania.

Examples of co-financing by ISPA and IFIs in 2000

The Transit Roads III Rehabilitation programme in Bulgaria is jointly financed by ISPA and the EIB. It concerns the rehabilitation of the main trunk roads along the priority route Pan-European Transport Corridors IV, VIII and IX. It is a continuation of the successful Transit Roads I and II programmes financed by the EIB, Phare and Bulgaria. It will provide fast and efficient road connections – thereby fostering Bulgaria's efforts to promote trade and economic development - reduce operating costs, and enhance road safety.

A wastewater treatment plant in Krakow, the third largest city in Poland, will be financed jointly with the EBRD under a single turnkey contract. It will comply fully with Community legislation, and will have a major impact on the local water quality and improve conditions in the Baltic Sea. The area was identified as a hot spot in the Helsinki convention. The investment includes a new biological and tertiary treatment plant, sludge handling and bio-gas utilisation.

However, the needs of the candidates in terms of alignment with European Community standards and norms are too great to be met solely by Community grants or loans from the EIB or IFIs. Greater investment in the candidate countries by EU companies would considerably lighten the burden, in particular in areas such as the environment. It is for the candidate countries to put in place the legal framework, e.g. public service franchises, which will allow the private sector to help them meet the challenge of alignment with Community standards through investment that cannot be financed solely from public funds.

Opening of European Community programmes and agencies

Community programmes are designed to promote co-operation between Member States in specific policy areas (such as public health, environment, research and energy) and to support student and youth exchanges (such as Socrates, Leonardo da Vinci and Youth for Europe).

The principle of opening up Community programmes to the countries of Central and Eastern Europe was decided by the European Council in Copenhagen in June 1993, and reconfirmed by the Essen European Council in December 1994. The objective of the candidate countries' participation in Community programmes in a wide range of areas is to familiarise them with the way Community policies and instruments are put into practice and to facilitate, for instance, the exchange of students, young people, scientists, and civil servants.

In Agenda 2000, and in the conclusions of the European Council meeting in Luxembourg at the end of 1997, the importance of participation in Community programmes as part of the enhanced pre-accession strategy was reiterated. Furthermore, the European Council indicated that candidate countries should steadily increase their own financial contribution, but agreed that Phare, in the case of the ten associated countries of Central and Eastern Europe, if necessary, would continue to part-finance these countries' financial contributions "up to 10 per cent of the Phare appropriation, not including participation in the research and development framework programme". The European Council also stated that candidate countries should be allowed to take part, as observers and for points that concerned them, in the management committees responsible for monitoring the programmes to which they contributed financially. At present, all candidate countries from Central and Eastern Europe as well as Cyprus and Malta participate in Community

programmes, in particular in the fields of education, vocational training, youth, culture, research, energy, the environment, small and medium-sized enterprises. Furthermore, as a result of the Helsinki European Council conclusions of December 1999, it is foreseen that Turkey will equally be able to participate in Community programmes.

Similar participation of candidate countries in Community agencies is also foreseen, in particular the European Environment Agency, of which the 13 candidate countries are to become members as of 2002. Full participation is also envisaged in the European Monitoring Centre for Drugs and Drug Addiction.

In order to define a consistent approach to this matter, in a communication to the EU Council in December 1999, the European Commission proposed general guidelines for the participation of all candidate countries in Community programmes, agencies and committees.

As a result, new legal instruments have been put in place to streamline procedures facilitating the participation of the Candidate Countries in Community Programmes.

Review procedure - Regular Reports

In order to assess progress achieved by each country in preparing for accession, following the publication of the Commission's Opinions on the applications for membership of the candidate countries in 1997, the Commission submits Regular Reports to the Council. The reports serve as a basis for the Council to take decisions on the conduct of the negotiations or their extension to other candidates on the basis of the accession criteria (see page 9). The Commission submitted the first set of Regular Reports, covering the ten associated countries in Central and Eastern Europe, Cyprus and Turkey, to the Council in November 1998. Following the reactivation by Malta of its application for membership in October 1998, the Commission adopted, on 17 February 1999, an update of its Opinion from 1993. In October 1999, the Commission presented a second, complete set of Regular Reports, covering the ten associated countries in Central and Eastern Europe, Cyprus, Malta, and Turkey, followed by a third set in November 2000.

On the basis of this third set of Regular Reports, in November 2000, the Commission recommended to the European Council that:

- accession negotiations should progress in 2001-2002 according to indicative priority schedules contained in a proposed 'roadmap', whereby all requests for transitional measures and other outstanding issues will be addressed by the Union with the most advanced countries at the latest by June 2002;
- while maintaining the principle of differentiation, this approach should permit the conclusion of negotiations in the course of 2002 with those candidate countries who fulfil all the criteria for membership;
- incorporation of the *acquis* by the candidate States in their legislation, and adaptation of their capacity effectively to implement and enforce it, remain the key conditions for progressing in the negotiations. The Commission will thus continue to monitor negotiating countries' commitments ;
- the Accession Partnerships remain the central pre-accession strategy instruments.
- Turkey does not yet meet the conditions for opening negotiations. Further action to implement the pre-accession strategy is required to enable it to benefit from its status as a candidate country.
- the European Conference should continue to be used as the framework for discussing the future of the Union with the candidate countries ;
- the Commission's communication strategy should be implemented as a matter of priority in order to allay fears of enlargement, to inform about its benefits and to win over citizens' support.

The Nice European Council endorsed the enlargement strategy proposed by the Commission.

The Accession process from negotiation to ratification

On the basis of the recommendations of the European Commission in December 1997, the Luxembourg European Council decided to launch an 'overall enlargement process' for all countries wishing to join the EU. It encompasses

- the European Conference, which brings together the countries aspiring to join the EU. The Conference is a multilateral forum for discussing issues of common interest, such as foreign and security policy, justice and home affairs, regional co-operation or economic matters. This conference met for the first time in London on 12 March 1998. In December 1999, the Helsinki European Council announced a review of the future of the European Conference, so as to take account of the evolving situation. The Nice European Council in December 2000 concluded that the Balkan countries covered by the stabilisation and association process and the EFTA countries be invited to attend as prospective members.

- the accession process which was launched in Brussels on 30 March 1998 and encompasses all ten Central and Eastern European countries, Cyprus, Malta and Turkey. It is an evolving and inclusive process in the sense that all these countries are destined to join the EU on the basis of the same criteria.

Negotiations: the principles

The main principles behind the accession negotiations are fourfold. Firstly, the negotiations focus specifically on the terms under which candidates adopt, implement and enforce the *acquis*. Secondly, transitional arrangements may be possible, but these must be limited in scope and duration and should not have a significant impact on competition or the functioning of the internal market. In addition they should

be accompanied by a plan with clearly defined stages for the application of the *acquis*. A third underlying principle in the negotiations is the concept of differentiation. The decision to enter into negotiations simultaneously with a group of countries does not imply that these negotiations will be concluded at the same time. The negotiations with the candidate countries are conducted individually; the pace of each negotiation depends on the degree of preparation by each candidate country and the complexity of the issues to be resolved. Finally, there is the principle of catching up. In deciding to open negotiations also with a second group of countries, the Helsinki European Council, in December 1999, stipulated that «candidate States which have now been brought into the negotiating process will have the possibility to catch up within a reasonable period of time with those already in negotiations if they have made sufficient progress in their preparations.» Each candidate is thus judged on its own merits.

At the Nice European Council in December 2000, a further element to the negotiation process was introduced, that of the "roadmap" proposed by the Commission. The objective of the roadmap is to bring the negotiation process forward, and ensure that all parties to the negotiations commit themselves to a realistic timetable. It aims at addressing the outstanding issues in the negotiations during 2001 and early 2002. In concrete terms, the Union undertakes to present common negotiating positions and to deal with related requests for transitional periods on individual negotiating chapters in accordance with an agreed timetable. The roadmap adheres to the guiding principles of differentiation and catching up. Chapters may be closed before the envisaged timing, to the extent the level of preparedness of the candidate country in question so permits. The Gothenburg European Council in June 2001 reaffirmed the roadmap as the framework for the successful completion of the accession negotiations.

Negotiations: the process

The actual negotiations take the form of a series of bilateral inter-governmental conferences between the EU Member States and each of the candidate countries. Following a detailed examination of the different chapters of the *acquis* («screening»), such as free movement of goods, agriculture, environment, etc., negotiations are opened with the candidate countries, chapter by chapter (see box). The Commission proposes common negotiating positions for the EU for each chapter. Negotiating positions are then approved unanimously by the Council. Negotiating sessions are held at the level of ministers or deputies, i.e. Permanent Representatives for the Member States, and Ambassadors or chief negotiators for the candidates. A chapter is considered «provisionally closed» with a candidate country when the EU notes that the chapter does not require further negotiation and the candidate concerned accepts the EU common position. The EU however may return to the chapter at a later stage during the negotiation process, in case new *acquis* would have been adopted with regard to the chapter concerned, or in case the candidate country concerned fails to implement the commitments it has taken on this chapter.

Chapters of the *acquis*

- CHAPTER 1** Free movement of goods
- CHAPTER 2** Freedom of movement for persons
- CHAPTER 3** Freedom to provide services
- CHAPTER 4** Free movement of capital
- CHAPTER 5** Company law
- CHAPTER 6** Competition policy
- CHAPTER 7** Agriculture
- CHAPTER 8** Fisheries
- CHAPTER 9** Transport policy
- CHAPTER 10** Taxation
- CHAPTER 11** Economic and monetary union
- CHAPTER 12** Statistics
- CHAPTER 13** Social policy and employment
- CHAPTER 14** Energy
- CHAPTER 15** Industrial policy
- CHAPTER 16** Small and medium-sized enterprises
- CHAPTER 17** Science and research
- CHAPTER 18** Education and training
- CHAPTER 19** Telecommunications and information technologies
- CHAPTER 20** Culture and audio-visual policy
- CHAPTER 21** Regional policy and co-ordination of structural instruments
- CHAPTER 22** Environment
- CHAPTER 23** Consumers and health protection
- CHAPTER 24** Co-operation in the fields of justice and home affairs
- CHAPTER 25** Customs union
- CHAPTER 26** External relations
- CHAPTER 27** Common foreign and security policy
- CHAPTER 28** Financial control
- CHAPTER 29** Financial and budgetary provisions
- CHAPTER 30** Institutions
- CHAPTER 31** Other

Negotiations: analytical examination of the *acquis* ('screening')

Starting from spring 1998, the Commission conducted a process of analytical examination of the *acquis* with all candidate countries except Turkey. The aim of this exercise was to help the countries concerned to increase their understanding of the rules that underpin the EU and identify more clearly which issues they need to address as they adopt and implement the *acquis*. For the negotiating countries this exercise also served to prepare the negotiating process. In December 1999 the Helsinki European Council invited the Commission to prepare a process of analytical examination of the *acquis* with Turkey. As of 2000 the structures under the Association Agreement with Turkey provide for preparing this process.

For the negotiating countries, the process is now limited to any new *acquis*. For the new *acquis* adopted and published during a given calendar year, the Commission transmits in the first part of the following year, the relevant legal texts to the candidate countries. Analytical examination of this *acquis* takes place in the context of the Association Committees and Sub-Committees under the Association Agreements.

Negotiations: the state of play

Accession negotiations were opened on 31 March 1998 with six countries: the Czech Republic, Estonia, Hungary, Poland, Slovenia and Cyprus. Subsequently, on 15 February 2000, they were launched with six more countries: Bulgaria, Latvia, Lithuania, Malta, Romania and the Slovak Republic.

By June 2001, the following progress had been achieved. For the group of countries that started negotiations in March 1998, i.e. Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia, 29 out of 31 chapters had been opened and 16 to 22, depending on the country had been provisionally closed. For those countries that started negotiations in February 2000, i.e. Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia, 14 to 28 chapters, depending on the country, have been opened and 6 to 17 provisionally closed. The results show that the principles of differentiation and catching up have been respected.

Monitoring of the negotiations

The European Council has emphasised that progress in negotiations must go hand in hand with progress in incorporating the *acquis* into legislation, and actually implementing and enforcing it. In mid 2000 the Commission launched a process of monitoring of the negotiations. Its purpose is to assess the implementation of the commitments candidates have taken in the negotiations, making it possible to identify any delays that may have occurred in the adoption and implementation of the *acquis* by each candidate, and highlighting problems that exist or may be expected.

Ratification process

Once negotiations have been concluded on all chapters the results of the negotiations are incorporated in a draft accession treaty, which is submitted to the Council for approval and to the European Parliament for assent. After signature, the accession treaty is submitted to the Member States and to each candidate country concerned for ratification by them involving, in some cases, referenda. Each Member State and each candidate country must ratify the accession treaty, in accordance with the democratic procedures of each country concerned. When the ratification process has been concluded and the treaty takes effect, the candidate becomes a Member State.

The EU's Preparations for Enlargement

Budgetary arrangements

At its meeting in Berlin on 24-25 March 1999, the European Council confirmed that enlargement is a historic priority for the European Union, and that the accession negotiations would continue "each in accordance with its own rhythm and as rapidly as possible". In the framework of Agenda 2000, the Berlin European Council adopted new financial perspectives for the Union in the context of enlargement, covering the period 2000-2006. These perspectives make a financial provision both for pre-accession expenditure and for the first new Member States to join the EU between 2002-06. In concrete terms, up to € 3.12 billion annually have been allocated for pre-accession expenditure, and a total of up to € 58 billion has been set aside to finance Structural Funds programmes, internal policies, administration and agriculture in the newly acceding states.

Institutional reform

The Nice European Council in December 2000 was a major step towards enlargement, with agreement on a new Treaty. With its ratification, the EU will be ready to welcome new members.

Some important changes were made to streamline decision-making in an enlarged Union. These include the

- ✦ extension of majority voting to more policy areas in the Council of Ministers, in place of decision-making by unanimity;
- ✦ new weighting of votes of member states in the Council, to take account of the arrival of new members;
- ✦ new allocation of seats in the European Parliament;
- ✦ increase in authority of the President of the European Commission, in relation to the Commissioners and their portfolios.

A Protocol on Enlargement, annexed to the new Treaty, establishes the ways in which aspects of the EU's institutional system such as votes and seats will be adapted for each accession.

Communication strategy

Enlargement can be successful only if it is a transparent process that has the democratic support of the citizens of Member States and candidate countries. It is therefore, important that citizens of the Union and candidate countries understand what enlargement means. A wide-ranging dialogue is needed to make the challenges and benefits of enlargement clear, diffuse misconceptions where they exist and let the people know that their concerns are being taken seriously. In May 2000 the Commission adopted a Communication Strategy for Enlargement, which is being implemented on a decentralised basis by its Representatives in the Member States and its Delegations in the Candidate Countries, involving also national and regional authorities.

Conclusion

Enlargement of the European Union will help to bring stability and prosperity. It offers major economic benefits, both to the existing Union and to the acceding countries.

But it is more than just another increase in the number of EU Member States. Beyond the economic and political benefits, this enlargement will mean the integration of European countries that share common values and objectives, but which were artificially separated from each other for most of the last century. It will contribute to the reunification of our Continent.

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Milestones in EU enlargement

- 1957** Belgium, France, Germany, Italy, Luxembourg and the Netherlands sign the Treaty of Rome and establish the European Economic Community (EEC)
- 1963** Association Agreement signed with Turkey
- 1973** Denmark, Ireland and the United Kingdom join the EC
- 1981** Greece joins the EC
- 1986** Portugal and Spain join the EC
- 1988** The first Trade and Co-operation Agreement was signed with Hungary; similar agreements were subsequently signed with the other countries of Central and Eastern Europe
- 1989**
 - ☞ Fall of the Berlin Wall
 - ☞ European Community sets up the Phare Programme
 - ☞ Opinion on Turkey
- 1991** The first Europe Agreements were signed with Hungary and Poland (ratified in 1994); similar agreements were subsequently signed with the other countries of Central and Eastern Europe
- 1993**
 - ☞ Copenhagen European Council agrees the accession criteria
 - ☞ European Commission adopts Opinions on Cyprus and Malta
- 1994** Essen European Council agrees the pre-accession strategy
- 1995**
 - ☞ Austria, Finland and Sweden join the EU
 - ☞ Cannes European Council sets Phare budget at € 6.9 billion for 1995-1999
- 1997**
 - ☞ European Commission adopts Agenda 2000 and Opinions
 - ☞ Luxembourg European Council agrees on start of enlargement process, including accession negotiations and a reinforced pre-accession strategy

1998**March**

- First European Conference
- Accession process is launched
- Accession Partnerships are adopted
- Accession negotiations are opened with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia

April

- Screening process begins with the ten candidate countries from Central and Eastern Europe and Cyprus

October

- Malta reactivates its membership application

November

- European Commission adopts first Regular Reports

December

- Vienna European Council endorses European Commission's Regular Reports

1999**February**

European Commission presents update of its Opinion on Malta from 1993

March

Berlin European Council adopts the financial perspectives for 2000-2006, including pre-accession funds and accession-related expenditure

June

Cologne European Council

October

European Commission adopts second set of Regular Reports and revises Accession Partnerships

December

Helsinki European Council reaffirms the inclusive nature of the accession process, decides to open accession negotiations with six additional candidate countries, and confirms Turkey as a candidate destined to join the European Union.

2000**February**

Accession negotiations are formally launched with Bulgaria, Latvia, Lithuania, Malta, Romania, and the Slovak Republic

June

Feira European Council confirms the principles of differentiation and catching up and emphasises the importance of candidate countries administrative capacity to implement the *acquis communautaire*.

November European Commission adopts third set of Regular Reports, and an Accession Partnership for Turkey

December

Nice European Council provides the institutional basis for enlargement by concluding the IGC on institutional reform, and endorses the enlargement strategy proposed by the Commission. The central element of the strategy is the roadmap for the conduct of the negotiations.

2001**June**

Gothenburg European Council confirms that the enlargement process is irreversible, and reaffirms the roadmap as the framework for the successful completion of the negotiations. Provided that progress towards meeting the accession criteria continues at an unabated pace, the roadmap should make it possible to complete negotiations by the end of 2002 for those candidates that are ready, allowing the countries concerned to participate in the European Parliament elections of 2004 as new Members. The European Council recognises that the decisions in Helsinki have brought Turkey closer to the EU, and urges Turkey to take concrete measures to implement the priorities of the Accession Partnership.

October

Gent European Council makes mid-term review of the implementation of the enlargement strategy agreed at Nice.

November

European Commission adopts fourth set of Regular Reports and proposals for revised Accession Partnerships.

December

Laeken European Council

Glossary

Accession negotiations

Take the form of a series of bilateral inter-governmental conferences between each of the candidate countries and the EU Member States. Determine the conditions under which each candidate country will join the EU and focus specifically on the terms under which candidates adopt, implement and enforce the *acquis*. In certain cases, the granting of transitional arrangements is possible, but these must be limited in scope and duration. The pace of each negotiation will depend on the degree of preparation by each candidate country and the complexity of the issues to be resolved. For this reason, it is not possible to estimate the likely length of each negotiation in advance.

Accession Partnership

Key feature of the pre-accession strategy. Each Partnership mobilises all forms of Community assistance within a single framework for each country. This covers in detail the priorities for membership preparations, in particular adopting the *acquis communautaire*, as well as the financial resources available for that purpose.

Acquis

The expression *acquis* (or *acquis communautaire*) is used to describe the EU's rules and policies. It comprises the entire body of European Community legislation that has accumulated, and been revised, over the last 40 years. It includes the founding Treaty of Rome as revised by the Single Act and the Maastricht and Amsterdam Treaties; all the regulations and directives passed by the Council of Ministers; and the judgements of the European Court of Justice.

Agenda 2000

Framework in which the European Commission outlined in 1997 the perspective for the development of the EU and its policies beyond the turn of the century: the impact of enlargement on the EU as a whole; the Opinions on membership applications from the countries of Central and Eastern Europe; and the future financial framework for 2000-2006.

Association Agreement

Contractual framework of the relationship between the EU and Cyprus, Malta, and Turkey. The Association Agreements with each of these countries cover trade-related issues and various other areas of co-operation. They aim gradually to establish a customs union between the European Community and each of the countries concerned. In the case of Turkey, this objective was achieved in 1995, with the entry into force of the Customs Union Agreement; for Cyprus, progress towards a customs union is due to be completed by 2002.

Copenhagen criteria

Agreed in 1993 by the European Council, the Copenhagen criteria must be fulfilled by candidate countries if they are to become members. They must achieve stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; and the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union. The Luxembourg European Council (December 1997) also underlined that "as a prerequisite for enlargement of the Union, the operation of the institutions must be strengthened and improved in keeping with the institutional provisions of the Amsterdam Treaty".

Europe Agreement

Basic legal instruments of the relationship between the EU and the ten associated countries of Central and Eastern Europe. The Europe Agreements cover trade-related issues, political dialogue and various other areas of co-operation. They aim gradually to establish free trade between the EU and the associated countries. Since the Luxembourg European Council in December 1997, the institutions of the Europe Agreements have assumed an enlarged role in the enhanced pre-accession strategy. They monitor the overall progress made by the partner countries: the adoption and implementation of European Community legislation and the implementation of the Accession Partnership priorities.

European Conference

Multilateral framework bringing together the ten Central and Eastern European countries, Cyprus, Malta, and Turkey, to discuss issues of common interest, such as foreign and security policy, justice and home affairs, regional co-operation or economic matters. This conference met for the first time in London on 12 March 1998 at the level of Heads of State or Government. In December 1999, the Helsinki European Council announced a review of the future of the European Conference, so as to take account of the evolving situation. The Nice European Council in December 2000 concluded that the countries covered by the stabilisation and association process and the EFTA countries be invited to attend as prospective members. In June 2001, the Gothenburg European Council indicated that, with a view to strengthening the Union's partnership with Ukraine and Moldova, these countries will in the future be invited to join the Conference.

Institution Building

Institution building involves the adaptation and strengthening of democratic institutions, public administration and organisations that have a responsibility for implementing and enforcing Community legislation. The integration process is not simply a question of approximating candidate countries' legislation to that of the Community; it is also one of ensuring the effective and efficient implementation of the texts. This means training and equipping a wide range of civil servants, public officials, professionals and relevant private sector actors.

ISPA (pre-accession instrument for structural policies)

Pre-accession assistance worth € 1,040 million per year since 2000, to be directed mainly towards aligning the candidate countries of Central and Eastern Europe with Community infrastructure standards in transport and the environment.

Monitoring

The Helsinki European Council has emphasised that progress in negotiations must go hand in hand with progress in incorporating the *acquis* into legislation, and actually implementing and enforcing it. On that basis, in mid 2000 the Commission launched a process of monitoring of the negotiations. Its purpose is to assess the implementation of the commitments candidates have taken in the negotiations, and in general to identify any delays that may have occurred in the adoption and implementation of the *acquis* by each candidate, highlighting problems that exist or may be expected.

The basic procedure for enlargement was set out in Article O of the Treaty of Rome, now article 49 of the Treaty on the European Union as further modified by the Amsterdam Treaty. "Any European state which respects the principles set out in Article 6(1)[i.e. liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law] may apply to become a Member of the Union. It shall address its application to the Council, which shall act unanimously after consulting the Commission and after receiving the assent of the European Parliament, which shall act by an absolute majority of its component members." Thus, the Commission's Opinions of July 1997, which were adopted as part of Agenda 2000, were an assessment of the membership applications of the ten candidate countries of Central and Eastern Europe, as measured against the Copenhagen accession criteria.

Phare Programme

The single financial instrument of the pre-accession strategy for the candidate countries of Central and Eastern Europe until 1999, helping the candidate countries concerned prepare for accession to the EU. Since the year 2000, Phare has been complemented by ISPA and SAPARD. In accordance with the conclusions of the Berlin European Council (March 1999), Phare is providing € 1,560 million per year between 2000 to 2006.

Pre-accession strategy

The pre-accession strategy is designed to help the candidate countries prepare for future membership by aligning themselves as far as possible with European Community legislation before accession. It centres on the Accession Partnerships, pre-accession assistance, the Europe and Association Agreements (depending on the country concerned), and the participation of the candidate countries in European Community programmes and agencies.

Ratification

Once negotiations have been concluded on all chapters the results of the negotiations are incorporated in a draft accession treaty, which is submitted to the Council for approval and to the European Parliament for assent. After signature, the accession treaty is submitted to the Member States and to the candidate country concerned for ratification by them involving, in some cases, referenda. Ratification is therefore, a democratic process. Ratification is carried out in accordance with the democratic procedures of the country concerned. When the ratification process has been concluded and the treaty takes effect, the candidate becomes a Member State.

Regular Report

European Commission's assessment of progress achieved by each candidate country towards accession. The Reports serve as a basis for the Council to take decisions on the conduct of negotiations or their extension to other candidates.

SAPARD (Special Accession Programme for Agriculture and Rural Development)

Pre-accession assistance for the candidate countries of Central and Eastern Europe in agricultural development amounting to € 520 million per year, available since the year 2000.

Roadmap

The Nice European Council in December 2000 endorsed the Commission's proposal for a "roadmap" to bring the negotiation process forward. The objective of the roadmap is to ensure that all parties to the negotiations commit themselves to a realistic timetable. It aims at addressing the outstanding issues in the negotiations during 2001 and early 2002. In concrete terms, the Union undertakes to present common negotiating positions and to deal with related requests for transitional periods on all chapters of the negotiation in accordance with an agreed timetable, while respecting the guiding principles of differentiation and catching up. The Gothenburg European Council in June 2001 reaffirmed the roadmap as the framework for the successful completion of the accession negotiations.

Screening

The expression of 'screening' issued for the process of analytical examination of the *acquis* carried out by the European Commission with each candidate country. The aim of screening is to explain the *acquis* to the candidate countries and, with them, to identify areas where there may be problems to be addressed. Starting from spring 1998, the Commission conducted this process of analytical examination with all Candidate Countries except Turkey. In 1999 The Helsinki European Council invited the Commission to prepare the process with Turkey. For the negotiating countries, the process of screening is now limited to any new *acquis*. For the new *acquis* adopted and published during a given calendar year, the Commission transmits in the first quarter of the following year, the relevant legal texts to the candidate countries. Analytical examination of this *acquis* takes place in the context of the Association Committees and Sub-Committees under the Association Agreements.

Structural Funds

Structural Funds are these through which the Community channels financial assistance to address structural economic and social problems within the European Union. They aim at reducing inequalities between different regions and social groups.

Twinning

Principal mechanism for the delivery of Institution Building projects identified in the Accession Partnerships. Twinning brings together administrations and semi-public organisations in candidate countries with their counterparts in Member States to work on clearly defined projects that involve the transposition, implementation and enforcement of a specific part of the *acquis communautaire*. Twinning is designed to deliver specific results as set out in the Accession Partnerships.

Macroeconomic indicators and foreign aid

	Popul. in 1999 (millions)	GDP billions PPP 1999	GDP per capita /PPP 1999	GDP per capita as % of EU average (PPP) 1999	GDP growth in 2000 (%)	Inflation rate(%) annual average 2000
BULGARIA	8.3	40.6	5000	23	5.4	10.1
CZECH REPUBLIC	10.3	127.5	12400	59	3.1	3.9
ESTONIA	1.4	11.1	7700	36	6.6	4.1
HUNGARY	10.1	107.7	10700	51	5.3	9.8
LATVIA	2.4	14.2	5800	28	5,7	2,6
LITHUANIA	3.7	22.8	6200	29	2.9	1
POLAND	38.7	317.6	8200	39	4.2	10.1
ROMANIA	22.5	127.4	5700	27	1.6	49
SLOVAKIA	5.4	55.4	10300	48	2.2	12
SLOVENIA	2	29.7	14900	71	4.5	8.9
CYPRUS	0.7	11.5	17300	82	4.8	4.3
MALTA	0.4	4.3	11100	52	4.1	2.6
TURKEY	64.3	392.9	6100	29	5.8	54.9

National Phare* MEDA Programmes and others 2000 (millions) (1)	Indicative Programme SAPARD 2000 (millions) (1)	Indicative Programme ISPA 2000 (millions) (1)		EIB Loans in 2000 (millions) (2)		ERBD Loans in 2000 (millions) (3)	World Bank Loans in fiscal year 2000 (millions) (4)
		min	max	with budget guarantee	without budget guarantee		
150.6	52.1	83.2	124.8	160	–	61	239
101.5	22.1	57.2	83.2	–	385	64	–
32.5	12.1	20.8	36.4	–	42	30	27
119.8	38.1	72.8	104	–	240	35	34
33,8	21,8	36.4	57.2	–	10	12	44
86	29.8	41.6	62.4	10	–	92	61
483.4	168.7	312	384.8	–	941	776	174
260.3	150.6	208	270.4	853	–	179	122
78.8	18.3	36.4	57.2	242	–	117	–
33.4	6.3	10.4	20.8	65	–	10	10
9	–	–	–	–	–	–	–
6	–	–	–	–	–	–	–
209	–	–	–	575	–	–	1919

PPP: Purchase Power Parity

Sources: Eurostat (from national harmonized sources)

⁽¹⁾ Sources: Commission sources

* 185,2 M available should be added for the CEECs for multi-country programmes which are not allocated.

⁽²⁾ EIB annual report

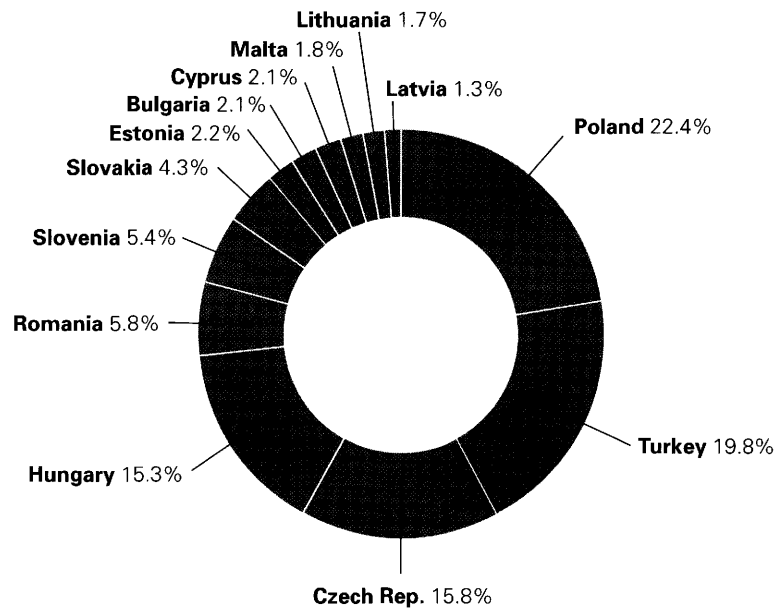
⁽³⁾ EBRD annual report

⁽⁴⁾ World Bank annual report 2000, budgetary exercise 2000

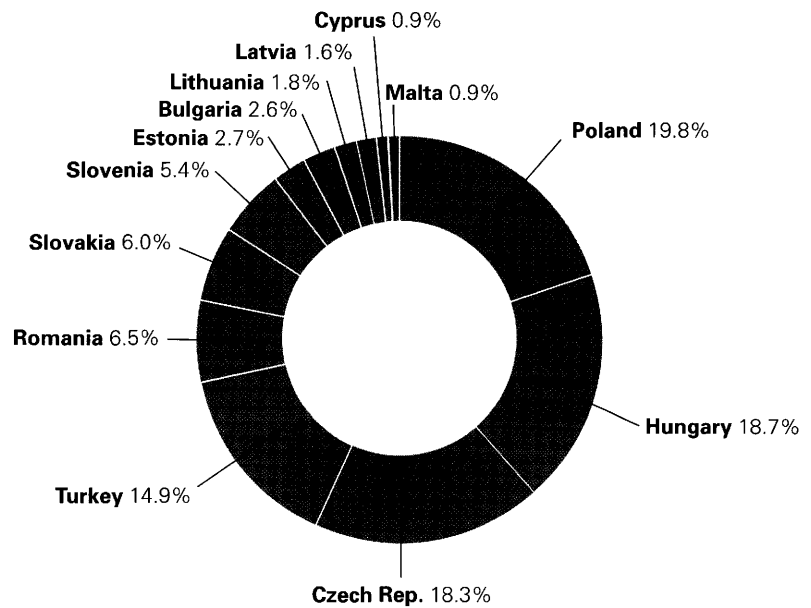
30 June 1999 - 30 June 2000, conversion of World Bank figures at the rate of: 1 = \$ 0.922 (annual average 2000)

Trade facts and figures

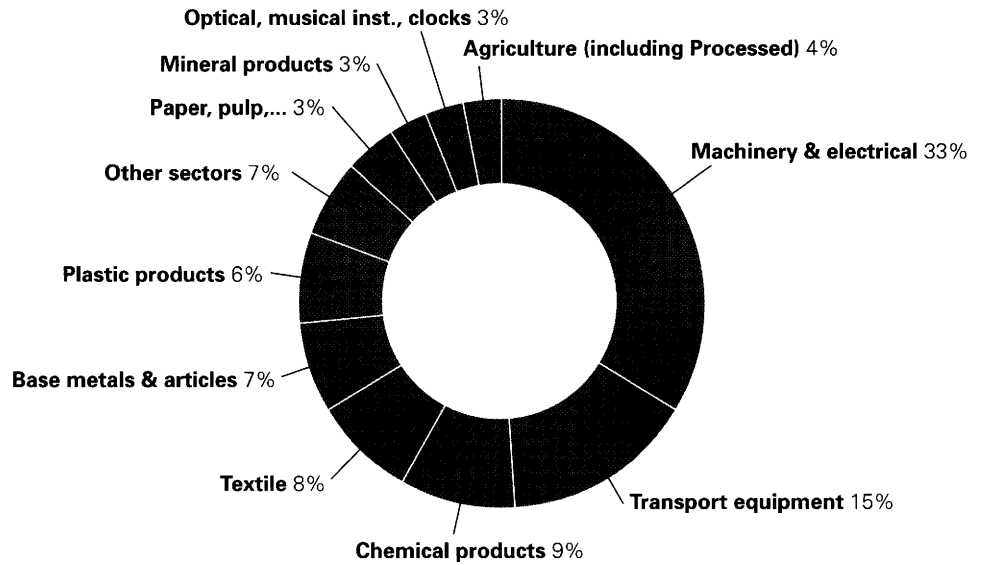
EU 15 exports towards candidate countries, share by partner country, in 2000



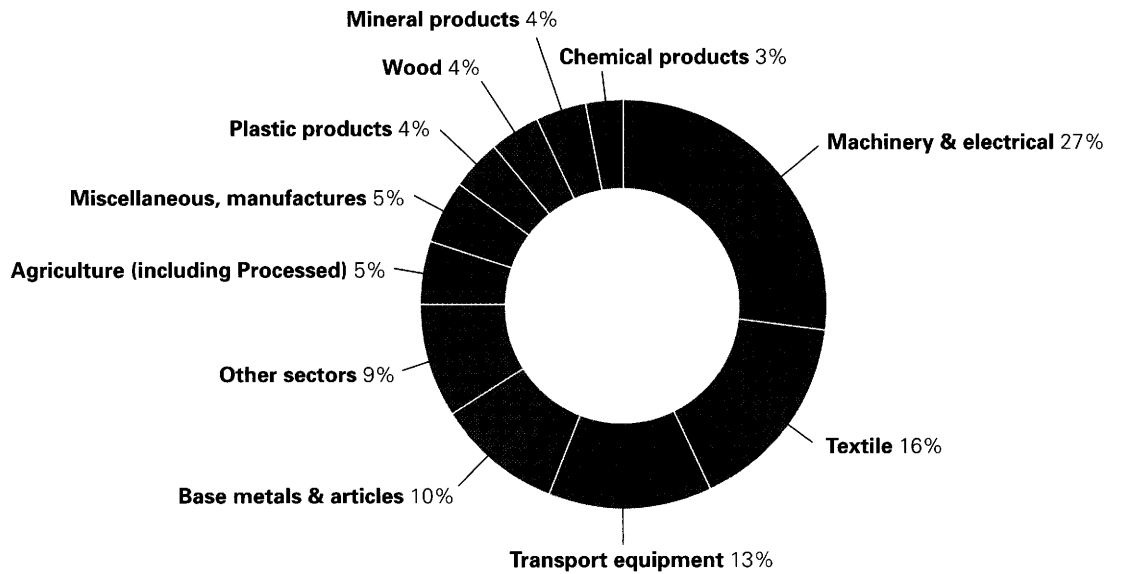
EU 15 exports towards candidate countries, share by sector, in 2000



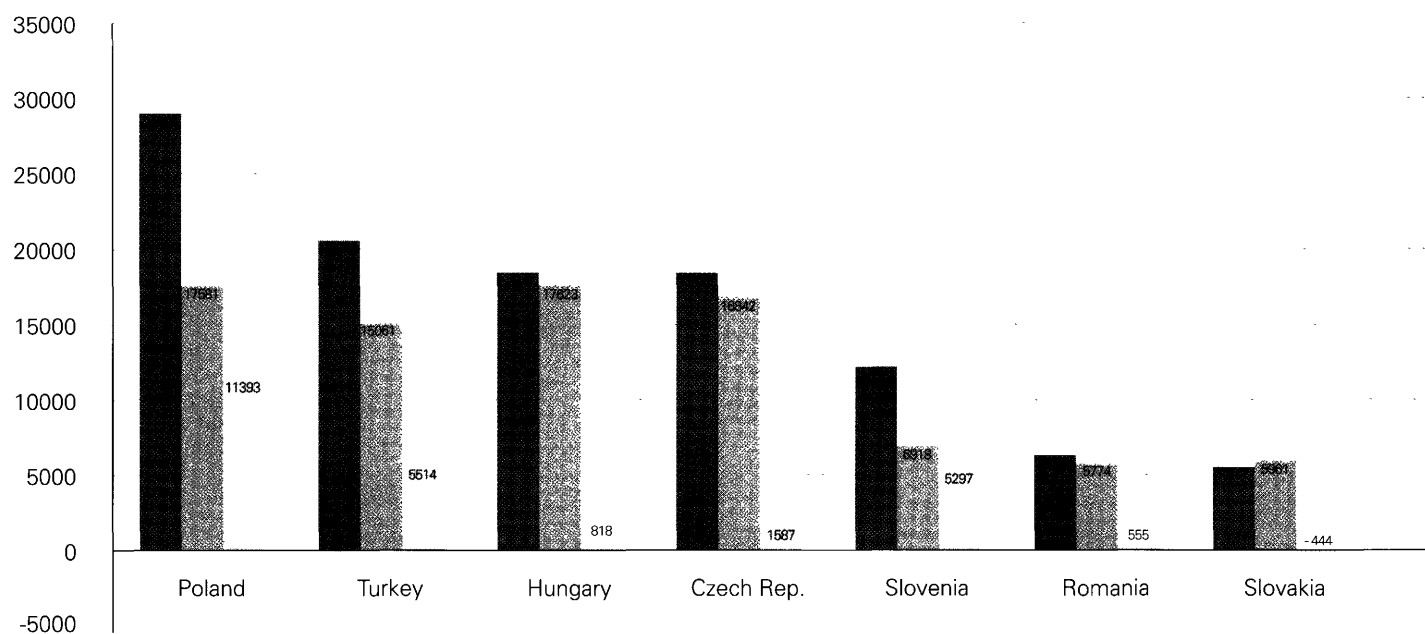
EU 15 imports from candidate countries, share by country, in 2000



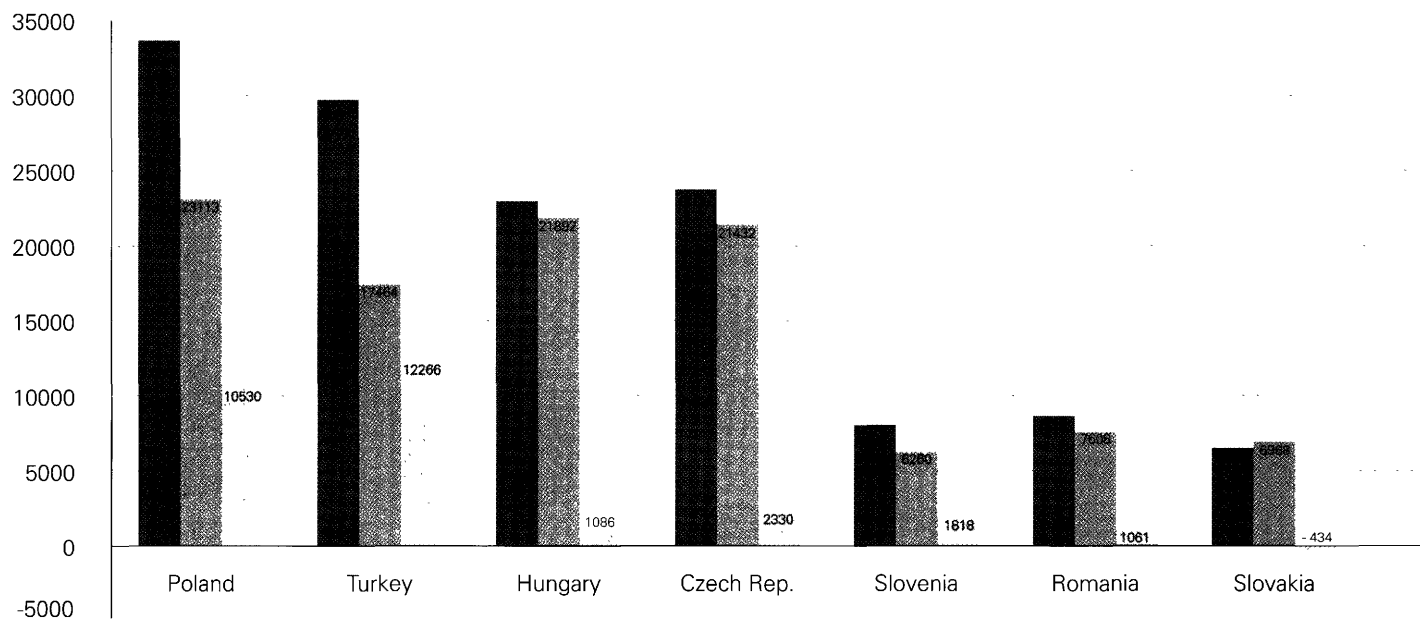
EU 15 imports from candidate countries, share by sector, in 2000



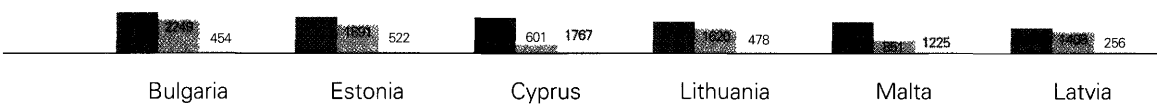
EU 15 Trade with candidate Countries in 1999 (million €)



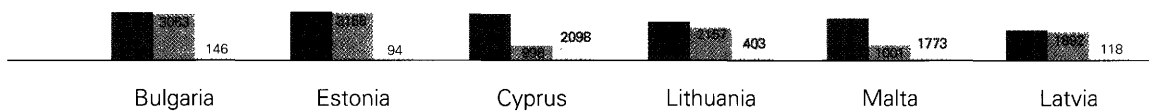
EU 15 Trade with candidate Countries in 2000 (million €)



■ Export ■ Import Balance



■ Export ■ Import Balance



Source: Eurostat (Comext-EEC Special Trade Domain)

Investments facts and figures

Foreign Direct Investment (FDI) by Country from 1989 to 2000

	Total FDI 31/12/00 millions	Total FDI per capita	FDI in 2000 millions	FDI per capita in 2000
HUNGARY	21063	2099	1790	178
POLAND	31508	814	10087	260
CZECH REP.	23503	2280	4854	471
ROMANIA	7343	329	1085	49
SLOVENIA	1659	833	141	73
LATVIA	2636	1114	358	151
SLOVAKIA	3915	726	1627	301
BULGARIA	3579	441	1057	130
ESTONIA	20931	1450	260	182
LITHUANIA	2560	696	385	104
TURKEY*	7843	122	735	11
CYPRUS*	1612	2303	61	87
MALTA*	2392	5978	761	1950

Source: EBRD Transition Report (update 2001)

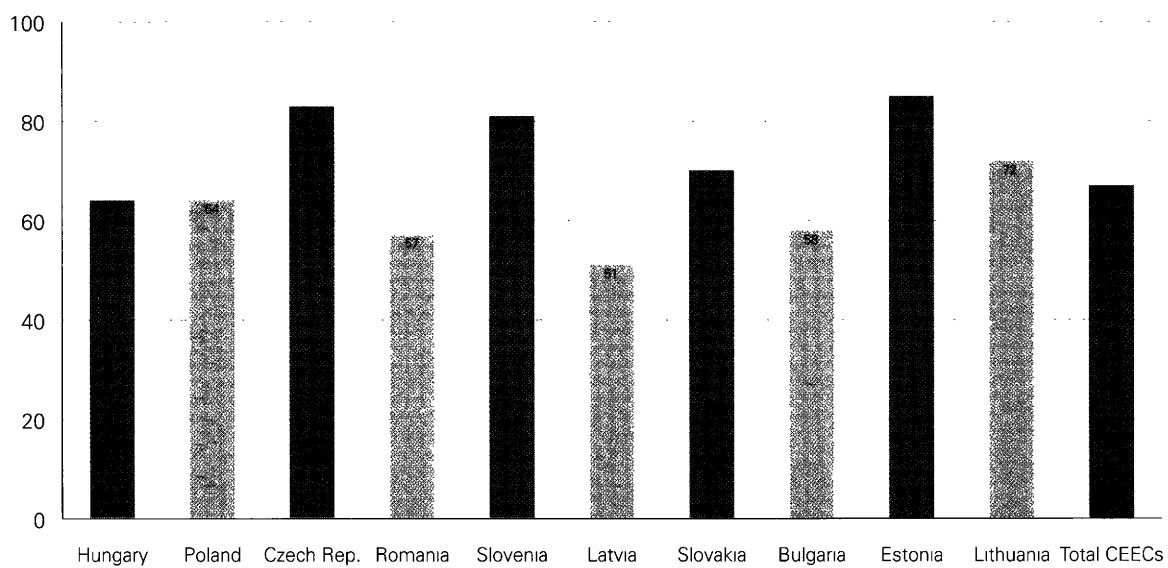
* Source: year 1999, World Investment Report (UNCTAD 2000)

Note: conversion of EBRD & UNCTAD data at the rate of

1=\$1.065 (1999)

1=\$0.922 (2000)

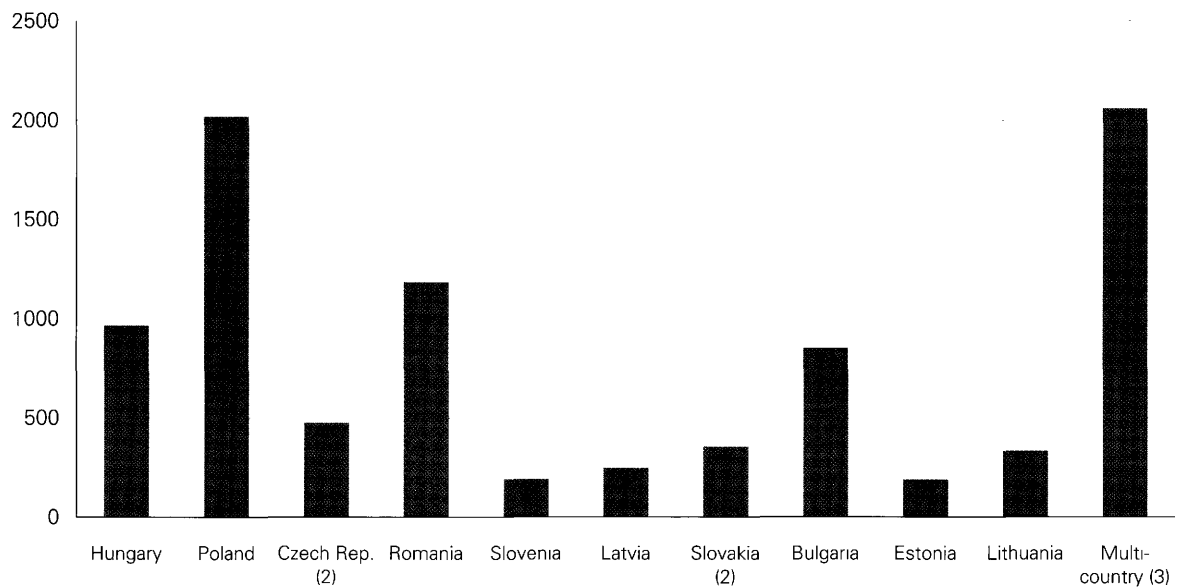
Appraisal of EU Share in Total FDI per Country (%)



Source: World Investment Report 2000, UNCTAD, FDI Stock from identified origin in 1999

The Community assistance helping candidates to prepare for accession

Phare Commitments, 1990-1999, in € million ⁽¹⁾

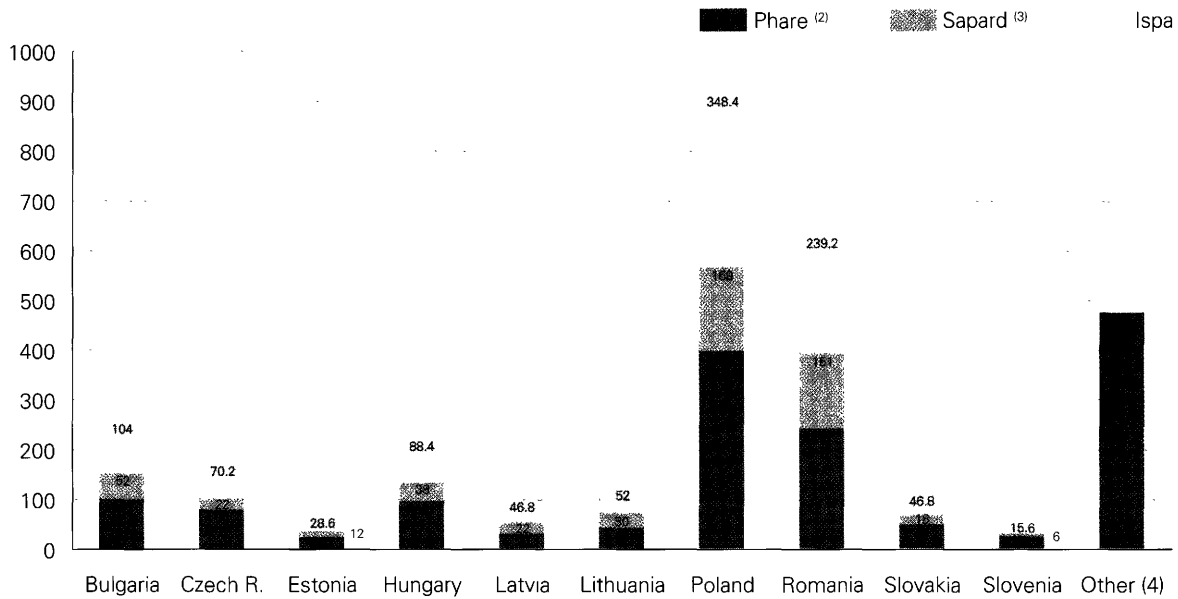


⁽¹⁾ Phare national programme assistance includes cross-border co-operation and Community programmes but not multi-country programmes.

⁽²⁾ Financial assistance towards Czech Republic and Slovakia does not include financial assistance towards Czechoslovakia (commitments 232 million over the period 1990-1992) and started in 1993

⁽³⁾ Includes other Phare beneficiary countries: Albania, Bosnia & Herzegovina, FYROM.

Pre-accession assistance: commitments from 2000, in € million ⁽¹⁾



¹⁾ These allocations were agreed at the 1999 Berlin Summit and will be annually adjusted in the framework of the budget perspectives for 2000-2006.

²⁾ Phare national programme assistance includes cross-border co-operation and Community programmes but not multi-country programmes.

³⁾ Funds allocated under ISPA vary within a fixed range. Given amounts are mid-point of range

⁴⁾ Includes multi-country programmes and technical assistance funded under the Phare programme

Community assistance to Cyprus and Malta - Commitments 2000-2004, in € million

CYPRUS	2000	2001	2002	2003	2004	Total
Total allocation	9	11.5	11.5	12	13	57

Repartition between 2002,2003 and 2004 is indicative

MALTA	2000	2001	2002	2003	2004	Total
Total allocation	6	7.5	9.5	8	7	38

Repartition between 2002,2003 and 2004 is indicative

Community assistance to Turkey - Commitments 2000-2002, in € million

TURKEY	2000	2001	2002	Total
Total allocation	209	172	177	558

Conclusions of the Berlin European Council (March 1999)

Excerpts

“In light of the outcome on Agenda 2000 on 24 and 25 March, the European Council wishes to send a message of reassurance to the countries negotiating for accession. Enlargement remains an historic priority for the European Union. The accession negotiations will continue each in accordance with its own rhythm and as rapidly as possible. It calls upon the Council and the Commission to ensure that the pace of the negotiations is maintained accordingly...”

Pre-accession expenditure

Expenditure for the three pre-accession instruments (Phare, the agricultural instrument and the structural instrument) should be entered in separate sub-headings in a new heading 7 in the financial perspective. The annual ceiling for the three sub-headings should remain at a constant level throughout the period and should not exceed:

Pre-accession instruments (€ million 1999 prices)

	2000	2001	2002	2003	2004	2005	2006
Pre-accession instruments	3,120	3,120	3,120	3,120	3,120	3,120	3,120
Phare	1,560	1,560	1,560	1,560	1,560	1,560	1,560
Agricultural	520	520	520	520	520	520	520
Structural	1,040	1,040	1,040	1,040	1,040	1,040	1,040

Accession-related expenditure

In the financial perspectives for EU-15, an amount 'available for accession' should be set aside under the own resources ceiling from 2002 until 2006 as the maximum amounts in payment appropriations to cover expenditure resulting from new accessions over the period. Payment appropriations available for accession should not exceed:

Available for accession (appropriations for payments - € million 1999 prices)

	2002	2003	2004	2005	2006
Payment appropriations:	4,140	6,710	8,890	11,440	14,210
Agriculture	1,600	2,030	2,450	2,930	3,400
Other expenditure	2,540	4,680	6,640	8,510	10,810

Financial framework for EU-21

An indicative financial framework for EU-21 should accompany the financial perspective. It should include additional own resources resulting from the accession of six new Member States, and set out in an additional heading 8 (enlargement) the total cost of enlargement for each of the years 2002-2006, expressed as maximum amounts in commitment appropriations for agriculture, structural operations, internal policies and administration, as follows:

Heading 8 Enlargement (appropriations for commitments) € million 1999 prices

	2002	2003	2004	2005	2006
Agriculture	1,600	2,030	2,450	2,930	3,400
Structural operations	3,750	5,830	7,920	10,000	12,080
Internal policies	730	760	790	820	850
Administration	370	410	450	450	450



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