



The European  
Union's pre-  
accession  
strategy for  
the associated  
countries of  
central Europe

published by the European Commission

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Directorate General External Relations:  
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# Introduction

## The pre-accession strategy: paving the way for membership of the European Union

The pre-accession strategy is currently a top priority for the European Union and will continue to be so for some years to come. The European Commission considers it to be of vital importance in the preparation of the associated countries for accession; it is a carefully designed strategy that will ultimately lead to successful integration.

The countries of central Europe have undergone unprecedented political and economic changes since the fall of the Berlin Wall in 1989. The peoples of central Europe, caught in a vacuum, were suddenly faced with the enormous task of reassessing their futures. The European Union responded by providing political and financial support for the difficult transformation these central European countries faced. Soon, however, the realisation dawned that, in order to ensure the prosperity and stability of Europe as a whole, the destinies of its populations must become more closely intertwined.

When, at the Copenhagen summit in 1993, the heads of government of the European Union agreed that “the associated countries of central Europe that so desire shall become members of the European Union, as soon as they are able to assume the obligations of membership”, the European Union made an historic commitment to all those countries in central Europe with Europe Agreements.

At the same time, the economic and political conditions for membership were also defined. These requirements were

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for the 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.

After this recognition of the central European countries as eventual future members, the European Union had to decide how to support the integration process. Therefore, at the Essen summit in December 1994, the European Union confirmed that the countries of central Europe can become members of the Union, and refocused its policy towards these countries in the light of their future accession. It outlined ‘the strategy to prepare the associated countries of central Europe for membership’, commonly

known as the ‘pre-accession strategy’, which sets out the ways in which the European Union will help the associated countries to integrate.

This comprehensive pre-accession strategy boosts and improves the process of further preparing the countries of central Europe for membership. The strategy was tailored to suit the needs of those countries with which Europe Agreements were concluded or would be concluded in the near future.

The strategy was to be implemented politically by the creation of a ‘structured dialogue’ between the associated States and the institutions of the European Union, which would encourage mutual trust, and provide a framework for addressing topics of common interest.

The key element in the strategy is the preparation of the associated states for integration into the internal market of the Union. To this end, a White Paper on this subject was requested by the Essen Council and produced by the European Commission.

The Essen Council also reconfirmed the European Union’s commitment to the promotion of integration with the associated states, through the development of infrastructure, and of cooperation in fields having a trans-European dimension, and, in addition, to promoting integration in the areas of a common foreign and security policy and of justice and home affairs. It was agreed that the Phare Programme would provide the financial support for this, in accordance with the preparatory strategy.

The Essen Council underlined the European Union’s real desire to incorporate the countries of central Europe, with the most intensively prepared strategy for enlargement that the European Union in any of its forms has ever seen. This degree of preparation, however, also underlines the complex and difficult path that the associated States will have to take in order to accede.

Preparing for this enlargement is the main joint challenge the European Union and the associated countries are currently facing. For the existing European Union, the main task will be to prepare to absorb the new members, whilst maintaining its purposes and goals, as well as its capacity to act efficiently.

To this end, the European Union will need to undertake a major review of its institutions and decision-making procedures. The Inter-Governmental Conference, which got underway in March 1996, will, amongst other things, address these questions.

The challenge is even greater for the associated countries. Notwithstanding the progress that has already been made in political, economic and social reform, the gap between

the central European countries and European Union political and economic systems must be progressively narrowed, so that, upon accession, the associated countries can enjoy the benefits of membership, assume the obligations this entails and participate fully in the European Union's future development.

The goal of the pre-accession strategy is to support them in their endeavour by providing a route plan which should guide the European Union and the associated countries towards integration. To support this strategy, the European Union has three main tools: the Europe Agreements, the communication framework known as the 'structured dialogue', and the Phare Programme.

The aim of this brochure is to explain fully the function of the pre-accession strategy, its tools, and their components.

# The tools of the pre-accession strategy

The pre-accession strategy is a comprehensive policy, encompassing all forms of cooperation and focusing them on realising the goal of membership. However, **Europe Agreements** and the so-called **structured dialogue** are, together with the **Phare Programme**, the main tools of this strategy.

The European Union has from the beginning supported the central European countries in a number of complementary ways.

Trade relations have been developed, firstly through Trade and Economic Cooperation Agreements, unilateral trade concessions, and more recently through Association Agreements, known as 'Europe Agreements'. Europe Agreements provide the means whereby the European Union offers associated countries the trade concessions and other benefits that are normally associated with full membership of the European Union.

The structured dialogue provides a framework through which associated countries and Member States can discuss issues of common concern, and whereby associated countries are able to familiarise themselves with European Union institutions and decision-making processes.

The European Union also provides grant finance through the Phare Programme, together with loans from the European Investment Bank, the European Coal and Steel Community and Euratom. Balance of payments support is also provided in cooperation with the International Monetary Fund. Investment capital for the partner countries is channelled through the European Bank for Reconstruction and Development. The Phare Programme is the European Union's most visible contribution to the reform process. Phare is the main financial instrument in support of the pre-accession strategy and the Programme has recently assumed an additional dimension in view of the enlargement objective.

## The Europe Agreements

These Agreements are the most wide-ranging agreements the European Union has ever entered into. The Agreements are based on shared understandings and values and prepare the way for progressive convergence, focusing on a huge array of subjects. They cover political dialogue and economic integration, as well as cultural and financial cooperation. They are concluded for unlimited periods.

The European Union signed Europe Agreements with Poland and Hungary in 1991, with the Czech Republic, Slovakia, Romania and Bulgaria in 1993, and with Estonia, Latvia and Lithuania in 1995.

The Europe Agreements acquired greater political significance following the European Council summit in Copenhagen in 1993, where the European Union recognised membership of the European Union as an objective shared by both the European Union and the associated countries of central Europe. Now, under the pre-accession strategy agreed at the Essen European Council meeting, the Europe Agreements have become a main element of the framework within which countries work towards European Union membership. All the countries that sign the Europe Agreements with the European Union become eligible for membership and are brought into the pre-accession strategy.

Under the Europe Agreements, the associated countries commit themselves to approximating their legislation to that of the European Union. This includes applying legislation favouring competition and applying state-aid rulings, which are compatible with the comparable legislation in the European Union. Legislation will also have to be introduced which applies similar levels of protection to intellectual, industrial and commercial property. The Europe Agreements provide for financial cooperation, including grant finance provided under the Phare Programme, together with macroeconomic support.

## Meetings

One of the key elements of the Europe Agreements is the Association Councils. These are a series of bilateral meetings between the European Union and each of the partner countries, which increasingly deal with substantive issues. During 1995, these Association Councils have generally concentrated on two areas: the implementation of the pre-accession strategy and intra-regional cooperation. Political dialogue is also a feature of the Europe Agreements.

Throughout 1995, Association Councils were supported by Association Committees, which focus on the concrete issues of trade, and the Joint Parliamentary Committees, which allow contact to be made between the European Parliament and the parliaments of the central European countries.

## Improving trade access to European Union markets

The pre-accession strategy introduces a number of measures to promote trade for the partner countries.

The Europe Agreements aim gradually to establish free trade in industrial products over the transition period, on the basis of asymmetry: the European Union, as the stronger economic partner, opens its market more rapidly than the associated country. The European Union has from the beginning provided extensive trade liberalisation under the Interim and Europe Agreements.



The Copenhagen European Council and the pre-accession strategy have endorsed a number of accelerated trade concessions.

In view of the importance of trade for economic transition, the European Union decided not to wait for the ratification of the Europe Agreements. While awaiting ratification, it adopted Interim Agreements, covering the trade provisions of the Europe Agreements, which opened up the European Union's market to the partner countries' exports. The initial timetable, under which the European Union abolishes tariffs and quantitative restrictions for most industrial products over five years, was later shortened, giving free access by 1 January 1995 instead of 1 January 1997 for the Visegrad countries (Hungary, Poland, the Czech Republic and Slovakia) and by 1 January 1996 instead of 1 January 1998 for Bulgaria and Romania. The schedules for Romania and Bulgaria were again shortened by an additional year, following the Essen European Council. This ensured that they would be aligned with those of the Visegrad countries.

As a result, industrial products from the associated countries have had virtually free access to the European Union since the beginning of 1995. Remaining exceptions concerning some textile products will take a few more years to disappear altogether. Trade in agricultural goods is subject to reciprocal preferential treatment, such as the consolidation of the general system of preferences (GSP) and further concessions.

Beyond the liberalisation of trade, a further goal is to make progress towards realising the free movement of services and of payments and capital movements in respect of trade and investments between the parties, and the Europe Agreements contain provisions to that effect. The parties to the Agreements also agree to improve the rules concerning the movement of workers. Companies in the associated countries can also take part in bidding for public contracts under the same conditions as their counterparts in the European Union, a measure the associated countries will need to reciprocate before the end of the transition period. When establishing and operating in the territory of the other party, enterprises must receive a treatment not less favourable than national enterprises.

Both parties retain the right to apply safeguards and anti-dumping measures; the associated countries also benefit from an exemption from the 'stand-still clause', limiting further restrictions, to support their fledgling industries and cope with severe sectoral problems caused by the economic transition. Also, severe balance of payments problems may exceptionally lead to the reintroduction, by the associated countries, of measures restricting trade.

The activities of the Phare Programme, which works to achieve the aims of the Europe Agreements, are important to the development of all the above areas.

Since membership of the European Union necessarily involves free trade between Member States, moves towards free trade between the associated countries will help to prepare them for integration into the European Union.

## The structured dialogue

Dialogue has always been a cornerstone of the European Union's cooperation with central European countries. As they emerged from decades of isolation from the rest of Europe, dialogue has played an essential part in bringing about an improved understanding of their preoccupations and interests.

The structured dialogue is an innovation in the European Union's approach to prospective members, enabling them to become more involved in the European Union's activities prior to the commencement of accession negotiations. The associated countries will not, however, participate in decision-making until they are full members of the European Union.

With the prospect of future membership, the institutional framework for dialogue and cooperation with the partner countries had to be improved: the existing structures did not reflect the qualitative leap in relations, nor could they support the close working relationship which needs to be developed between the European Union and its prospective members. To this end, at Copenhagen, the European Union agreed on a multilateral framework of regular joint meetings at ministerial level between the European Union and the associated countries. This structured relationship was again endorsed in the pre-accession strategy agreed at Essen, where specific arrangements were set out.

The structured dialogue fulfils an essential role in preparing the associated countries for membership of the European Union. It provides a specially created framework for the discussion of issues of common concern, for example, in areas where solutions to problems require action at European level. The structured dialogue covers issues of common interest within all the policy fields of the European Union, including the Common Foreign and Security Policy (CFSP) and justice and home affairs. Policy areas with a trans-European dimension lend themselves naturally to this framework.

The structured dialogue will also familiarise the associated countries with the process of decision-making and the institutional set-up of the European Union. But foremost, it will create the close working relationship essential to the

European integration process. The degree of political cooperation between its Member States is what really distinguishes the European Union from any other international organisation. It makes such achievements as the creation of the European single market possible, and it will be the driving force behind the European Union's transformation towards political, economic and monetary union. There must be continuing support for the process of economic reform and the promotion of both physical and legal integration with the European Union. Preparation for membership depends in great measure on the success of the transition process in the partner countries. Making such cooperation a normal part of the life of governments and parliaments of the associated countries is an important part of the pre-accession strategy.

From 1995 onwards, government leaders and ministers of the European Union have been meeting their counterparts from the associated countries at regular intervals. Heads of state and of government meet their counterparts twice a year during the European Council, the European Union's summit meeting during which the major policy lines and the future development of the European Union are set out. Foreign affairs ministers and ministers responsible for justice and home affairs also convene twice a year. For all questions relating to the internal market, on the subject of agriculture or economics for example, meetings between the relevant ministers are held annually. Other ministers also meet annually to discuss issues with a trans-European angle, such as transport, telecommunications, research, environment, culture and education.

In the field of justice and home affairs, cooperation between the European Union and the associated countries focuses on the fight against organised crime; a policy that was decided at a joint conference in Berlin, in September 1994. The following areas were singled out for cooperation with the associated countries in the Berlin Declaration: the illicit drug trade, theft and illegal trade in radioactive and nuclear material, illegal immigration networks, and illegal transfer of motor vehicles. The exchange of information and cooperation in the areas of asylum and immigration will also be stepped up.

The Common Foreign and Security Policy is an area where the structured dialogue is of particular importance as a means of increasing stability in central Europe. To this end, the European Union decided in 1994 to intensify the dialogue at all levels and to make it possible for the associated countries to align themselves with statements, initiatives and joint actions which the European Union undertakes within the framework of the CFSP. The coordination of negotiating positions between the European Union and the associated countries in international debates is also being encouraged.

## The Phare Programme

The Phare Programme, developed initially as an immediate response to the structural challenges facing central European countries, is now one of the cornerstones of the pre-accession strategy.

The Programme is a European Union initiative which provides grant finance to support its partner countries through the process of economic transformation and strengthening of democracy. Phare provides know-how, including policy advice and training, for its partner countries. It acts as a multiplier by unlocking funds for important projects from other donors through studies, capital grants, guarantee schemes and credit lines, and invests directly in infrastructure together with international financing institutions.

Important steps have recently been taken to enable the Phare Programme to focus on integration. Phare will develop on an indicative basis into a medium-term financial instrument with improved opportunities for promoting infrastructure development and intra-regional cooperation. In practical terms, Phare will devote a greater proportion of its funds to the co-financing of infrastructure development projects, with the limit of its annual budget for this type of spending being raised from 15 per cent to 25 per cent at the Essen summit in 1994. Infrastructure will also receive significant funding through the cross-border cooperation programme and through transport and environment projects. Phare will also introduce measures to promote cooperation between its partner countries and place a greater emphasis on investment support. It will also concentrate on supporting the partner countries in their steps to harmonise legislation, standards and practices in preparation for the internal market. This will involve the provision of significant support for the system of public administration to ensure that the necessary legislation adopted can be implemented efficiently.

In view of this new role, the European Union agreed at its June 1995 summit meeting in Cannes to allocate to the Phare Programme some ECU 6.7 billion for the period 1995 to 1999.

# Supporting the process of change

The pre-accession strategy endorses a number of measures which support the process of economic reform and thereby the successful integration of the associated countries into the European Union. These measures include promoting investment, trade provisions, extending the Trans-European Networks (TENs) to the associated countries, promoting regional cooperation and democracy and civil society, as well as opening up European Union programmes in areas such as youth and training.

## Democracy and civil society

There are a variety of small but nevertheless important Phare programmes aimed at the strengthening of democratic institutions and the development of civil society by nurturing stable institutions which guarantee democracy, the rule of law, human rights, and respect for and the protection of minorities.

The programmes are of two kinds: civil society development programmes which are managed locally with government involvement by specially created Foundations in five different countries, giving grants to local NGOs, running training courses for them, and improving their legal basis; and programmes managed in Brussels which make grants directly to NGOs and similar organisations in both eastern and western Europe including: the Democracy programme, Lien (socially disadvantaged groups, handicapped, women's issues etc.), the Partnership programme (local economic development through employers associations, trade unions, chambers of commerce etc.).

The Democracy programme focuses on the following areas of activity: parliamentary practice and organisation; transparency of public administration and public management; development of NGOs and representative structures; independent, pluralistic and responsible media; awareness building and civic education, promoting and monitoring human rights; civilian monitoring of security structures, minority rights, equal opportunities and non-discrimination practices.

All the programmes contribute to the strengthening of democratic structures and promotion of cross-cultural links, primarily through the involvement in partnerships between local and regional authorities and non-governmental organisations.

## Working towards one market for all

Upon accession, the partner countries will become part of the internal market. The internal market is one of the great achievements of the European Union, a market without internal frontiers, where goods, persons, services and capital can move freely. Although its basic principles were already enshrined in the founding treaties, from 1986 onwards, the creation of the internal market became Europe's most ambitious economic objective. Following the Single European Act, a whole body of legislation was introduced to remove the remaining barriers between the Member States and to bring about equal conditions for economic operators throughout the European Union. The successful operation of the internal market depends not only on the removal of trade barriers but also on the creation of a wide range of basic economic conditions, including, in particular, open and fair competition. To this end, competition rules, policies strengthening the economic and social cohesion between Member States, minimum standards for the protection of the environment and the consumer were reinforced and were made to apply evenly across the territory of the European Union.

The internal market is not an end in itself but rather an instrument. By improving the economic performance of the participating economies, it is able to achieve a whole series of objectives: balanced and sustainable growth that respects environmental standards, high levels of employment and social protection, improved standards of living, quality of life, and economic and social cohesion.

Membership of the European Union goes beyond participation in the internal market. However, the internal market is fundamental and full participation requires adequate preparation. The partner countries must align their laws with the legislation governing the internal market and create the structures that will implement and enforce these new laws. Competition, social and environment policies have to be developed so as to create the broad economic conditions that will allow the internal market to function effectively following enlargement.

## The White Paper

Within the framework of the Europe Agreements, the partner countries have begun approximating legislation and moving towards the economic freedoms on which the European Union's internal market is based. In view of the magnitude and complexity of this task, however, the European Council, meeting in Cannes in June 1995, endorsed a White Paper to help the associated countries prepare as rapidly and efficiently as possible for integration into the internal market. This technical guide forms an integral part of the pre-accession strategy. It was drawn up by the European Commission following consultation with the partner countries.

The White Paper is a general reference document; it guides the partner countries through the maze of legislation, structures and broad economic conditions essential to the functioning of the internal market. Its purpose is to clarify the task of approximating legislation to that of the European Union.

The White Paper sets out the body of essential internal market legislation, divided into 23 sectors. These cover the free movement of capital, the free movement and safety of industrial products, competition, social policy, agriculture, transport, audio-visual, environment, telecommunications, direct taxation, the free movement of persons, public procurement, financial services, personal data, company law, accountancy, civil law, mutual recognition of professional qualifications, intellectual property, energy, customs and excise, indirect taxation and consumer protection.

For each of these areas, the White Paper proposes a logical sequence in which to tackle the approximation exercise: the legislation is described in a way that distinguishes 'key measures' from the rest. These key measures are in turn broken down into two stages. Stage 1 measures have usually been selected using one or more of the following criteria:

- the measures concerned provide the overall framework for more detailed legislation
- the measures concerned address fundamental principles or provide for the basic procedures which govern the sector concerned
- the measures are a precondition for the effective functioning of the internal market in that sector.

In some areas, Stage 1 measures may also include measures that require a particularly long lead time for effective implementation.

As a general reference document, the White Paper makes no attempt to impose a global order of priorities between the sectors. The partner country chooses its own order of priority as a function of its political and economic situation and the progress it has made to date with economic reform.

Adapting legislation along internal market lines is not sufficient; it needs to be enforced and implemented. The White Paper describes the structures put in place by the European Union and its Member States to ensure that the internal market legislation is effectively applied. Such structures include

- bodies to control, supervise and regulate on behalf of the public institutions, such as those which supervise the solvency of insurance companies or control the daily operations of credit institutions
- bodies to verify that products comply with technical standards, such as testing laboratories and certification bodies
- bodies to survey the free movement of goods such as veterinary inspectors or trading standards officers
- technical and professional organisations responsible for the definition of standards
- consumer, worker, professional and trade organisations that monitor compliance with legislation
- judicial and quasi-judicial bodies with the power to enforce legislation, such as specialised courts and ombudsmen.

The challenge for the associated countries lies in developing these administrative, legal and technical structures. They form part of the overall process of institution-building leading to fundamental changes in the responsibilities of the national administration, judicial system and the emerging private sector. For the process of institution-building to be complete, the institutions must function, people must believe in them and use them.

Support from the European Union and its Member States for preparation aimed at participation in the internal market will be coordinated to avoid a duplication of effort, and to give the best possible backing to the partner countries. To this end, a Technical Assistance Information Exchange Office has been set up as recommended in the White Paper, managed by a Phare multi-country programme. This Office will be the focal point for the provision of advice and expertise on legislation and implementing structures. It will house an internal market database with information concerning the support available under Phare and other European Union programmes and a database to monitor the progress being made in the Associated Countries towards the putting in place of appropriate legislation and infrastructure. It will also serve as a

clearing house matching requests for support from the partner countries with the specialists and programmes available at national and European level. In this way, the Office will support the efforts of Phare and various other public and private sector sources, to respond to the needs of the partner countries efficiently.

### Follow-up to the White Paper

The White Paper marks the beginning of a process in which the partner countries play a leading role. The task of enacting, implementing and enforcing laws can only be carried out by the partner countries themselves. The European Commission will help the partner countries in ensuring that their existing national approximation programmes are supported. These programmes are also in line with each country's specific situation and the recommendations of the White Paper. Measures taken in response to the White Paper will be integrated into this existing framework.

The White Paper is not binding, nor will it form part of the accession negotiations. Its purpose is to help the partner countries prepare for the internal market. The approximation exercise itself will support the process of economic reform and thereby the successful integration of the partner countries into the European Union.

## Opening up European Community programmes to the associated countries

Under provisions in the Europe Agreements or their Additional Protocols, programmes which had previously been open only to the Member States, will now be opened to the partner countries. These initiatives, by focusing more fully on the human dimension of integration, are of particular importance to the pre-accession strategy.

The decision to involve countries which have signed Europe Agreements in the hitherto internal programmes was taken in June 1993 by the European Council, to endorse the Council's recognition of the ultimate foreign policy goal of these countries - membership of the European Union. It was felt that the opening up of programmes to central European participation was not just an efficient method of helping these countries solve a series of outstanding issues, but also an appropriate way of enabling many of their institutions to absorb some of the European Union's culture of dialogue and consensus at a working level.

Preparatory actions in view of these countries' future participation (from 1997 onwards) in Community programmes in the field of human resources (Socrates,

Leonardo, Youth for Europe) and audio-visual policies (MEDIA II) are being implemented in 1996 with Community financial support.

The White Paper on Growth, Competitiveness and Employment, also recommends the opening up of programmes to the partner countries that are specifically designed to reinforce the operation of the internal market. Such programmes include Karolus (dealing with the exchange of officials responsible for the implementation of Community law), Matthaeus (a similar programme concerning customs), and Matthaeus Tax (dealing with indirect taxation). The institutions responsible for implementing and enforcing the internal market legislation will require highly specialised personnel trained in their new market-oriented activities.

Other programmes in which these countries may participate in future are LIFE II (environment), SAVE II (energy saving), cultural programmes (Kaleidoscope, Rafael, Ariane) and some programmes in the social and health sections.

Training projects developed within the framework of the Tempus, Leonardo and Socrates programmes and the European Training Foundation can also play a part in helping the partner countries prepare for the internal market.

## Promoting investment

The economies of the associated countries require significant levels of foreign investment to continue the process of transition. The pre-accession strategy is intended to stimulate foreign investment in the associated countries through the following.

- Increasing support for the investment promotion agencies set up in the associated countries under the Phare Programme. The task of these autonomous government bodies is to develop an investment promotion campaign, attract foreign investors through marketing strategies and provide services to investors on the ground.
- Setting up an Advisory Business Council consisting of representatives of European Union industries. This body will advise the European Commission and the national authorities on economic recovery and integration with the European Union.
- Continuing support through the Phare Programme for restructuring productive capacity and developing small businesses.
- Providing the right legislative environment to encourage investment.

## Trade - competition and state-aid policies

The internal market cannot function without open and fair competition. There is a risk that public and private sector operators may be tempted to resort to anti-competitive behaviour, in particular in the areas of company mergers and acquisitions, state aids and monopolies. The partner countries need to introduce an active policy to prevent this occurring before they join the internal market.

The Europe Agreements already commit the partner countries to adopting the basic rules governing competition in the internal market. Progress in this area must be sustained. The pre-accession strategy foresees two ways in which the European Union can help the partner countries build an effective competition and state-aid policy. The European Commission will support them in drawing up an inventory of their state subsidies and give advice on how these subsidies should be controlled so as to avoid an adverse impact on economic reform. The Commission will also set up a competition policy training programme, for those countries, that will draw on the expertise and experience of the Commission and the Member States' competition authorities.

The creation in each associated country of a single, independent authority to monitor and control state aids would certainly increase the credibility of the partner countries' commitment to open and fair competition. The pre-accession strategy, including the White Paper, supports the creation of such a body.

Once the partner countries have created a competitive economic environment comparable to that of the internal market, the European Union's commercial defence instruments for industrial products will become increasingly less important. In the meantime, the pre-accession strategy provides for the European Commission to offer information to the partner countries before initiating anti-dumping or safeguard proceedings. The Commission will also provide companies in the partner countries that have been found dumping goods on the European market, the chance to bring their prices in to line rather than face penalties.

## Trans-European Networks

An efficient transport and communications network stretching across the European Union's territory is a vital component of the internal market. Bottlenecks and congestion lead to lost opportunities, wasted resources and a market which underachieves in terms of productivity and job creation. Roads, railways, waterways, air routes,

telecommunications systems and energy distribution networks in Europe need to be recast as part of an integrated system. To this end, the European Union recognised the Trans-European Networks (TENs) as a priority sector in the 1992 Maastricht Treaty. A programme to put them in place is set out in the White Paper on Growth, Competitiveness and Employment, endorsed by heads of state and government in December 1993.

The European Union is currently studying the extension of the TENs to the associated countries as a means of strengthening their economic and political ties to the European Union. Several such infrastructure improvements have already been identified. They include roads and railways linking Berlin and Warsaw; Dresden and Prague; Nuremberg and Prague; Trieste, Ljubljana and Budapest; a permanent connection over the Danube between Bulgaria and Romania; a natural gas pipeline through Russia, Belarus, Poland and the European Union; a telematic platform in the Baltic Sea and a Baltic ring electricity network.

## Cooperation between the Member States and central European countries, and regional cooperation

Intra-regional and multi-country cooperation, as a means of promoting political stability and economic ties, is considered of particular importance for the success of the pre-accession strategy.

A number of multilateral structures have been created in recent years to promote regional cooperation. These bodies tend to involve states in contiguous areas, with traditional ties. They include

- the Council of Baltic Sea States: Denmark, Norway, Sweden, Finland, the Russian Federation, Estonia, Latvia, Lithuania, Poland and Germany
- the Black Sea Economic Cooperation: Albania, Greece, Turkey, Bulgaria, Romania, Moldova, Ukraine, the Russian Federation, Georgia, Armenia, Azerbaijan
- the central European initiative: Austria, Bosnia-Herzegovina, Croatia, the Czech Republic, Hungary, Italy, the former Yugoslav Republic of Macedonia, Poland, Slovakia and Slovenia.

Frequent interactions within the framework of these bodies improve relations between neighbouring states and encourage the development of regional economic cooperation. The European Union supports these initiatives as complementary developments to the pre-accession strategy.

In addition, the European Union established a programme of regional cooperation that will promote multi-annual, multi-country cooperation in land and sea border regions of the European Union, the central European countries and their neighbours in the New Independent States. It will focus on areas such as

- transport
- utilities
- the environment
- economic development
- human resources
- agriculture.

In 1995, Multi-annual Indicative Programmes for each of the central European country (CEC) border regions adjacent to the European Union were adopted, mirroring similar programmes adopted for the neighbouring European Union border regions concerned under the Structural Funds (INTERREG II).

Phare cross-border cooperation programmes are also being prepared for borders between the CECs themselves, and between the CECs and the New Independent States.

This new global approach to the promotion of regional cooperation, endorsed at Essen, will rationalise and enhance the efforts that the European Union is already making in this field.

One of the measures to promote regional economic cooperation concerns rules of origin. Rules of origin prove that a product was actually made or processed in a country that benefits from a preferential trade agreement. Without them, firms from third countries could deflect the transport of their exports artificially, so as to circumvent the customs and other duties which apply to them. Rules of origin defeat their own purpose when a product assembled from parts made in various associated countries does not meet the requirements of the rules of origin for any of them, and is therefore not granted duty-free status to the European Union's markets. A cumulation of rules of origin is needed to redress this.

At Essen, the European Union agreed to extend the cumulation of rules of origin between the Visegrad countries to Romania and Bulgaria, with the possibility of extending it again to other associated countries. In order that it succeeds, the associated countries will have to agree on a common system of rules of origin. This extension forms part of a three-stage plan to unify rules of origin in preferential trade between the European Union, the associated countries and the Member States of the European Free Trade Area.

Under the Essen pre-accession strategy, the European Union will launch a new initiative to promote trade in the region with support from Phare. This programme will focus on introducing modern trade legislation, will transfer European expertise in export promotion and marketing, and will provide technical know-how for the development of export insurance credit guarantee schemes as a means to improve payments facilities between countries. The European Union will also develop a programme to eliminate delays at frontiers.

In addition to the specific progress which it will set in motion, the White Paper presented at Cannes is also expected to provide a renewed impetus for trade. As certification and testing procedures become fully compatible with those of the European Union, it will be easier to agree on the mutual recognition of these tests of conformity and thereby of products throughout the associated countries and the European Union.

The trade policy which the European Union has proposed to the associated countries has been one of asymmetric liberalisation of exchange on a grand scale. Since the beginning of 1995, industrial exports from the partner countries have had virtually free access to the European Union. The exceptions are a number of products in the textile, clothing and steel sectors where some, already greatly reduced, restrictions will take a further one, two or three years to disappear altogether. Trade in agriculture and fisheries remains subject to specific provisions for favourable treatment.

From 1989 to 1994 there was a growth in the trade deficit of the partner countries with the European Union. This was not the result of protectionism on the part of the European Union, however, but the normal consequence of a transitional situation, preliminary to a period of growth, which was provoked by a shortfall in internal savings and development needs.

The important thing is that the deficit should be sustainable - which means to say that it should not cause excessive debt - and that it goes along with growing trade, which has been the case up to now.

1994 was characterised by a reversal in this trade pattern as the bilateral deficit of the partner countries is stabilising and even diminishing in the context of the economic revival in the European Union.

The forthcoming years are expected to consolidate this trend with further improved exports from the partner countries to the European Union.

## Promoting multi-country cooperation

Multi-country cooperation, considered to be of particular importance to the success of the pre-accession strategy, has been the focus of a number of Phare programmes.

### The Phare multi-country programme

Established in 1991, it provides support for programmes involving three or more countries of central Europe which foster regional cooperation. Throughout 1991 to 1994, Phare has funded multi-country programmes with emphasis on

- . the environment
- . telecommunications
- . energy
- . transport
- . nuclear safety
- . customs
- . the fight against illegal drugs.

Within the framework of the multi-country programme coordination group, responsible for programming and coordinating the programmes, the associated countries develop common views and strengthen cooperation through consensus and joint activities, thus laying the groundwork for future European integration.

### The Phare cross-border cooperation programme

Established in 1994 at the initiative of the European Parliament, this type of programme encourages cooperation between border regions of the European Union and the central European countries. Projects focus on

- . infrastructure
- . telecommunications
- . energy
- . tourism
- . business cooperation.

The overall aim is to eliminate obstacles to the economic, social and cultural development of these regions which arise through the existence of borders between them.

In the context of multi-country cooperation, mention must be made of the Pact on Stability, adopted at the March 1995 Paris conference on Stability in Europe, which was attended by all the countries participating in the Organisation for Security and Cooperation in Europe (OSCE). This initiative, emphasising cooperation in Europe from political and security points of view, was a joint action of the European Union's Common Foreign and Security Policy.

The Pact on Stability's key aim is to promote good neighbourly relations between the participating countries and to strengthen stability in Europe. As stated in the political declaration, "a stable Europe is one in which peoples democratically express their will, in which human rights,

including those persons belonging to national minorities, are respected, in which equal and sovereign states cooperate across frontiers and develop among themselves good neighbourly relations". Some hundred bilateral agreements on friendship and cooperation, included in the Pact on Stability, support this commitment.

Two regional round tables - one for the Baltic region and one for the central European region - were essential in helping the partner countries overcome certain inherited problems. This process led to the signature, on the eve of the conference, of an historic bilateral treaty between Hungary and Slovakia. The round-table participants also identified a number of projects which aim to promote good neighbourly relations in areas such as regional trans-border cooperation, questions relating to minorities, cultural and economic cooperation, legal cooperation and environmental problems. The European Union has pledged additional Phare funding in support of these projects, on top of the commitments already made within the framework of ongoing Phare programmes for multi-country cooperation. This demonstrates the large extent to which the European Union, through the Phare Programme, is supporting the objectives of the Pact on Stability. The European Union's contribution must be seen within the wider context of its overall effort in promoting multi-country cooperation between the partner countries.

The Pact on Stability has been entrusted to the OCSE which will be responsible for following up the initiative and monitoring its implementation. Through its emphasis on the peaceful resolution of frontier and minority issues and through the promotion of multi-country cooperation in general, the Pact on Stability reinforces the aims of the pre-accession strategy.



# Conclusion

## The way forward

The European Union shares the ambition of central European countries to resume their key role in Europe's culture and civilisation and rejoin the economies and societies of Europe. The pre-accession strategy, in helping to prepare the partner countries for membership, will translate this commitment into a reality.

No candidate for accession has ever taken as large a step as is being contemplated by the partner countries. Having emerged from decades of totalitarian regimes not so long ago, the peoples of central Europe and the Baltic region are now heading towards full participation in the European Union's future development. The European Union and its Member States will support their efforts through all the means at their disposal.

Notwithstanding the complexity of the task ahead, the outlook is promising. Six years have passed since transition began and, in general, conditions have considerably improved during that time. The new democracies are rewarding the confidence of their peoples by working towards future prosperity. Economic decline has been halted and growth has begun. Trade relations are expanding and losing their lopsided character. The partner countries are becoming increasingly involved in international structures which guarantee security and stability in Europe. Requests for membership of the European Union have been received and will be addressed following the Inter-Governmental Conference.

In conclusion, owing to the pre-accession strategy, the European Union's next enlargement will be the best prepared to date.