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## Enlargement Weekly

10 December 2001

Welcome to Enlargement Weekly. This weekly bulletin provides an overview of where European Union enlargement has got to, who's doing what in the EU, in the institutions and candidate countries, and how the main challenges are being met.

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### THE ECONOMIC CHALLENGE OF ACCESSION PREPARATIONS

Candidate countries' ministers of economic affairs and finance agreed that they still have to meet some serious challenges on their economic policies when they met their EU opposite numbers in Brussels on December 4. The joint conclusions of this special Ecofin meeting - the second of its type - recognised the "considerable progress" made by the candidates in macro-economic stabilisation and structural reforms. But they noted too that more active structural reform was still needed to allow stronger and more sustainable growth. And September 11 had added to the problems with its short-term economic and financial impact. In addition, the candidates are going to have to practise exchange-rate strategies aimed at economic convergence, ministers acknowledged.

Ministers agreed at their meeting on a methodology for regular Commission reporting on progress: the first such assessment will be prepared in February 2002. They also asked the European Commission to present evaluations of the candidates' pre-accession economic programmes in March, and of their progress in bringing their statistics into line in the autumn of 2002. The Commission has already pointed out - in a note for the meeting - that the figures supplied by candidates on general government deficits and debt "cannot be viewed as meeting all the technical requirements".

Fighting organised crime and terrorism was one of the main themes of the meeting, too. Ministers stressed the need for full implementation in the candidate countries and in the member states of the EU rules on combating terrorism, money laundering and economic crime, as well as the recommendations of the OECD's financial action task force on money laundering.

According to analyses that the European Commission prepared for the meeting, it is important to narrow the gap between the candidates and the member states in income levels - among other things, to help ensure popular support for reform efforts. Over the last five years the catch-up has been slow: from 34.5% of the EU average in 1995 to only 35.2% in 2000. And it will be a long process, the Commission predicted, taking "many years", and requiring sustained increases in growth, rather than a one-off spurt in growth rates.

In an assessment the Commission has prepared of the candidates' pre-accession economic programmes for 2001 (the first such programmes), attention is drawn to the challenge of creating marketing conditions that allow for efficient public and private investments in sectors that will maximise growth. The Commission emphasises the need for measures to raise the efficiency of the economy by strengthening competition, reducing market-entry barriers, defining and reinforcing property rights, and promoting productivity and enhancing research and development.

### **PROGRESS FOR CYPRUS**

In a week that has seen the most optimistic signals for years on possibilities for resolving the division of Cyprus (with, notably, face-to-face meetings of the leaders of the Greek and Turkish communities), Anna Diamantopoulou, European Commissioner for Social Affairs and Employment brought together on December 7 representatives of the island's two speaking communities for talks on EU social policies.

She took part in discussions - on the UN-patrolled "Green Line" separating the two communities - of what the EU does to promote social dialogue between trade unions and employers, rights for disabled people and equal opportunities for women and men. The meeting involved NGOs and social partners from both communities, and both of Cyprus' official languages; Greek and Turkish were used in the meeting materials and in the meeting itself.

The Commissioner was in Nicosia to sign a joint EU-Cyprus assessment paper on employment policy with labour and social insurance minister Andreas Moushouttas. She welcomed the country's agreement to shadow EU employment policy in the run-up to accession. The assessment congratulates Cyprus on its top position amongst candidate countries in economic development and its sustained level of full employment (with a 2000 unemployment rate of 4.8%). It also acknowledges that, at 66%, the country's employment rate overall compares favourably with the Union figure of 63.3%.

However, the assessment expresses concern over some structural problems in the labour market. Long-term joblessness is rising to 30% of the total, and there are

higher rates of unemployment for both the young and for women. Women's earnings are only three quarters of men's, and the female employment rate of 53% is well down on the male figure of 78%. Added to this is a mismatch between labour supply and demand, with resulting bottlenecks, and a growing need for a more highly skilled and adaptable workforce better geared to the tertiary sector. The paper also points to the need for Cyprus to correct macroeconomic imbalances, especially the fiscal and external deficits that emerged in the late 1990s.

#### **UNICE INSISTS ON CAUTIOUS LAEKEN ENDORSEMENT FOR ENLARGEMENT**

In a pre-Laeken statement issued on December 7, the European employers federation, UNICE, again endorsed the idea of early EU enlargement, but warned of the need for "progress... before more countries can join the EU". UNICE strongly supports enlargement, but its statement insisted that further structural reform is needed within the EU, and in candidate countries.

UNICE said it welcomed the progress "by many candidate countries", and in particular supported the European Commission's idea of an additional assistance package earmarked for strengthening the administrative and judicial capacity of the candidates. And it said clearly that a candidate country "should be admitted as soon as it fulfils the criteria for accession - without the need to wait for less prepared applicants."

But it is sticking to what it said when it issued its own report on the candidates in October. Extra efforts need to be made in four priority areas: the fight against corruption, improving dialogue between business and candidate countries' governments, further structural reforms and privatisation, and special attention to selected areas of the single market, such as the circulation of goods, intellectual property, public procurement and state aid. It also says that greater public debate on the benefits of enlargement is essential in both the EU and candidate countries.

UNICE's report on the candidates paid particular attention to consultation with business. It said that in Bulgaria it has moved forward, but there remains a need for government to consult even more closely with business. Hungarian business circles actively co-operate with the government in the development of EU-compatible economic regulations, it said. And in Slovakia businesses underlined several key areas that can still act as obstacles to a competitive environment: reform of the administrative system, adapting it to the necessities for acquis adoption and fulfilment, judicial reform (particularly in respect of the independence of courts), and further measures to fight corruption - as well as, explicitly, "greater consultation with business". It pointed out that by adopting certain measures such as improvements in the judiciary and administrative system, and the speeding-up of the denationalisation process, Slovakia 'has taken into account the opinions of the European Commission and UNICE'.

Other areas UNICE commented on included the "growing concern" in Latvia over the quality of implementation of the EU acquis. In Lithuania, it said, trade is still hampered and barriers to trade still exist - particularly in the customs area. It said, "European business is confident about a positive development of the Polish economy in the near future if the government continues to pursue a clear market-oriented economic policy, a stability-oriented fiscal policy and the overall goal of a positive business climate". But Romania "still faces a lack of credibility at international level because of its legislative instability, bureaucracy and corruption".

#### **POLAND AIMING TO CLOSE NEGOTIATIONS ON LAND AND LABOUR**

Poland is readying itself to close two of the key issues it faces in its accession negotiations - free movement of persons, and free movement of capital. The prospects were improved when the new Polish Prime Minister, Leszek Miller, came

to Brussels on December 6 for talks with European Commission President Romano Prodi. Miller made clear he is hoping to close "very soon" these two contentious chapters. There are signs that it will accept the position of the EU - perhaps as soon as the ministerial negotiating session in Brussels on December 11.

On free movement of persons - where the stumbling block remains Poland's resistance to accepting a possible seven-year EU ban on its workers moving across the EU after accession - the Polish government's hopes are rising of winning enough promises from individual EU member states to be able to sell the deal to its increasingly sceptical public opinion. Sweden, Denmark, Ireland and the Netherlands have already indicated they will not impose any restrictions on Polish workers after accession. Poland says that Spain, France, the UK and Greece are also moving in that direction (although France may make provision only for stagiaires and students at first, and the UK may retain controls for up to two years - UK foreign secretary Jack Straw recently told his Estonian counterpart, Toomas Hendrik Ilves, that Britain did not want a transition period that exceeded two years, and was working on additional measures to open its labour market more widely). Now Poland is lobbying for a public declaration along these lines from a significant number of member states, to create conditions in which it can sign up to the EU terms.

On free movement of capital - where the stumbling block is Poland's insistence on a long transitional period before non-Poles can buy agricultural land and forestry - there are signs that the EU may accept a recently-revised Polish request, under which Warsaw would be satisfied with twelve years, less than the seventeen years it has been demanding until now, but still rather more than the seven years that have been granted to other candidate countries.

The Belgian Presidency indicated on December 6 that it had high expectations of being able to close the outstanding chapters with Poland. This, it said, would allow it to urge inclusion in the conclusions of the Laeken summit wording to the effect that Poland was "now back on track".

#### **CANDIDATE PARLIAMENTS FIND A COMPROMISE ON ACCESSION PLANS**

The question of how big the next enlargement should be is now a constant feature of many high-level discussions of enlargement - largely because of French foreign minister Hubert Vedrine's suggestions at the mid-November General Affairs Council that all twelve candidates that are currently negotiating might be brought in at the same time. So presidents of the parliaments of the candidate countries and the President of the European Parliament discussed the issue in the course of their regular six-monthly meeting, in Brussels on December 5-6.

The presidents discussed a range of possible statements that reflected the interests of all candidates. Hungary sought wording in the final declaration that stressed that "internally prepared countries should not wait in any circumstances for those progressing more slowly. And Bulgaria and Romania backed wording that qualified the European Commission's current expectation that up to ten candidates could conclude negotiations next year with allusions to "the subsequent discussion on the Commission's report in the General Affairs Council". In the end, the compromise text adopted made reference to the General Affairs Council discussion, but added an emphasis on "the need to maintain the principle of differentiation", so "each candidate country should accede when it is ready".

Nicole Fontaine, the EP President, said that "in the case of Romania and Bulgaria, which, it would seem, are not far enough along the road, it is my wholehearted wish that there should be no unnecessary differentiation, and my hope that these two countries, in accordance with the decisions taken in Helsinki, will be able to close the gap, if gap their be". In the end, the Romanian Senate Vice-President, Alexandru

Athanasίου, announced that he was pleased with the final text, saying it was "the best possible solution respecting the amendment tabled".

Elsewhere, the meeting also found common ground on the future of Europe, and on their view that progress to date in the negotiations and in candidate countries' preparations "provide a sound basis" to conclude the accession negotiations in 2002 - so "all candidate countries which have completed the negotiations within the next year should participate as full members" in the 2004 EP elections. Meanwhile, they said, they wanted the EP to make arrangements for representatives of candidate country parliaments to follow the work of the EP in the period between the candidates signing accession treaties and becoming full EU member states.

### **Enlargement news in brief**

#### ***Simplifying fruit and vegetable trade with Hungary***

From now on, fruit and vegetables originating in Hungary can be imported without routine inspection by the EU member states, if the products have been checked beforehand in Hungary. The European Commission has just adopted the first regulation approving inspections in non-member countries to check that fresh fruit and vegetables conform with EU marketing standards. The 85,000 tonnes per year of EU imports of fruit and vegetables from Hungary - worth about €60 million - consist mainly of peppers, cherries and plums. The deal will simplify administrative procedures, reducing delivery times and overheads for importers, and at the same time boosting the capacity of traders and supervisory authorities in Hungary prior to accession. "In adopting this decision, the European Union is showing its commitment to facilitating the fruit and vegetable trade with third countries, while guaranteeing protection of the interests of consumers," said Franz Fischler, the European Commissioner for Agriculture. This is the first of some twenty similar agreements expected to be reached with other non-EU countries, both candidates for membership and others, that could cover more than half the EU's fresh fruit and vegetable imports in the medium term.

#### ***Candidates take part in informal EU Culture Council***

During their informal meeting in Bruges on December 4, the ministers for culture of the EU member states, the candidate countries and the EEA countries discussed the European Union framework programme "Culture 2000". The Belgian Presidency was pleased at the common intention to strengthen international co-operation on culture and to expand this to the candidate countries. But there was plenty of emphasis on the need for international co-operation to strengthen rather than weaken Europe's cultural diversity. There was general agreement that promoting the mobility of artists and art works should be a priority. But the Romanian minister made the point that the cultural involvement of the candidates had a political dimension too, and regretted that although Romania was now to be involved in the programme, it would have been better if it had been involved two years ago.

#### ***EU-Slovenia wine agreement signed***

An agreement between the EU and Slovenia that will allow *de facto* duty free trade for wine was signed in Ljubljana on December 7 by European Agriculture Commissioner Franz Fischler and the Slovenian Agriculture Minister Franc But. This concludes negotiations begun in 1998, and the deal should enter into force at the start of 2002. Fischler said it was "an important step in the integration process. Having in mind the tremendous progress made so far, I am sure that Slovenia will very soon fulfil all the conditions to be a new member state."

#### ***€75 million for Turkey***

The European Commission has approved the payment of €75 million under its Structural Adjustment Facility for Turkey. It says Turkey has progressed towards meeting conditions of macroeconomic stability, deregulation, and reforms in the social security and agriculture sectors. The facility aims to support the structural reforms at the heart of Turkey's economic programme, as agreed with the IMF and supported by the World Bank, and to accelerate the pre-accession process in Turkey by promoting harmonisation of Turkish laws with the EU. European Enlargement Commissioner Günter Verheugen said: "Turkey has made significant efforts to restructure and reform its economy. The EU welcomes the progress that has been made, particularly in the light of continued economic difficulties. Turkey is encouraged to continue this work, for example to adopt further legislation to liberalise the telecommunications and energy markets over the coming months. The continued restructuring of banking and in the agricultural sector is also important."

#### ***Lithuania nearly ready to administer EU funds***

Guy Crauser, Director General for Regional Development in the European Commission, gave Lithuanian finance minister Dalia Grybauskaitė a positive evaluation of Lithuania's readiness to receive and administer money from the European Union's structural funds when they met at the end of November. Crauser remarked that Lithuania made successful use of the money allocated for its pre-accession preparations to join the EU.

#### ***OECD recommends improvements in Romanian corporate governance***

A new report on corporate governance practices in Romania calls for effective enforcement of shareholder rights with respect to changes in share capital and the introduction of control mechanisms to prevent abusive transactions between related parties. The report, from the Organisation for Economic Co-operation and Development, and due for release on December 11, also calls for measures to increase the effectiveness of company boards and board members, and improved supervision and monitoring of companies by accountants and auditors. It says good corporate governance ensures the efficient use of company resources and good relations between the managers of companies, their employees, creditors and other stakeholders, and helps to win the confidence of domestic and international investors. It is of particular importance in the transition economies of Central and Eastern Europe, and is relevant for other countries as well, says OECD.

#### ***Czech check on environment helped by Commission report***

The recent regular report from the European Commission "represents a valuable tool for prioritising our steps", said Martina Motlov, deputy minister, and director general of the section of international relations of the Czech ministry of the environment. She was speaking in Brussels this week on the institutional and financial aspects of implementing the EU environmental acquis, and promised that her country had identified clearly questions that remained open and had started to work intensively on addressing them. She added: "The co-operation with the European Union and member states through programmes such as ISPA and Phare is very effective and helps us in finding good solutions based on the member states' practices". She expressed particular satisfaction at the twinning project the Czech Republic is conducting in the water sector (which it recognises as one of its most demanding challenges in the environmental acquis); the project is likely to be extended in 2002 with a consortium of the United Kingdom, Austria and France, with the participation of German experts: "It is of crucial benefit for the implementation in this very complex sector", she said.

## **Agenda**

Date	Event
<b>December</b>	
Monday 10th	EU foreign ministers will review the European Commission's regular reports on the candidate countries and the strategy paper for enlargement at the General Affairs Council, Brussels.
Monday 10th	EU Council of Ministers enlargement working group meets, Brussels
Monday 10th	European Agriculture Commissioner Franz FISCHLER receives Hungarian agriculture minister Andras Vonza, Brussels
Monday Tuesday 11 <sup>th</sup>	European Institute of Public Administration conference on reform of EU competition policy: decentralisation and effective enforcement in an enlarged EU; Maastricht
Tuesday 11th	Enlargement negotiations at ministerial level with Slovakia, Romania, Bulgaria and Poland; Brussels
Tuesday 11th	OECD report on Corporate Governance in Romania presented, Bucharest
Wednesday 12 <sup>th</sup>	Enlargement negotiations at ministerial level with the Czech Republic, Slovenia, Cyprus, Hungary, Malta, Latvia, Estonia and Lithuania; Brussels
Wednesday 12 <sup>th</sup>	The International Coalition to protect the Polish countryside and Coordination Paysanne Européenne present their proposals for change to the EU Common Agricultural Policy so as to save family farms and countryside in central Europe, Brussels
Wednesday 12 <sup>th</sup>	The applicant states liaison group of the EU Committee of the Regions conference with the National Association of Municipalities in Bulgaria, Sofia
Thursday 13 <sup>th</sup>	EU Council of Ministers central Europe working group meets, Brussels
Friday 14 <sup>th</sup>	European Agriculture Commissioner Franz FISCHLER receives a family of Polish farmers
<b><u>Friday 14<sup>th</sup></u></b> <b><u>Saturday 15<sup>th</sup></u></b>	<b><u>European Council, Laeken</u></b>
Monday 17 <sup>th</sup>	European Enlargement Commissioner Günter Verheugen visits Romania
Wednesday 19th	Committee of Regions' President Jos CHABERT visits Malta

## Archives

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