

**ENLARGEMENT**

# European Union enlargement

*A historic opportunity*





# **European Union enlargement**

*A historic opportunity*





*"Enlargement is both a historical opportunity and an obligation for the European Union and therefore one of its highest priorities. My aim is to strike the right balance between two objectives in the enlargement process: speed and quality. Our success in concluding the historic undertaking on which we have embarked together with the candidate countries will depend on the intensity and quality of our joint work."*

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





# Table of contents

|   |           |
|---|-----------|
| <b>An unprecedented enlargement</b>                       | <b>6</b>  |
| From cooperation to accession                             | 7         |
| Membership applications                                   | 9         |
| Accession criteria  | 9         |
| Agenda 2000 and the European Commission's Opinions        | 10        |
| <b>The enlargement process</b>                            | <b>12</b> |
| Negotiations: the process                                 | 12        |
| Negotiations: the state of play                           | 13        |
| Screening of the <i>acquis communautaire</i>              | 13        |
| Review procedure - Regular Reports                        | 14        |
| <b>Pre-accession strategy</b>                             | <b>16</b> |
| The Europe Agreements                                     | 17        |
| The Association Agreements with Cyprus, Malta, and Turkey | 17        |
| Accession Partnerships                                    | 18        |
| Pre-accession assistance                                  | 20        |
| The Phare Programme                                       | 20        |
| Twinning  | 21        |
| Investing in the <i>acquis</i>                            | 23        |
| Cofinancing with the EIB and the IFIs                     | 23        |
| Opening of European Community programmes and agencies     | 25        |
| <b>Conclusion</b>   | <b>26</b> |
| <b>Annexes</b>  | <b>29</b> |
| Milestones in EU enlargement                              | 30        |
| Glossary  | 32        |
| Chapters of the <i>acquis communautaire</i>               | 35        |
| Macroeconomic indicators and foreign aid                  | 36        |
| Trade facts and figures                                   | 38        |
| Investment facts and figures                              | 42        |
| The Phare Programme 1990-1998                             | 44        |
| Conclusions of the Berlin European Council                | 46        |

# An unprecedented enlargement

Enlargement is one of the most important opportunities for the European Union as it prepares for the 21st century. It is a unique, historic task to further the integration of the continent by peaceful means, extending a zone of stability and prosperity to new members. In December 1997, at its summit in Luxembourg, the European Council launched the process that will make enlargement possible. This process embraces the following thirteen countries: Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, Slovenia and Turkey.

In particular, the Luxembourg European Council decided that the enlargement process should encompass:

- ✦ the European Conference, a multilateral framework bringing together ten central European countries, Cyprus and Turkey, which was launched on 12 March 1998;
- ✦ the accession process, covering ten central European countries and Cyprus, which was launched on 30 March 1998;
- ✦ the accession negotiations, which were opened on 31 March 1998 with six countries, as recommended by the European Commission: Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia.

Malta, which had 'frozen' its application for membership in 1996, reactivated it in October 1998. In December 1999, at its summit in Helsinki, the European Council confirmed the inclusive nature of the accession process, and decided, on the basis of a recommendation of the European Commission, to open formal accession

negotiations with six further candidate countries: Bulgaria, Latvia, Lithuania, Malta, Romania, and the Slovak Republic. Accession negotiations with these six countries were formally opened on 15 February 2000. The Helsinki European Council furthermore confirmed that Turkey is a candidate destined to join the Union on the basis of the same criteria as applied to the other candidate countries.

The EU can already look back on a history of successful enlargements. The Treaties of Paris (1951), establishing the European Coal and Steel Community (ECSC), and Rome (1957), establishing the European Economic Community (EEC) and EURATOM, were signed by six founding members: Belgium, France, Germany, Italy, Luxembourg and the Netherlands. The EU then underwent four successive enlargements:

**1973** Denmark, Ireland and the United Kingdom

**1981** Greece

**1986** Portugal and Spain

**1995** Austria, Finland and Sweden.

However, the enlargement facing the EU today poses a unique challenge, since it is without precedent in terms of scope and diversity: the number of candidates, the area (increase of 34 per cent), the population (increase of 105 million)<sup>1</sup>, and the wealth of different histories and cultures. Third countries will significantly benefit from an enlarged Union. A single set of trade rules, a single tariff, and a single set of administrative procedures will apply not just across the existing Member States but across the Single Market of the enlarged Union. This will simplify dealings for third-country operators within Europe and improve conditions for investment and trade.

<sup>1</sup> EU-27 (consisting of the present fifteen Member States and the twelve candidate countries with which negotiations have been opened, i.e. the ten central European countries, Cyprus and Malta), compared with EU-15. In addition, Turkey, equally a candidate destined to join the European Union, has a surface of 775.000 km<sup>2</sup>, and a population of 63 million.



## **From cooperation to accession**

Soon after the fall of the Berlin Wall in 1989, the European Community quickly established diplomatic relations with the countries of central 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 Cooperation 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 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 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 p.17)*

The Europe Agreements cover trade-related issues, political dialogue, legal approximation and other areas of cooperation, 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.

| <b>Country</b> | <b>Europe Agreement signed</b> | <b>Europe Agreement came into force</b> |
|----------------|--------------------------------|---|
| 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                           |

| <b>Country</b> | <b>Association Agreement signed</b> | <b>Association Agreement came into force</b> |
|----------------|-------------------------------------|--|
| 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 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 p38-42*). 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.

## Membership applications

The Europe Agreements recognised the associated countries' intention 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 Amsterdam Treaty): "Any European state 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

|             |                  |
|-------------|------------------|
| 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 Rep.  | 17 January 1996  |
| Slovenia    | 10 June 1996     |

## Accession criteria

In 1993, at the Copenhagen European Council, the Member States 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'. Here too, the European Council provided a clear response: "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, the Member States designed the membership criteria, which are often referred to as the 'Copenhagen criteria'.

### Copenhagen European Council

As stated in Copenhagen, 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;
- 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.

### **Madrid European Council**

Membership also requires that the candidate country has 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.

### **Luxembourg European Council**

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”.

### **Helsinki European Council**

At Helsinki (December 1999), the European Council confirmed that compliance with all the Copenhagen criteria is the basis for accession to the Union, and added that candidate countries “must share the values and objectives of the European Union as set out in the Treaties.” The European Council recalled in particular that compliance with the political Copenhagen criteria is

a prerequisite for the opening of accession negotiations, and urged candidate countries to make every effort to resolve any outstanding border disputes and other related issues. Furthermore, the Helsinki European Council emphasised the importance of high standards of nuclear safety.

## **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 as soon as possible after the Intergovernmental Conference (IGC) on the reform of the EU's institutions, which was completed in June 1997 in Amsterdam, and to prepare a detailed analysis of what enlargement would mean for the EU. It also reaffirmed that the necessary decisions for launching accession negotiations would be taken within six months of the IGC's conclusion.

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. These reports serve as a basis for the Council to take decisions on the conduct of negotiations or their extension to other candidates on the basis of the accession criteria (*see page 14*). A first set of Regular Reports was submitted in November 1998, and a second set in October 1999. 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 enlargement process

On the basis of the recommendations of the European Commission, the Luxembourg European Council (December 1997) 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 ten candidate countries from central Europe, Cyprus, Malta, and Turkey. The Conference is a multilateral forum for discussing issues of common interest, such as foreign and security policy, justice and home affairs, regional cooperation or economic matters. This conference met for the first time in London on 12 March 1998. The second meeting took place in Luxembourg on 6 October 1998 and the third one in Brussels on 19 July 1999, at the level of foreign affairs ministers. Turkey declined the invitation for these first three meetings. 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. A fourth meeting is due to take place in the second half of 2000;
- » the accession process, which was launched in Brussels on 30 March 1998 for all the ten central European candidates and Cyprus. The accession process, which now also encompasses Malta and Turkey, is an evolutive and inclusive process in the sense that all these countries are destined to join the EU on the basis of the same criteria. It includes a pre-accession strategy, the accession negotiations, a so-called ‘screening’ of European Community legislation, and a review procedure. All of these elements are discussed in more detail below;

- » the accession negotiations process, which determines the conditions under which each candidate country will join the EU. The negotiations focus specifically on the terms under which candidates adopt, implement and enforce the *acquis communautaire*. In certain cases, the granting of transitional arrangements may be possible, but these must be limited in scope and duration.

## 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 communautaire* (‘screening’), such as free movement of goods, agriculture, environment, etc., negotiations are opened with the candidate countries, chapter by chapter (*see Annex page 35 for the full list of chapters*). The Commission proposes common negotiating positions for the EU for each chapter relating to matters of Community competence. Negotiating positions are then approved unanimously by the Member States. 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. 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 for ratification by them involving, in some cases, referenda. When the treaty takes effect, the candidate becomes a Member State. This ratification process can take around two years.

## Negotiations: the state of play

Accession negotiations were formally opened on 31 March 1998 with six countries: the Czech Republic, Estonia, Hungary, Poland, Slovenia and Cyprus. Subsequently, on 15 February 2000, accession negotiations were formally launched with six additional candidate countries: Bulgaria, Latvia, Lithuania, Malta, Romania and the Slovak Republic. 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 and the pace of each negotiation depends on the degree of preparation by each candidate country and the complexity of the issues to be resolved. In deciding to open negotiations with a second group of countries, the Helsinki European Council, in December 1999, has 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. For this reason, it is not possible to estimate the length of each negotiation in advance.

For the group of countries which started negotiations in March 1998, twenty-three out of thirty-one chapters had been opened, and eight to eleven chapters - depending on the country - had provisionally been closed by the end of 1999. During the first semester of 2000, nearly all remaining chapters were opened with these countries, i.e. agriculture, regional policy, freedom of movement of persons, justice and home affairs, financial control, and financial and budgetary

provisions. This made it possible to obtain, by mid 2000, a preliminary overview of the situation for these six countries, including regard to problematic areas and transitional periods requested.

For the countries which joined the negotiations in February 2000, i.e. Bulgaria, Latvia, Lithuania, Malta, Romania, and the Slovak Republic, the EU agreed to open, on 28 March 2000, an initial list of negotiating chapters. These lists differ between the countries concerned. The number and nature of the chapters included for each country were decided on the basis of each country's level of preparedness.

## Screening of the *acquis communautaire*

Starting in spring 1998, the Commission has been conducting a process of analytical examination of the Union *acquis* ('screening'), both with the six countries which had already entered negotiations and with Bulgaria, Latvia, Lithuania, Malta, Romania, and the Slovak Republic. 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 communautaire*. In addition, this exercise also served to prepare the negotiating countries for 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.

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. An update ‘screening’ process is therefore taking place, both with the countries which started negotiations in March 1998, and with the ‘newcomers’ in the negotiations. For the first group of countries, the purpose of this process is twofold, notably to i) integrate new 1999 *acquis* and ii) assess progress in implementing the *acquis* for all chapters which have been opened. Should this process show that certain candidates do not live up to their commitments, chapters may be re-examined. For the second group of countries, the update screening serves to i) establish whether these countries are ready to implement the *acquis* by the date of accession, ii) help them integrate the 1999 *acquis*, and iii) monitor their progress in implementing and enforcing the *acquis*.

## Review procedure - Regular Reports

Following the publication of the Commission’s Opinions on the progress of the candidate countries in 1997, the Commission submits Regular Reports to the Council on further progress achieved by each country. The reports serve as a basis for the Council to take decisions on the conduct of 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 Europe, Cyprus and Turkey, to the Council in November 1998. The Vienna European Council (December 1998) welcomed and generally endorsed these Regular Reports. 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 Europe, Cyprus, Malta, and Turkey.

On the basis of this second set of Regular Reports, in October 1999, the Commission recommended to the European Council to conclude that:

- ☛ “accession negotiations will be opened in 2000 with all candidate countries that have fulfilled the Copenhagen political criteria and have proved to be ready to take the necessary measures to comply with the economic criteria, i.e. Bulgaria, Malta, Latvia, Lithuania, Romania and the Slovak Republic”;
- ☛ “the opening of negotiations with Bulgaria will be conditional upon a decision by the Bulgarian authorities, before the end of 1999, on acceptable closure dates for Units 1-4 in Kozloduy nuclear power plant, and upon a confirmation of the significant progress accomplished in the economic reform process”;
- ☛ “for Romania, the opening of negotiations will be conditional on the confirmation of effective action announced by the Romanian authorities to provide adequate budgetary resources and to implement structural reform of child care institutions before the end of 1999; it is also conditional upon a further assessment of the economic situation before negotiations are formally opened, in the expectation that appropriate measures will have been taken to address the macro-economic situation”;
- ☛ “the nature and the number of negotiating chapters to be successively opened with each



candidate country will be determined by the EU applying the principle of differentiation, i.e. taking full account of each candidate's progress in preparing for membership under the Copenhagen criteria”;

- ☛ “the chapters already provisionally closed in the ongoing negotiations will be reviewed, as agreed, in order to allow due account to be taken of newly adopted acquis. Provisional closure of chapters will henceforth be decided by taking full account of the result of negotiations and the degree to which candidates have fulfilled their commitments to make progress in their preparations for membership”;
- ☛ “Turkey should now be considered as a candidate country, although there is no question of opening negotiations at this stage”.

The Helsinki European Council (December 1999) endorsed these recommendations, and indicated that it expected the next regular progress reports to be presented in good time before the European Council in December 2000.

# Pre-accession strategy

The Essen European Council, at the end of 1994, defined a pre-accession strategy to prepare the countries of central 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 Europe, with a specific strategy for Cyprus (including participation in Community programmes, participation in certain targeted projects and use of TAIEX assistance). It also asked the Commission to elaborate a European Strategy to prepare Turkey for accession in every field. Following Malta's reactivation of its application for membership in October 1998, a specific pre-accession strategy was also developed 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, building on the European Strategy.

The EU's pre-accession strategy towards the candidate countries of central 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)

- cofinancing 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, further to a request of the Luxembourg European Council. 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 cooperation in several fields. The participation in Community programmes and agencies was also foreseen. The pre-accession strategy for Turkey which is now under preparation, in line with the Helsinki conclusions, encompasses the following elements:

- 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

As basic legal instruments of the relationship between the EU and the ten associated countries of central Europe, the Europe Agreements cover trade-related issues, political dialogue, legal approximation and various other areas of cooperation.

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; and 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 Europe more quickly than those on EU exports, the overall trade balance of the EU with these countries remains largely positive. Indeed, the trade surplus in favour of the EU has grown, reaching

a total of around €22,200 million in 1998 vis-à-vis all ten candidate countries of central Europe. This phenomenon was also a characteristic of EU-Turkey trade, in particular since the entry into force of the Customs Union. Indeed the EU's surplus reached around €11 billion in 1997 compared with €4 billion in 1995.

Since 1994, for each country with which a Europe Agreement is in force, there has been a series 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 with regard to monitoring the progress made by the partner countries in the adoption and implementation of the *acquis communautaire* 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 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 cooperation. They aim to progressively establish a customs union between the European Community and each of these three 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, and so far no target date for a customs union has been agreed.

In contrast 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.

The Accession Partnerships respond to this need, and constitute the central pillar of the reinforced pre-accession strategy. They set out the priorities for the candidates as they prepare themselves to become members of the EU and bring together all the different forms of EU support within a single framework. The European Council in Luxembourg in December 1997 endorsed the Accession Partnerships as the key instrument in strengthening the pre-accession strategy. The Council then adopted a regulation in March 1998, empowering it to decide on the principles, priorities and general conditions of each Accession Partnership, which it did in subsequent Council Decisions for each of the ten candidate countries of central Europe,

for the first time in 1998 and a second time in 1999. On this basis, detailed Accession Partnerships for each country were adopted by the Commission. Accession Partnerships are also being established for Cyprus and Malta, on the basis of a separate Council regulation. An Accession Partnership for Turkey is under preparation, and is expected to be adopted in the second half of 2000.

Each country's Accession Partnership sets out clear short-term and medium-term priorities. 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.

### **1999 Accession Partnerships: examples of short-term priorities**

**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'; and 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; and 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.

All candidate countries have drawn up a National Programme for the Adoption of the Acquis (NPAA), except for Turkey, which is expected to do so in the course of 2000. The NPAA sets out in detail how the candidate country in question 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 assistance

In line with the conclusions of the Berlin European Council (24-25 March 1999), pre-accession assistance to the candidate countries of central Europe will be more than doubled from the year 2000 onwards: €3,120 million will be made available annually between 2000 and 2006 through the Phare Programme and two new pre-accession instruments, i.e. ISPA and SAPARD (*see below*), as proposed by the European Commission in Agenda 2000.

Programming under these three pre-accession instruments will follow 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 instruments for the candidate countries of Central 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 coordination between the three instruments, supported by the Phare Management Committee.

#### ISPA:

- ▶ finances major environmental and transport infrastructure;
- ▶ 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 to Cyprus and Malta from the year 2000:** such assistance is provided 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 might help to bring about a political settlement.

**Pre-accession assistance to Turkey from the year 2000:** such assistance is provided under the two 'European Strategy' regulations for Turkey (€150 million for 2000-2002), as well as under the MEDA II programme (€127 million per year). This implies that, as from the year 2000, the annual financial allocation to Turkey will nearly double (€177 million compared with €93 million for 1996-1999).

## The Phare Programme

In Agenda 2000, the European Commission proposed to focus the Phare Programme on preparing the candidate countries in central Europe



for EU membership by concentrating its support on two crucial priorities in the adoption of the *acquis communautaire*: Institution Building and investment support. 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 approximating candidate countries' legislation to that of the Community; 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 per cent of Phare funds is 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 mechanism of the Institution Building process, to help the candidate countries in their development of modern and efficient administrations with the structures, human resources and management skills needed to implement the *acquis communautaire* to the same standards as Member States.

Twinning provides the framework for administrations and semi-public organisations in the candidate countries to work with their counterparts in Member States to develop and implement a project that involves the transposition, enforcement and implementation of a specific part of the *acquis communautaire*. The main feature of a twinning project is that it sets out to deliver specific and guaranteed results. It is not designed to foster general cooperation but to deliver specific results agreed between the parties in advance for the implementation of priority areas of the *acquis*, as set out in the Accession Partnerships. Instead of having recourse to short-term, problem-solving expertise, twinning involves the secondment of EU experts to the candidate countries to effect longer-term change. Each twinning project has at least one pre-accession adviser who is 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 to implement the project.

For the 1998 and 1999 Phare programming periods, twinning is focused on four priority sectors - agriculture, environment, finance and justice and home affairs. These represent the short-term priority sectors that have been identified in the Accession Partnerships. Twinning also covers projects which prepare candidate countries for the introduction of structural funds. An additional area may be added to meet the specific needs of each country and, gradually, the twinning process will be extended to cover the whole of the *acquis communautaire*.

## **Twinning: state of play (examples)**

### ***Bulgaria***

Reform of the veterinary control administration (**Italy** lead partner). Through the training of veterinarians in Bulgaria and study visits to Italy, Community standards will be reached in areas including food quality and consumer protection, aquaculture, animal welfare and operation of border inspection posts.

### ***Czech Rep.***

Strengthening the functioning and independence of the judiciary (**the Netherlands** lead partner). The project will strengthen the Czech Association of Judges and the Association of State Prosecutors, as well as the organisation and functioning of commercial and civil courts.

### ***Estonia***

Implementation of the environmental accession programmes to ensure that Community legislation on air quality is transposed and that institutions are able to enforce the legislation by providing suitable training in air protection management and planning (**Finland** lead partner), and assisting the authorities, central and local, in implementing the water framework directive (**Sweden** lead partner).

### ***Hungary***

Modernisation of the taxation system (**Austria** lead partner), including the reinforcement of tax services, implementation of anti-fraud standards, and harmonisation of the Hungarian excise system with respect to EU Member State practices and the application of key directives.

### ***Latvia***

Reform of the court system (**Germany** lead partner). This project will focus on staff policy and internal administration of the judiciary, and will help develop staff competence. International judicial cooperation arrangements will also be reinforced.

### ***Lithuania***

Strengthening of the budgetary process, indirect taxation, national audit and control bodies (**Denmark** lead partner), which will be supported by the automation of the management information system and analysis capability of budget departments of ministries and municipalities.

### ***Poland***

Implementation of a coal and steel restructuring programme (**Spain** lead partner). The goal here is to strengthen the policy, monitoring and administrative capacity of the institutions and agencies who will be responsible for dealing with the social aspects of restructuring the coal and steel industries.

Reform of the veterinary administration (**France** lead partner) including harmonisation of Polish veterinary legislation with Community laws by the end of 2000; the establishment of appropriate training in the relevant legislation for Polish veterinary officials at central, regional and local levels; and assistance to the Polish authorities in creating information systems which will support the implementation and enforcement of veterinary laws throughout the country.



**Romania**

Reform of the phytosanitary administration (**Greece** lead partner), with a view to reinforcing and developing Romanian expertise on plant quarantine, the interaction between agricultural products and the environment, environmentally friendly control methods, and sustainable agriculture. There will be a particular focus on phytosanitary controls at external borders.

**Slovak Rep.**

Police training (**UK** lead partner). This project will provide senior management training for the Slovakian police and will cover the fields of money laundering, anti-drugs actions and witness protection, leading to the implementation of a new law on witness protection.

**Slovenia**

Development of structural policy and institutions (**Ireland** lead partner), for helping Slovenia to develop institutional structures that can effectively coordinate both pre- and post-accession structural and cohesion policies. Particular emphasis will be given to aligning procedures for programming and managing these funds with Community norms, with reference to pre-accession support and structural funds.

## Investing in the *acquis*

The adoption of the *acquis communautaire* means that the candidate countries will, as soon as possible, have to adapt their enterprises and main infrastructure to respect Community norms and standards. This will require 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, and 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 enhance candidate countries' ability to meet the EU's accession requirements and to cope with competitive pressure.

The types of investment support will include structural and social actions, SME development, adoption of European Community norms, and large-scale infrastructure. This second priority of investment financing linked to the *acquis communautaire* accounts for around 70 per cent of the Phare budget.

From the year 2000 onwards, the new pre-accession instruments, ISPA and SAPARD (*see page 20*) will more than double the investment capacity in acquis-related projects under EU public funding for the candidate countries of central Europe.

## Cofinancing with the EIB and International Financial Institutions

In January 1997, the Council of Ministers agreed an envelope of € 3,520 million for the lending activities of the European Investment Bank (EIB) in central Europe, for the period January 1997-January 2000. In January 1998, the EIB's Board of Governors approved an additional pre-accession facility of € 3,500 million, which brings

the EIB's resources available over the period to € 7,000 million. Cyprus is 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 will focus on environmental protection; the development of transport, telecommunication and energy links; and industrial competitiveness and regional development.

Pre-accession aid can indeed play its full role 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 cooperation and to facilitate cofinancing. 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. In 1998-1999, over € 900 million were 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 were mobilised by the IFIs. This ratio of leverage reaches 1:8 when the candidate countries' own contributions are taken into account. The EIB works closely with the European Commission in serving the EU's policy objectives and collaborates with the EBRD and the World Bank in the spirit of the Memorandum of Understanding.

### Examples of cofinancing by Phare and IFIs

The Maritsa fluor gas desulphurisation plant in **Bulgaria** is a project co-financed by Phare, the EIB and the EBRD. The aim is to expand and rehabilitate several coal-fired power generators, and at the same time reduce harmful sulphur emissions by 90 per cent.

In **Hungary**, Phare is cofinancing parts of the M2 motorway with the EIB and an access road to the M5 motorway with the EBRD. The M2 programme covers the realignment and partly new construction of the road from Budapest to the border with the Slovak Republic. The road plays an essential role in international passenger and goods transport. The project will result in a significant enlargement of the trunk-road network in the region and thus help relieve the traffic load of the inner districts of the capital. The project also forms part of the corridor linking Trieste, Ljubljana, Budapest, Uzhgorod and Lviv.

However, the needs of the candidates in terms of alignment with European Community standards and norms are too important to be met only 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 cooperation 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 candidate countries of central 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 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, under specific arrangements adapted to the case in question.

At present, all candidate countries from central Europe as well as Cyprus participate in Community programmes, in particular in the fields of education, vocational training, youth, culture, research, energy, the environment and small- and medium-sized enterprises. Furthermore, as a result of the Helsinki European Council conclusions of December 1999, it is foreseen that Malta and 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 and 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 has proposed general guidelines for the participation of all candidate countries in Community programmes, agencies and committees.

# Conclusion

Enlargement of the European Union will be an important factor of stability and prosperity. This is in the interest not only of Europe itself, but of the international community as a whole. Higher standards of living in the future Member States, as well as harmonised rules on an extended Single Market, will present new trading opportunities for exporters and importers from third countries. EU partners will clearly benefit from a strong and undivided Europe that can fully assume its role in both the political and economic arena.

The current enlargement process is more than just another increase in the number of EU Member States. Beyond the economic and political benefits of this enlargement, it will mean the integration of European countries that share common values and objectives, but which had remained artificially separated over a large part of this century. It is important, therefore, that this process is clearly explained to the citizens of both the EU and the candidate countries, since it is they who will reap the benefits of the historic decision of enlargement.

***For general information about enlargement, your contact inside the European Commission is:***

Mr. Tom Glaser  
Enlargement Information Unit  
European Commission  
Wetstraat 200 Rue de la Loi  
B-1049 Brussels  
Tel +32-2-295 43 78  
Fax +32-2-299 17 77  
Thomas.Glaser@cec.eu.int

***For general information on the Phare Programme, you can contact:***

The Phare and Tacis Information Centre  
Montoyerstraat 19 Rue Montoyer  
B-1000 Brussels  
Tel +32-2-545 90 10  
Fax +32-2-545 90 11  
Phare.tacis@skypro.be

# **European Union enlargement**

*A historic opportunity*  
*Annexes*



# Table of contents

|   |           |
|---|-----------|
| <b>An unprecedented enlargement</b>                       | <b>6</b>  |
| From cooperation to accession                             | 7         |
| Membership applications                                   | 9         |
| Accession criteria  | 9         |
| Agenda 2000 and the European Commission's Opinions        | 10        |
| <b>The enlargement process</b>                            | <b>12</b> |
| Negotiations: the process                                 | 12        |
| Negotiations: the state of play                           | 13        |
| Screening of the <i>acquis communautaire</i>              | 13        |
| Review procedure - Regular Reports                        | 14        |
| <b>Pre-accession strategy</b>                             | <b>16</b> |
| The Europe Agreements                                     | 17        |
| The Association Agreements with Cyprus, Malta, and Turkey | 17        |
| Accession Partnerships                                    | 18        |
| Pre-accession assistance                                  | 20        |
| The Phare Programme                                       | 20        |
| Twinning  | 21        |
| Investing in the <i>acquis</i>                            | 23        |
| Cofinancing with the EIB and the IFIs                     | 23        |
| Opening of European Community programmes and agencies     | 25        |
| <b>Conclusion</b>   | <b>26</b> |
| <b>Annexes</b>  | <b>29</b> |
| Milestones in EU enlargement                              | 30        |
| Glossary  | 32        |
| Chapters of the <i>acquis communautaire</i>               | 35        |
| Macroeconomic indicators and foreign aid                  | 36        |
| Trade facts and figures                                   | 38        |
| Investment facts and figures                              | 42        |
| The Phare Programme 1990-1998                             | 44        |
| Conclusions of the Berlin European Council                | 46        |

# Annexes

## Milestones in EU enlargement

- |             |   |             |   |
|-------------|---|-------------|---|
| <b>1957</b> | Belgium, France, Germany, Italy, Luxembourg and the Netherlands sign the Treaty of Rome and establish the European Economic Community (EEC)                                   | <b>1994</b> | Essen European Council agrees the pre-accession strategy  |
| <b>1963</b> | Turkey signs Association Agreement  | <b>1995</b> | <ul style="list-style-type: none"><li>• Austria, Finland and Sweden join the EU</li><li>• Cannes European Council sets Phare budget at €6.9 billion for 1995-1999</li><li>• European Council decides that accession negotiations will start six months after the end of the IGC</li></ul> |
| <b>1973</b> | Denmark, Ireland and the United Kingdom join the EC   | <b>1997</b> | <ul style="list-style-type: none"><li>• European Commission adopts Agenda 2000 and Opinions</li><li>• Luxembourg European Council agrees on start of enlargement process, including accession negotiations and a reinforced pre-accession strategy</li></ul>                              |
| <b>1981</b> | Greece joins the EC   | <b>1998</b> |   |
| <b>1986</b> | Portugal and Spain join the EC  | March       | <ul style="list-style-type: none"><li>• First European Conference</li><li>• Accession process is launched</li><li>• Accession Partnerships are adopted</li><li>• Accession negotiations are opened with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia</li></ul>       |
| <b>1988</b> | Hungary signs the first Trade and Cooperation Agreement; similar agreements are subsequently signed with the other countries of central Europe                                | April       | Screening process begins with the ten candidate countries from central Europe and Cyprus  |
| <b>1989</b> | <ul style="list-style-type: none"><li>• Fall of the Berlin Wall</li><li>• European Community sets up the Phare Programme</li><li>• Opinion on Turkey</li></ul>                | October     | Malta reactivates its membership application  |
| <b>1991</b> | Hungary and Poland sign the first Europe Agreements (ratified in 1994); similar agreements are subsequently signed with the other countries of central Europe                 | November    | European Commission adopts first Regular Reports  |
| <b>1993</b> | <ul style="list-style-type: none"><li>• Copenhagen European Council agrees the accession criteria</li><li>• European Commission adopts Opinions on Cyprus and Malta</li></ul> | 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
- February - June Update screening processes are for all negotiating countries
- March A first list of negotiating chapters is agreed with the six additional countries
- Autumn European Commission adopts third set of Regular Reports, and an Accession Partnership for Turkey
- December Nice European Council examines Commission's Regular Reports.

## 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 communautaire*. 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 communautaire**

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**

Single framework in which the European Commission outlines the broad 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 Europe; and the future financial framework for 2000-2006.

### **Association Agreement**

As the 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 cooperation. They aim gradually to establish a customs union between the European Community and each of these three countries. 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. Candidate countries 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***

As basic legal instruments of the relationship between the EU and the ten associated countries of central Europe, the Europe Agreements cover trade-related issues, political dialogue and various other areas of cooperation. 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 European countries, Cyprus, Malta, and Turkey, to discuss issues of common interest, such as foreign and security policy, justice and home affairs, regional cooperation and economic matters. This conference met for the first time in London on 12 March 1998 at the level of Heads of State or Government.

### ***Institution Building***

The adaptation and strengthening of democratic institutions, public administrations 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 from 2000, to be directed mainly towards aligning the candidate countries of central Europe with Community infrastructure standards in transport and the environment.

### ***Opinion***

The basic conditions for enlargement are set out in Article 49 of the Treaty on European Union: “Any European state 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 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 Europe until 1999, helping

the candidate countries concerned prepare for accession to the EU. From the year 2000, Phare will be complemented by ISPA and SAPARD. In accordance with the conclusions of the Berlin European Council (March 1999), Phare will provide € 1,560 million per year from 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.

***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 Europe in agricultural development amounting to € 520 million per year, available from the year 2000.

***Screening***

Screening stands for the process of analytical examination of the *acquis* which is carried out by the European Commission with each candidate country. A first screening takes place before the actual accession negotiations, the aim being to explain the *acquis communautaire* to the candidate countries and to identify with them, areas where there may be problems to be addressed. Following the initial screening, and in parallel to the negotiations, a process of update screening takes place, in order to integrate new *acquis*, and to assess progress in implementing the *acquis*.

***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 not designed to foster general cooperation but to deliver specific results as set out in the Accession Partnerships.

## Chapters of the *acquis communautaire*

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

## Macroeconomic indicators and foreign aid

|                    | Population<br>(millions)<br>1998 | GDP<br>€ billion<br>PPP 1998 | GDP per<br>head<br>€/PPP<br>1998 | GDP per<br>head as %<br>of EU<br>average<br>(PPP)<br>1998 | GDP<br>growth<br>(%) 1998 | Inflation<br>rate<br>(%) 1998<br>annual<br>average |
|--------------------|----------------------------------|------------------------------|----------------------------------|---|---------------------------|--|
| <b>BULGARIA</b>    | 8.3                              | 38.2                         | 4600                             | 23  | 3.4                       | 22.3   |
| <b>CZECH REP.</b>  | 10.3                             | 125.7                        | 12200                            | 60  | -2.3                      | 10.7   |
| <b>ESTONIA</b>     | 1.4                              | 10.2                         | 7300                             | 36  | 4.0                       | 8.2  |
| <b>HUNGARY</b>     | 10.1                             | 99.0                         | 9800                             | 49  | 5.1                       | 14.3   |
| <b>LATVIA</b>      | 2.4                              | 13.2                         | 5500                             | 27  | 3.6                       | 4.7  |
| <b>LITHUANIA</b>   | 3.7                              | 22.9                         | 6200                             | 31  | 5.1                       | 5.1  |
| <b>POLAND</b>      | 38.7                             | 301.8                        | 7800                             | 39  | 5.0                       | 11.8   |
| <b>ROMANIA</b>     | 22.5                             | 123.7                        | 5500                             | 27  | -7.3                      | 59.1   |
| <b>SLOVAK REP.</b> | 5.4                              | 50.2                         | 9300                             | 46  | 4.4                       | 6.7  |
| <b>SLOVENIA</b>    | 2.0                              | 27.4                         | 13700                            | 68  | 3.9                       | 7.9  |
| <b>CYPRUS</b>      | 0.7                              | 10.3 <sup>(a)</sup>          | 14790 <sup>(a)</sup>             | 77 <sup>(a)</sup>   | 5.0                       | 2.2  |
| <b>MALTA</b>       | 0.4                              | n.d.                         | n.d.                             | n.d.  | 4.1                       | 2.4  |
| <b>TURKEY</b>      | 63.4                             | 404.7                        | 6380                             | 32  | 2.8                       | 84.6   |

Source: Eurostat from national harmonized sources

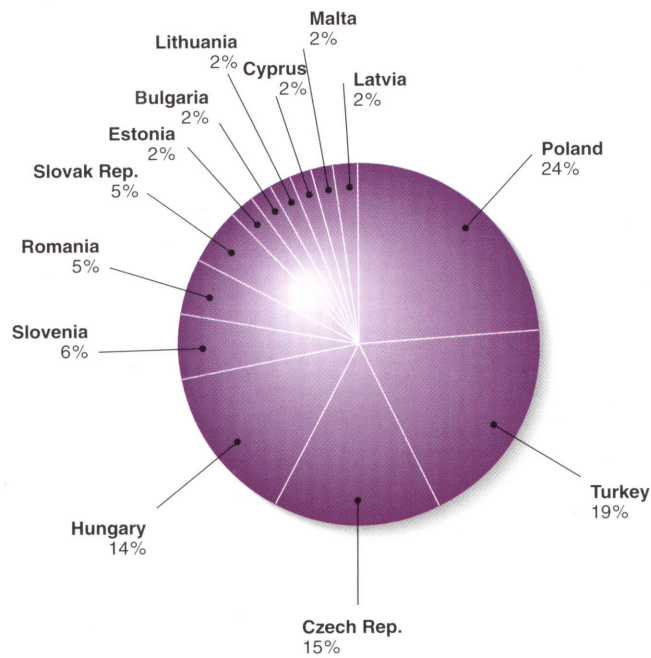
(a) 1997

| National and<br>crossborder<br>Phare/MEDA<br>Programmes<br>(except for nuclear safety)<br>(€ million) 1999 (1) | Nuclear<br>safety<br>(€ million)<br>1999<br>(2) | EIB loans 1999<br>(€ million) |                                       | EBRD Loans<br>committed<br>in 1999<br>(€ million)<br>(4) | World Bank<br>Loans<br>committed in<br>fiscal year 1999<br>(€ million)<br>(5) |
|--|---|-------------------------------|---------------------------------------|--|---|
|  |   | with<br>budget<br>guarantee   | without<br>budget<br>guarantee<br>(3) |  |   |
| 122.7  | 2.7   | 128                           | -                                     | 35   | 171   |
| 86.2   | 1.7   | -                             | 270                                   | 237  | -   |
| 28.1   | -   | -                             | 35                                    | 49   | -   |
| 125.3  | 1.6   | -                             | 170                                   | 143  | 300   |
| 43.9   | -   | 28                            | 70                                    | 38   | 62  |
| 58.6   | 10.0  | 84                            | -                                     | 64   | 21  |
| 302.8  | -   | -                             | 347                                   | 187  | 331   |
| 219.4  | 2.0   | 395                           | -                                     | 151  | 362   |
| 93.4   | 10.8  | 270                           | -                                     | 95   | -   |
| 62.9   | 0.8   | -                             | 375                                   | 45   | 16  |
| 14.5   | -   | -                             | 200                                   | -  | -   |
| 6.9  | -   | -                             | -                                     | -  | -   |
| 140.3  | -   | 78                            | -                                     | -  | 562   |

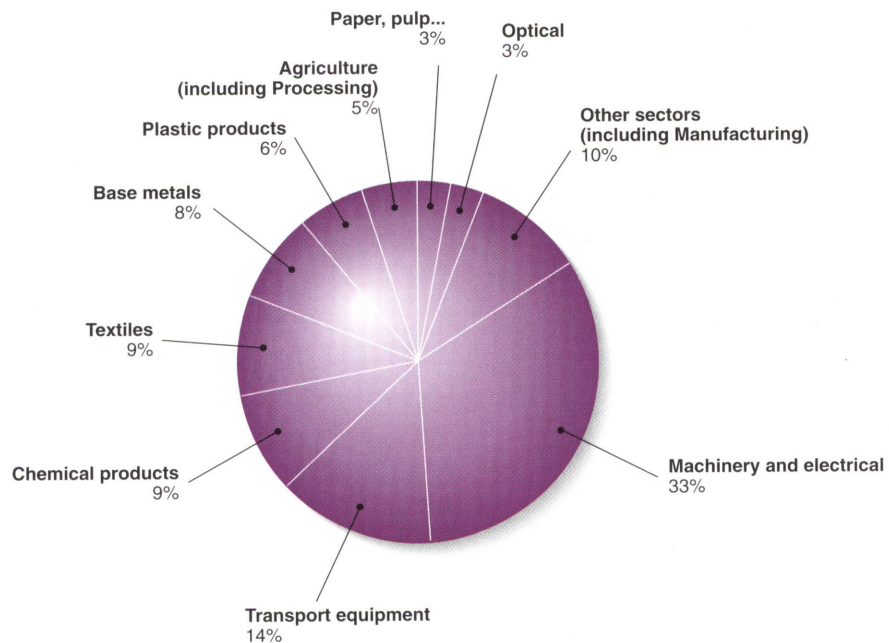
Sources: (1) Phare, Meda: European Commission Services including national and multi-country finances. In addition, €179 M were committed in 1999 for the benefit of the 10 candidate countries of central and eastern Europe on a multi-country basis. (2) Nuclear safety: European Commission Services. The finances originate from two national packages: €10 M each for Lithuania and the Slovak Republic and a multi-country package of €11 M. (3) EIB: European Commission Services. (4) EBRD: European Commission Services. (5) World Bank: World Bank Annual Report 1999; commitments for the fiscal year 1999: 30 June 1998 - 30 June 1999, conversion of World Bank figures at the rate of €1= \$1,065 (annual average 1999).

## Trade facts and figures

### EU exports in 1998 to the CECs, Cyprus, Malta and Turkey



### EU 15 Exports to 13 candidates in 1998

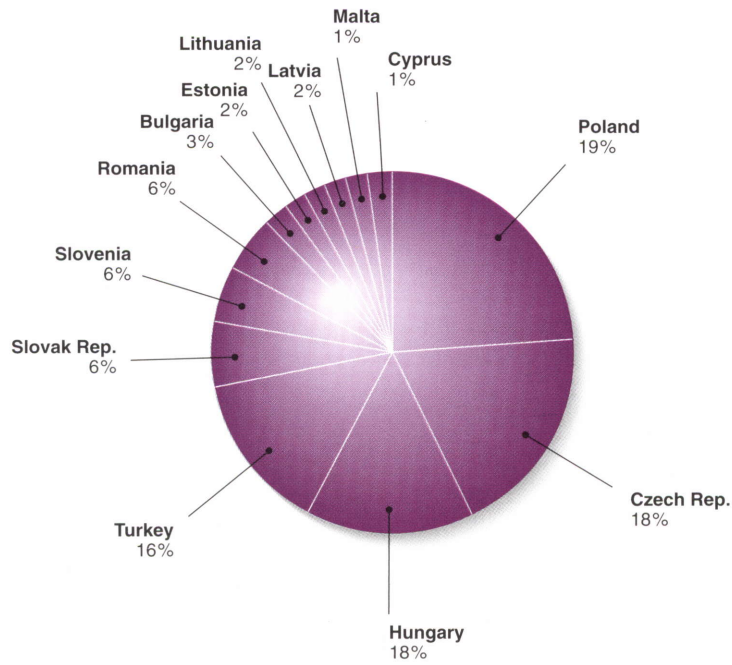


Source: Eurostat (Comext - EEC Special Trade Domain)

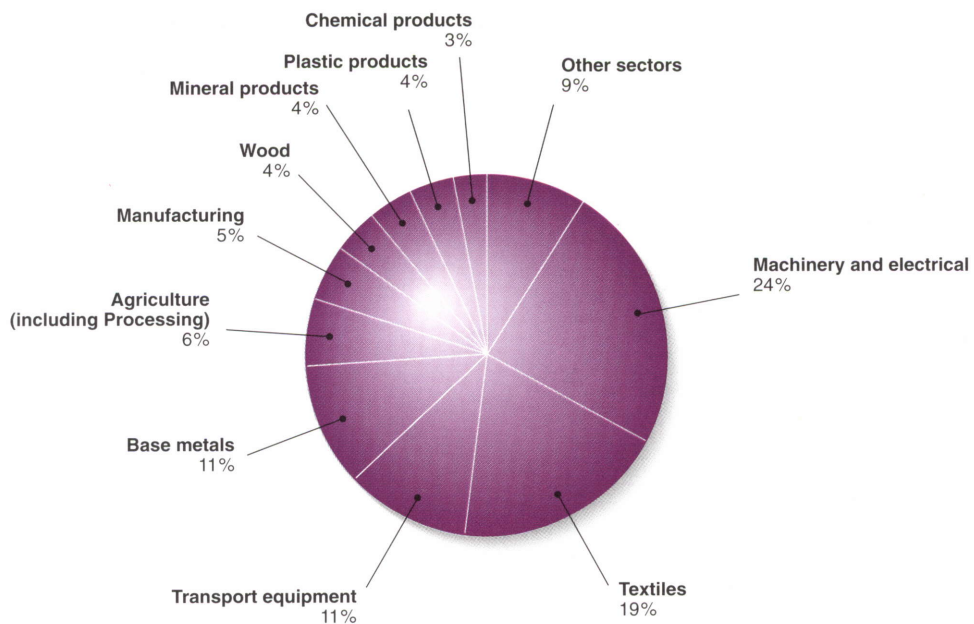




### EU imports in 1998 from the CECs, Cyprus, Malta and Turkey

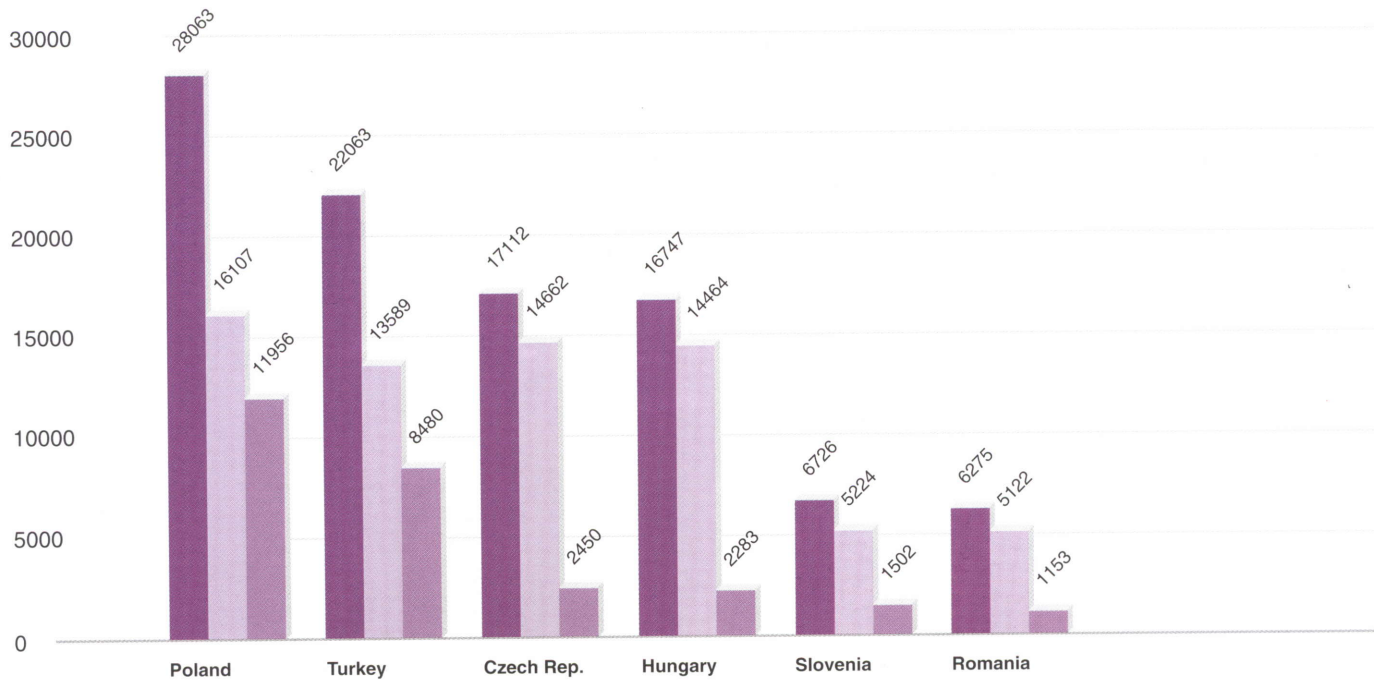


### EU 15 Imports from 13 candidates in 1998

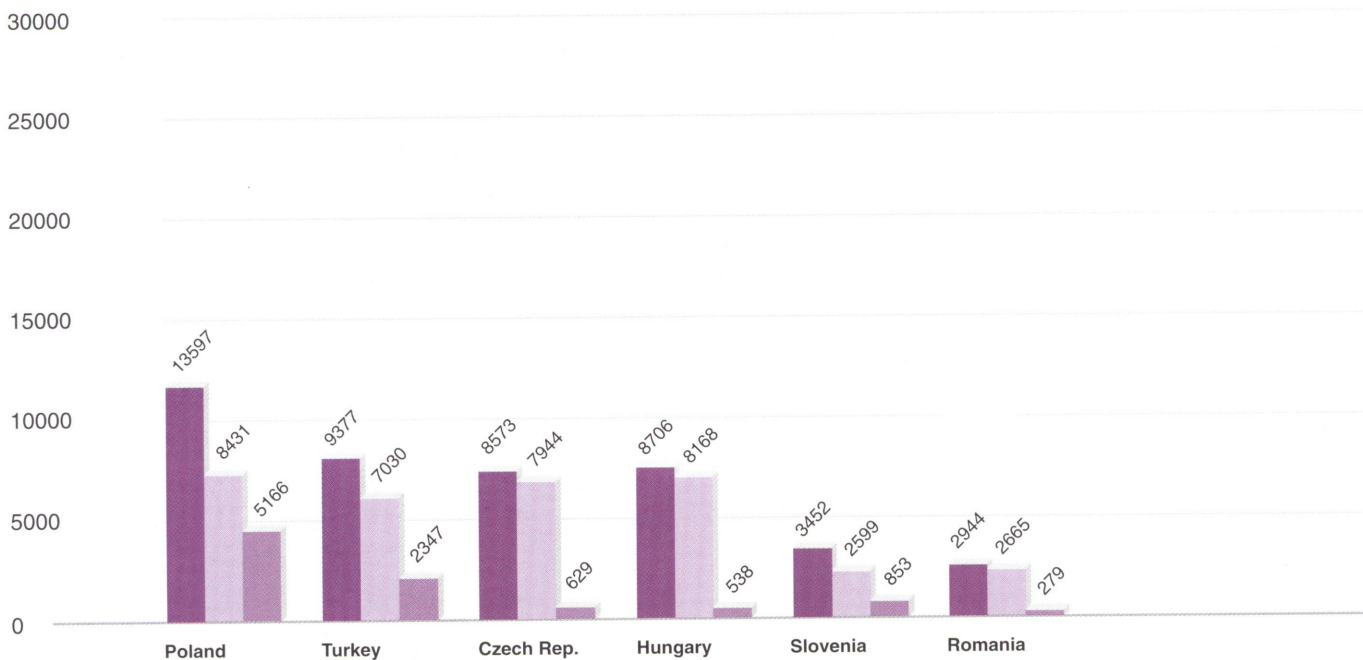


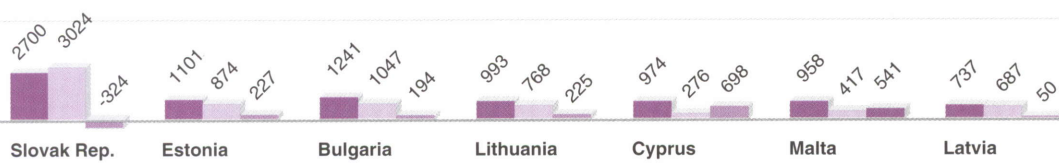
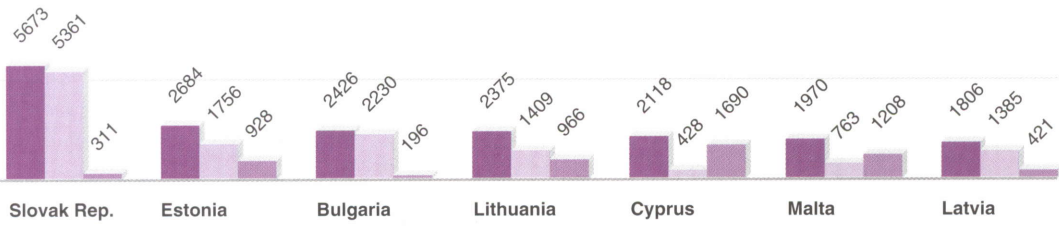
Source: Eurostat (Comext - EEC Special Trade Domain)

EU-15 trade with candidate countries in 1998 (€ million)



EU-15 trade with candidate countries - 6 months 1999 (€ million)





## Investment facts and figures

### Foreign direct investment (FDI) by country 1989-1998

|                    | Total FDI<br>by 1/1/99<br>€ million | Total FDI<br>per head<br>€ | FDI in 1998<br>€ million | FDI per head<br>in 1998<br>€ |
|--------------------|-------------------------------------|----------------------------|--------------------------|------------------------------|
| <b>HUNGARY</b>     | 14682                               | 1451                       | 1296                     | 128                          |
| <b>POLAND</b>      | 13440                               | 347                        | 5888                     | 153                          |
| <b>CZECH REP.</b>  | 8882                                | 863                        | 2217                     | 215                          |
| <b>ROMANIA</b>     | 4023                                | 178                        | 1820                     | 80                           |
| <b>SLOVENIA</b>    | 1063                                | 532                        | 137                      | 69                           |
| <b>LATVIA</b>      | 1431                                | 573                        | 196                      | 79                           |
| <b>SLOVAK REP.</b> | 1572                                | 291                        | 453                      | 84                           |
| <b>BULGARIA</b>    | 1180                                | 142                        | 358                      | 43                           |
| <b>ESTONIA</b>     | 1233                                | 850                        | 513                      | 353                          |
| <b>LITHUANIA</b>   | 1368                                | 370                        | 822                      | 222                          |
| <b>TURKEY*</b>     | 6634                                | 104                        | 720                      | 12                           |
| <b>CYPRUS*</b>     | 2004                                | 2864                       | 178                      | 255                          |
| <b>MALTA*</b>      | 1388                                | 3470                       | 116                      | 290                          |

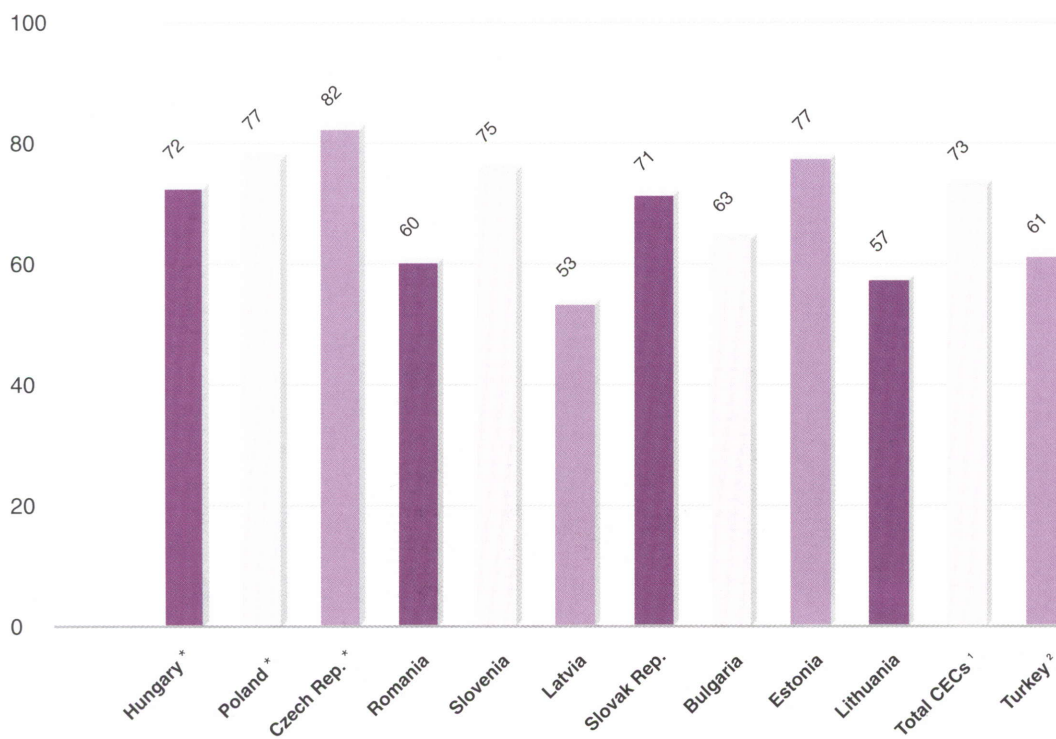
Source: EBRD Report on Transition 1999

\* Source: World investment report 1999 UNCTAD

Note: conversion of EBRD & UNCTAD data at the rate of €1 = \$1.121



### Appraisal of EU share in total FDI per country (%) <sup>(1)</sup>



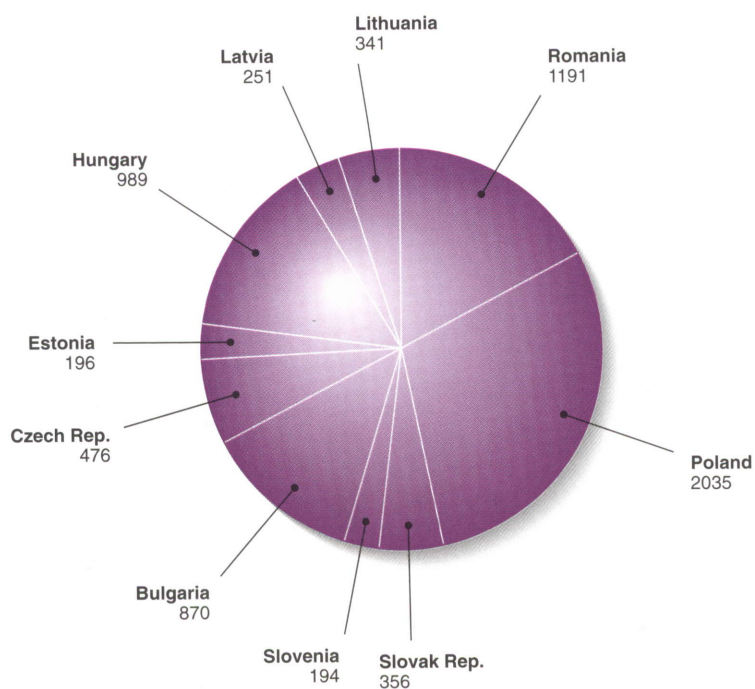
Source: UNCTAD, FDI/TNC database 1999 geographical sources of inward FDI stock in Central and Eastern European countries latest year available: 1998 or 1997\*

<sup>(1)</sup> Amongst total FDI one fifth is not of specified origin, some of them are probably also European

<sup>(2)</sup> Turkey: estimates of 1997 inflows

## The Phare Programme 1990-1999

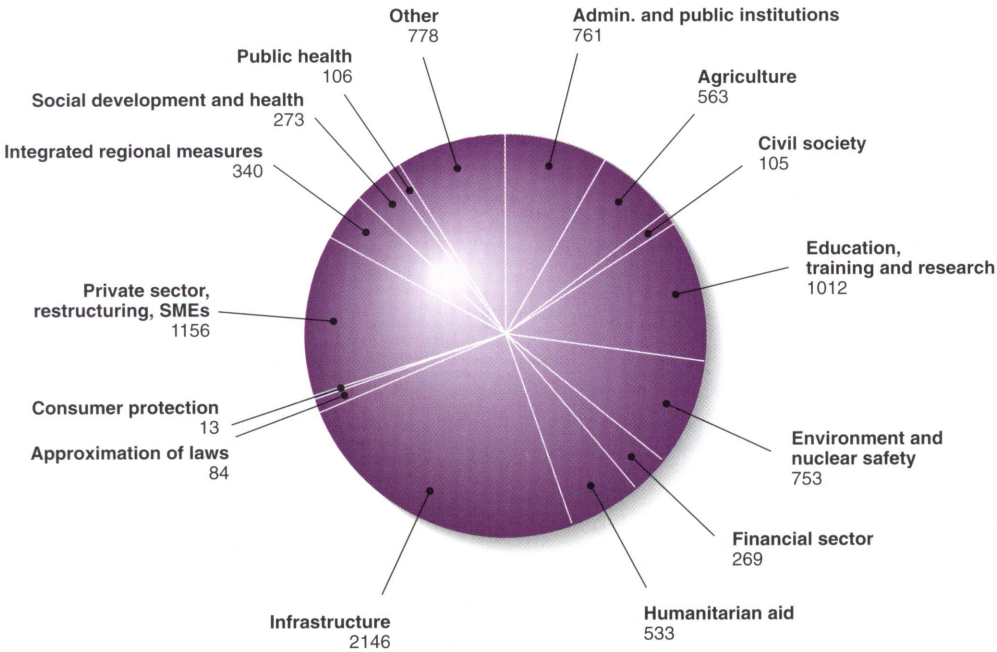
Phare funding by country 1990-1999 (commitments in € million)\*



\* national, cross-border and multi-country programmes



**Phare funding by sector 1990-1998** (commitments in € million)



## 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 a 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         |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Pre-accession instruments</b> | <b>3,120</b> | <b>3,120</b> | <b>3,120</b> | <b>3,120</b> | <b>3,120</b> | <b>3,120</b> | <b>3,120</b> |
| 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          |
|--------------------------------|--------------|--------------|--------------|---------------|---------------|
| <b>Payment appropriations:</b> | <b>4,140</b> | <b>6,710</b> | <b>8,890</b> | <b>11,440</b> | <b>14,210</b> |
| Agriculture                    | 1,600        | 2,030        | 2,450        | 2,930         | 3,400         |
| Other expenditure              | 2,540        | 4,680        | 6,440        | 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:

### 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    |





**European Commission • Directorate General for Enlargement**  
Information and Interinstitutional Relations Unit

**Office address:** Wetstraat 170 rue de la Loi, B-1040 Brussels  
Tel. (+32-2) 2991444, 2954378 Fax (+32-2) 2991777

**World Wide Web:** <http://europa.eu.int/comm/enlargement>

**For further information:** the Phare and Tacis Information Centre  
Rue Montoyer 19 Montoyerstraat, B-1000 Brussels  
Tel (+32-2) 5459010 Fax (32-2) 5459011 E-mail: [phare-tacis@cec.eu.int](mailto:phare-tacis@cec.eu.int)