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Enlargement Weekly

28 January 2002

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.

Articles this week

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MONTI SPELLS OUT STATE AID CHALLENGES

European Competition Commissioner Mario Monti spelled out his thinking on the place of fiscal state aid in the enlargement process when he spoke at a seminar in the Netherlands on January 22nd. "For the accession negotiations, fiscal aid is certainly a very important issue that remains to be fully resolved in several candidate countries", he said. "Some of these countries continue to operate fiscal aid regimes that are incompatible with the Treaty" - instancing "certain tax breaks, tax holidays and tax credits that are used to attract foreign investments or to keep non-viable businesses alive".

The appeal of fiscal aid to candidate countries is obvious, he said, since: giving state aid in the form of fiscal breaks is less damaging for their budgets, especially when the new taxpayer: benefiting from the measure were previously paying taxes in another country. But the Commission is taking "a very close look at these schemes and will act with determination in

order to preserve the integrity of the internal market after enlargement", he warned. A investment incentives or any other government support that would be classified as incompatible state aid "must be made compatible with the Treaty before accession", he insisted. "For several years now", he remarked, the Commission has been telling the candidates that incompatible benefits must be abolished or converted into permissible aid arrangements before accession. "My services are monitoring the situation very closely", said the Commissioner. At the same time, he added, his officials are also "actively helping the candidate countries to ensure the compatibility of their fiscal and other aid measures".

Monti went on to underline that he was not saying that the candidate countries cannot grant fiscal state aid to attract investors or to help restructure their economies. "They are already and will remain, entitled to use the same instruments as today's Member States, and in particular regional state aid. It is essential, however, that state aid is explicitly recognised as such, and that the proper attention is paid to the compatibility of the aid under the existing Europe Agreements and later under the existing Community rules."

He claimed that the candidate countries "fully understand that state aid control is not just a straightjacket imposed by Brussels", and can actually offer "protection for smaller and less wealthy future Member States against the abundant state support that could be offered by the richer Member States if there were no solid control system."

KALININGRAD MOVES UP THE AGENDA

Kaliningrad, the Russian territory sandwiched between Poland and Lithuania on the Baltic coast is taking on increasing significance as the EU enlargement project moves ahead. Once Poland and Lithuania join the EU, Kaliningrad will constitute a small Russian enclave in the middle of the European Union. In addition to the simple geographical consequences of this development (with all its implications for border controls), Kaliningrad also poses some serious challenges to the EU because of the comparatively lower standard of living in the region, the levels of environmental pollution it experiences, and because it is still an important military base.

At the General Affairs Council of January 28th, EU foreign affairs ministers will receive a report from the Spanish foreign minister, who in his role as Council President has been meeting with Russian foreign minister Igor Ivanov to discuss the matter. On January 21st, the European Parliament's committee on foreign affairs, human rights, common security and defence policy debated a draft report from Magdalene Hoff on the 2001 Communication from the Commission on Kaliningrad. The new situation for Kaliningrad is "delicate" and "could make the movement of persons and goods between the area and its neighbours and the rest of Russia more difficult", says her draft, and it is "vital" that joint efforts should be made to counteract the disadvantages of separation of the area from the rest of Russia, by using the opportunities presented by Kaliningrad's closeness to "the dynamic Baltic region" as well as to an EU undergoing enlargement.

Such co-operation could also usefully mirror the "growing tendency among decision-makers in Russia, in the area of international relations, to favour moving in the direction of closer ties with [the European Union]", she says. Moscow is now giving priority to civilian development of the area rather than emphasising its role as a forward military bastion, the report argues, and Kaliningrad could become a 'pilot project' for co-operation between the north west of Russia and the EU, even perhaps providing a fresh impetus for successful structural reforms in Russia as a whole.

By contrast, "a failure to halt the economic and social decline would turn the region into a permanent source of unpredictability, instability and environmental degradation in the dynamic Baltic Sea co-operation".

The Hoff report claims that the new administration in Kaliningrad and most of its elite are in favour of further opening up of the area vis-à-vis the Baltic region and the EU. But the centre



authorities in Moscow have taken decisions on establishing closer administrative ties with Kaliningrad, and no development strategy for the region which could be dovetailed with EU activities has yet been adopted.

Her draft report particularly regrets "the continuing uncertainty about the scope for flexible interpretation of the Schengen acquis, in particular as regards the use of simplified visa procedures", and urges the Council and the Commission to clarify this and to present options for a simplified procedure. The Commission should seek - together with Russia, Poland and Lithuania - to achieve a balance between solid security of the EU's external borders, and the need to make visa and transit arrangements easier for the inhabitants of Kaliningrad (and, in the case of transit, also for the inhabitants of the rest of Russia). The issuing of visas at the border and visa-exempt non-stop transit on a central line through Lithuania should be considered, she says. Overall, the report argues for the Commission to play a more active financial role in Kaliningrad, co-ordinating the existing financial assistance programmes (Tacis Phare and Interreg) more effectively, and involving international financial institutions to a greater extent in the development of projects. She also says the Commission should provide more information to the political authorities in Kaliningrad and to its citizens on the consequences of EU enlargement for the area, for example by strengthening the EU information office there, supporting the European faculty at Kaliningrad State University, and providing assistance for European events held by local educational institutions and organisations

SAPARD REPORT UNDER CRITICAL REVIEW

The European Parliament's committee on agriculture and rural development is currently reviewing the EU's Sapard programme of aid for agriculture in the candidate countries. The focus of the Parliament's work is the Commission's own Sapard annual report for 2000. A draft prepared by Euro-MP Willi Görlach starts from the premise that the agricultural sector in the candidate countries plays a crucial role for the economy and employment, and that the success of enlargement is dependent to a considerable extent on the successful integration of the candidate countries' agricultural sector into the EU's agricultural market.

The programme is not going very fast, remarks Görlach: the first paying agency of an applicant country was not operational until December 2000, and by the end of 2001, "only insignificant sums (approximately € 30 million)" had been channelled via Sapard. To his regret, he says the management of Sapard funds was transferred to only five candidates: Bulgaria, Estonia, Slovenia, Latvia and Lithuania. And the difficulties which were already apparent in 2000 with regard to the content of the programme and subsequently to the setting-up of paying agencies have still not been completely overcome. This "is having an adverse impact on the structural changes which must be made prior to accession", he says.

The delay, he points out, is due to the need to create the requisite administrative conditions for appropriate financial management of Sapard's decentralised administration in the candidate countries. But he says he is deeply concerned that preparations for accession are being "considerably hindered in the agricultural sector by the delay in implementing the programme". "The fact that there was no take-up of funds at all in the financial year 2000 and only insignificant amounts in 2001 (is) a sign that Sapard has been poorly organised".

He also says that since on average, only 11% of the Community appropriations for Sapard are earmarked for the development and diversification of agriculture in the candidates, "there is an urgent need for greater support to create alternative sources of income in agriculture... in the context of promoting rural development, as there is considerable over-manning in the sector which may lead to a massive rise in unemployment following accession if their agriculture is subjected to the full pressure of competition from the present Member States".

His proposed solution is the creation of an 'INPARD' - an "Innovative Participatory Rural Development" - programme as soon as possible along the lines of the LEADER programme in the EU. This could use a 'bottom-up' approach, and could help create additional employment and income in rural areas. Implementing such a programme as of 2003, prior to accession



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means that structures could be set up for use by the LEADER programme following accession and valuable experience gained.

Enlargement news in brief

Council to debate progress on enlargement

At the General Affairs Council on January 28, the EU Presidency will hold a debate on its work programme for enlargement. The Presidency says it intends to make a decisive contribution to ensuring that negotiations with all those candidate countries which are prepared can be concluded by the end of the second half of 2002. The Presidency's programme emphasises in particular that the principle of differentiation will continue to be applied in the negotiations and all candidate countries will be judged according to their own merits.

The Presidency says it will do its utmost to meet the targets of the "road map" and reach a common position of the Union on all the chapters assigned by the "road map" for the first half of 2002 - including agriculture, regional policy, financial and budgetary provisions, and the chapter on institutions. It stresses that negotiations will be conducted on the basis of the principles laid down at the Laeken European Council: the existing acquis and the financial framework established at Berlin. A first general assessment of the effective implementation of the acquis by the candidate countries will be carried out by the European Council at Seville on the basis of an Action Plan to be drawn up by the Commission.

The Presidency also intends to address all the pending chapters with Bulgaria during this first six months, and will try to do the same for Romania "as long as and when the necessary information and data are made available". Support will also be given to the efforts being made as part of the on-going United Nations-sponsored drive to work out a political settlement for the Cyprus issue. Encouragement will also be given to Turkey's pre-accession strategy.

Two Accession Conferences at Deputy level are planned, on 21 and 22 March and on 19 and 22 of April. But should the need arise, other Conferences at Deputy level could also be held, it says. The Accession Conference at Ministerial level will take place on 10 and 11 June. The Presidency also plans to invite the Heads of State, Prime Ministers, Ministers of Foreign Affairs as well as Ministers of Economy of candidate countries to take part in the first day meeting of the Barcelona European Council on Friday 15 March.

The drafting committee for the Act of Accession should also be established during the Spanish Presidency and will probably start work in March.

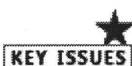
Sapard money coming to Lithuania

On 16th January, the National Paying Agency signed the first financing agreements under the European Union Special Programme for Agriculture and Rural development (SAPARD) in Lithuania. The two agreements will help upgrade a grain growers' co-operative, and improve production technology at a farm. At a press conference after the signature, National Payments Agency Director E. Čijauskas noted that 121 applications were received for the available 2000 funding, amounting to total of €39 million. Lithuania is expected to receive 30.345 million Euro under SAPARD each year.

On 14 January, the daily "Kauno diena" reported that the requests for SAPARD support were lower than had been expected, with sceptical farmers complaining about bureaucratic barriers or the lack of possibilities for co-financing.

BSE cases confirmed in Slovenia

The Scientific Steering Committee, which advises the European Commission on Transmissible/Bovine Spongiform Encephalopathies, has taken account of the confirmation of



the presence of BSE by positive test results in Slovenia and has accordingly classified Slovenia as a country in category III (that is, where BSE is confirmed, but at a low level).

Commission optimistic after Austrian petition

The Commission does not consider that the results of a recent public petition in Austria on the Temelin issue, addressed to the Austrian Parliament as a direct democratic instrument of domestic policy definition, has any direct repercussions on the accession negotiations with the Czech Republic, confirmed Enlargement Commissioner Günter Verheugen in a January 22nd statement. "I take note of the result of this petition. It confirms that there is a strong opposition in Austria to nuclear energy", said the Commissioner. But he pointed out that the petition "also confirms that an overwhelming majority of the Austrian population does not want to endanger good neighbourly relations with the Czech Republic". He said the Commission assumes that in the course of Parliamentary discussions, the results of the Melk process - the agreement reached late last year between Austria and the Czech Republic on the contentious issue relating to Temelin - "will be acknowledged and that the commitments made will be respected". Meanwhile, he insisted, negotiations "will proceed according to plan".

15% of the Austrian electorate signed the petition calling for the closure of Temelin to be a condition for Czech EU accession. The issue now has to be debated and voted upon in the national Parliament within the next five months. To achieve legally binding effect, the Parliament would need to pass a so-called constitutional law, the necessary majority for which (67%) is considered most unlikely.

Europe of the regions – the Czech Republic

The first meeting of the EU-Czech Republic Joint Consultative Committee between the Committee of the regions (CoR) and the Czech Liaison Committee for co-operation with the CoR took place in Prague on January 24. Like the EU-Poland committee already set up last year by the Committee of the Regions, this Joint Consultative Committee is designed to create a forum for dialogue and co-operation between local and regional authorities, to help European integration. It is planning to draft two recommendations during 2002: one will cover informing citizens about enlargement, and the other will look at strengthening regional and local administrative capacity in the Czech Republic.

Outgoing Committee of the Regions President Jos Chabert told the meeting that other JCCs would be created too. "Dialogue between regions across Europe will legitimise the process as they have the capacity to speak to their citizens. There cannot be a successful Europe without the involvement of its citizens - and local and regional representative are in the closest contact with them", he said.

Agenda

Date	Event
January	
Thursday 24 th - Sunday 27 th	Chief negotiators of the "Luxembourg" group of candidate countries (Cyprus, Czech Republic, Estonia, Hungary, Poland, and Slovenia) meet to discuss the current status of the accession negotiations; Karlovy Vary, Czech Republic.
Monday 28 th	General Affairs Council, Brussels
Monday 28 th	European Economic and Finance Commissioner Pedro Solbes

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	receives Romanian minister of economy Leonard Kazan, Brussels
Monday 28 th	EU Council of Ministers working group on central Europe meets, Brussels
Monday 28 th	Czech Republic starts technical consultations on regional policy with the services of the European Commission, Brussels
Tuesday 29 th	EU Council of Ministers working group on enlargement meets, Brussels
Tuesday 29 th	European Trade Commissioner, Pascal Lamy speaks on "The future of Europe: what global role for an enlarged EU?" at the Institute for European Policy, Berlin
Tuesday 29 th	European Enlargement Commissioner Gunter Verheugen receives the Finnish foreign trade minister, Jari Vilen, Brussels
Wednesday 30 th	European Commission scheduled to propose draft negotiating positions for the "big three" chapters of the accession negotiations: agriculture, regional policy, and finance and budget, Brussels.
Thursday 31 st	European Commission President Romano Prodi and European Enlargement Commissioner Gunter Verheugen receive Peter Medgyessy, president of the Hungarian Socialist Party, Brussels
Thursday 31 st	European Regional Affairs Commissioner Michel Barnier speaks on the future of cohesion policy, at the College of Europe, Bruges
Thursday 31 st	Constituent meetings of the European Parliament's inter-parliamentary delegations with the candidate countries, Brussels.
Thursday 31 st	Candidate countries attend EU Council Troika on disarmament, arms control and non-proliferation, Brussels
February	
Friday 1 st	EU Council of Ministers working group on enlargement meets, Brussels
Friday 8 th	Informal meeting ("Gymnich") of EU foreign affairs ministers will discuss enlargement, and particularly the Commission's proposals for the "big three" chapters, Caceres
Friday 8 th	Secretaries General of the Parliaments of the candidate countries and Member States meet with Enlargement Director General Eneko Landaburu <i>et al.</i> , Strasbourg
Monday 12 th	EU economic and finance ministers will discuss enlargement, and particularly the Commission's proposals for the "big three" chapters, Brussels
Wednesday 13 th - Friday 15 th	European Enlargement Commissioner Günter Verheugen visits Turkey
Thursday 14 th -Friday	Accession negotiations with the candidate countries at deputy level (chief negotiators and EU ambassadors), Brussels

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15 th	
Monday 18 th - Tuesday 19 th	EU General Affairs Council will discuss enlargement, and particularly the Commission's proposals for the "big three" chapters, Brussels
Tuesday 19 th	CEPS working party on the Common Agricultural Policy in the 21 st Century: Doha, mid-term review and enlargement, Brussels
Tuesday 19 th	EU Agriculture Council will discuss enlargement, and particularly the Commission's proposals for the financial aspects of the agriculture chapter
Thursday 21 st - Friday 22 nd	European Environment Commissioner Margot Wallström visits Slovakia
Thursday 21 st - Friday 22 nd	European Research Commissioner Philippe Busquin visits Hungary
Thursday 28 th - Friday March 1 st	European Enlargement Commissioner Günter Verheugen visits Cyprus
March	
Friday 15 th , Saturday 16 th	Barcelona European Council – including a special working meeting on economic and social integration with the candidate countries
Thursday 21 st -Friday 22 nd	Negotiating session at the level of deputies (EU ambassadors and candidates' negotiators), Brussels.
April	
Details tbc	European Commission organises a "BEST" Conference in Slovenia, to assist candidate countries' efforts to improve the climate for small businesses.
Friday 19 th and Monday 22 nd	Negotiating session at the level of deputies (EU ambassadors and candidates' negotiators), Brussels.
May	
Friday 31 st	Negotiating session at the level of deputies (EU ambassadors and candidates' negotiators), Brussels.
June	
Details tbc	EU/European Economic Area (EEA) consultative committee will discuss enlargement and the future of the EEA at its annual meeting, Iceland
Monday 3 rd	Negotiating session at the level of deputies (EU ambassadors and candidates' negotiators), Brussels.

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Tuesday 11 th	Ministerial negotiating session with foreign ministers of the EU and of the candidate countries, Brussels.
Friday 21 st , Saturday 22 nd	Seville European Council: European Commission reports on the implementation of the plan of action for strengthening the candidates' institutions.
Monday 24 th	Informal meeting of education ministers from the EU and the candidate countries, Bratislava
July	
Monday 1 st	Start of Danish Presidency of the EU: the aim is to close negotiations before the end of the year with those countries that are ready. The Laeken summit noted that, if progress is maintained in the negotiations and in the reforms, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, the Czech Republic and Slovenia could be ready.
October	
24 th and 25 th	Brussels European Council: enlargement will be on the agenda. The Commission's regular reports on the candidate countries may be available.
December	
Thursday 12 th , Friday 13 th	Copenhagen European Council - enlargement may be on the agenda again, taking account of the aim of concluding accession negotiations by the end of the year.


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