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Enlargement Weekly

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

Articles this week

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CANDIDATE COUNTRY FIRMS ARE KEEN ON ACCESSION, BUT ARE THEY READY?

The private sector in central Europe is optimistic about its prospects once it joins the single E market, and it is a strong supporter of EU accession. But most firms admit they don't have enough information about the EU, and half of them have not yet started to prepare for accession. These are the principal conclusions of the Eurochambres survey on the readiness of the corporate sector in central Europe for the single market, published on April 2: "Companies and authorities need to intensify their efforts immediately to prepare the corporate sector", it says. "It is imperative to involve both governments and civil society in this process to ensure that enlargement is well understood and accepted by all", remarked Eurochambre President, Christoph Leitzl.

More than half the 2,500 companies polled in the ten central and east European candidate countries said they felt only partially informed about adjustments that need to be made, or that they were not yet prepared for accession. Nearly a third have no information at all or feel they are not concerned by the EU acquis. But with the accession coming closer, they are becoming better aware of the complexity of the acquis and tend to be more critical about the

own state of readiness.

In particular, the level of information on the acquis is still insufficient, with less than 10 % of companies claiming to be fully informed. More than half of the respondents admit they do not sufficiently exploit the available sources of information. Only a third of them declare using the possibilities to its full. The best informed seem to be companies from Latvia, Bulgaria, Slovenia and Czech Republic, and the least informed from Hungary, Poland, Slovakia and Romania.

Companies rate their current level of compliance quite low (2.2 on a scale of 1-4), although most of them are quite optimistic about their future compliance with EU legislation. Small companies and companies mainly operating on the domestic market are generally less prepared for enlargement: they are less informed on the acquis, their current level of compliance is lower and they are less advanced in their preparation to achieve compliance. One in four firms admit that programmes for preparation are only now being drafted.

Firms consider their current compliance with the acquis is highest in product certification, technical regulations, and standards; consumer protection; and producer liability - the areas they perceive as the most important, and the most difficult to comply with. Most firms have no precise idea about the costs of compliance; only 12% have actually made a cost estimate, and most of them believe that the costs will be below Euro 0.5 million.

At the same time, the survey, financially supported by the EU's Phare Business Support Programme, reveals an overwhelming majority - 93% - of firms in the region want accession. Less than 3% of the respondents were against. Furthermore, more than three-quarters of the companies think that their country should be a member of the EU before 2006. The percentage of companies seeking extra years to prepare for the acquis has almost halved since last year - their share dropped from 7.0% to 4%. Among those who responded that the deadline of December 2003 would be too short, the majority wishes to have two additional years, while one year ago the majority requested three years.

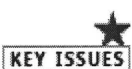
A majority of companies - 60% - are satisfied with the current accession negotiations. But almost 25 percent showed clear dissatisfaction, while more than 17 percent did not know.

There is widespread optimism in the business community about its prospects: two-thirds of respondents are "rather optimistic", compared to just half of them in a similar survey a year ago. Joining the EU is expected to bring more open and competitive markets, and firms are confident about their future. Expectations vary between the 10 countries over the consequences: the three options that scored highest ("easier access to EU markets", "tougher competition on home market by European companies" and "more transparent business practices on the home market") are the same in all countries, except for Lithuania and Romania, where "bigger inflow of foreign direct investments" comes in second place, with "tougher competition" in third place for Lithuania and "better access to capital markets" for Romania. Only 12% of respondents are pessimistic - compared to last year's result, when more than a third said they were pessimistic.

More than 40% of respondents believe they can manage the restructuring efforts necessary for the single market by themselves, while more than 20% are looking for a strategic partnership. A quarter of responding firms said they did not see the need to adjust their strategy.

While most firms in all the candidates are rather or very optimistic on business prospects ENLARGEMENT WEEKLY here provides a slightly more detailed snapshot of the views revealed by the survey, country by country:

- In Bulgaria, a large majority - 71% - are optimistic to very optimistic, and only 11% pessimistic or very pessimistic; the expected effects of accession are chiefly "easier access to EU markets", "tougher competition" and more "transparent business practices"; firms expect to face serious difficulties in the financial and commercial areas but the share of respondents expecting serious difficulties has considerably decreased



compared to 2001. An overwhelming majority of respondents expect no problems or only minor difficulties; more than half of respondents believe they can adapt to the single market by their own means, with almost one-third anticipating a strategic alliance. Among the candidate countries Bulgarian companies seem to be most favourable to strategic alliances.

- Among Czech companies, the majority - 65% - are optimistic to very optimistic, slightly below the 10-country average of 69%, but the number of pessimists is the second lowest with 8%; one-tenth of respondents expect serious difficulties in the financial and commercial areas, while almost two-thirds expect only minor difficulties; almost two-thirds expect to be able to adapt to the single market without changing the company strategy (31%) or using only their own means (41%), while only 17% seek a strategic partner.
- Hungarian companies are slightly less optimistic than in the other countries, with 63% of respondents optimistic or very optimistic, the lowest score found, while 20% are pessimistic or very pessimistic, the highest share; only 12% of respondents expect serious difficulties in the financial area (17% in 2001), while 5% have anxieties about the technical area (11% in 2001). Companies are concerned about human resources, with 13% expecting serious difficulties; 39% do not intend to change their strategy for the single market, while 32% believe they will be able to restructure using their own means. Relatively few Hungarian companies (16%) seek a strategic partner.
- Latvian companies are generally (65%) optimistic about business prospects in the single market, and the share of pessimists (10%) is slightly below average; a majority expect minor difficulties, and 18% expect serious difficulties in the financial and technical area, and 13% in the commercial area; 52% of respondents expect to be able to adapt to the single market on their own (the second highest share) and 21% seek a strategic partner, which is slightly below average.
- Lithuanian companies are amongst the most optimistic, with 71% optimistic and 3% very optimistic, while only 11% are pessimistic and none are very pessimistic; a bigger inflow of foreign direct investment is the second most expected result of accession, followed by tougher competition. But there is little fear of increased unemployment, and more concern about a shortage of qualified workers; an overwhelming majority expects only minor difficulties, and compared to 2001 the share of companies expecting serious difficulties in main business areas has dropped considerably; 42% of respondents consider that they will be able to adapt to the single market themselves, while 30% see a strategic partner.
- Polish companies are slightly less optimistic than in some other countries: 60% are optimistic or very optimistic, the lowest share found, while 18% of respondents are pessimistic; and they are the most afraid of increased unemployment due to bankruptcies; more than half of respondents expect only minor difficulties, while 16% expect serious difficulties in the financial, 17% in the commercial and 13% in the technical area. 36% of respondents do not intend to change their strategy for the single market, 31% believe that can adapt themselves, and 19% seek a strategic partner.
- Romanian firms are the most optimistic: 6% are very optimistic and 73% optimistic, while only 9% are pessimistic and none are very pessimistic; apart from easier access to EU markets, the most expected effects of accession are bigger inflow of foreign direct investment, and better conditions for acquiring capital equipment and information technologies; 17% of respondents expect serious difficulties in the financial area, and 13% in the commercial and technical field; 52% of respondents expect to be able to adapt to the single market themselves (the second highest proportion), while 28% see a strategic partner (also the second highest proportion).



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- Slovak companies are generally optimistic about their business prospects in the single market: 64% of respondents are optimistic or very optimistic which is slightly below the 10- country average, but only 5% of respondents are pessimistic (lowest rate found) and nobody is very pessimistic. 25% Expects no changes (highest rate found); only about 5% of respondents expect serious difficulties when implementing the Acquis in main business areas, showing a considerable drop compared to 2001; 46% of respondents expect to be able to adapt to the single market withown means, 22% are seeking a strategic partner and 20% does not change its company strategy.
- 70% of Slovenian companies are optimistic or very optimistic, and only 10 % pessimist - while none are very pessimistic; only 8% of respondents expect serious difficulties in the financial area, 4% in the technical area, 6% in the commercial and 6% in the huma resources area, a big drop compared to 2001, and a big rise in respondents expecting no problems at all in these areas (38%-48%); two-thirds of Slovenian companies consider that they will not change company strategy, or will be able to adapt to the single market themselves, while only 17% seek a strategic partner.

LATVIA DOESN'T LIKE THE AGRICULTURE PROPOSALS

"Fervent" discussions are taking place in Latvia over the European Commission's proposa for agriculture - the draft now under examination by member state ministers as the EU seek to find a common position. Although Latvia says it appreciates "most of the suggestions mac by the Commission", some issues "raise concerns", according to a Latvian governmei analysis of the Commission document.

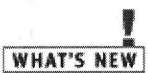
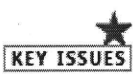
Latvia is particularly disappointed at the Commission's proposals for quotas on milk, cereal and sugar. It also wants a much shorter phasing-in of direct aids for farmers.

The Latvian request for a milk quota of 1.2 million tons, which is the estimated level i domestic consumption, has been met by a Commission proposal of 489,474 tons - well belo the current production level of 850,000 tons. "The volume of the milk production is current following a recovering trend, and so is the volume of milk put on the market, since restructurir is well under way. To foster modernisation of the sector, a margin for development would b most necessary", says Latvia. It warns that arbitrary reduction of the volume of milk produce for the market to the proposed quota level would not only freeze restructuring of the sector, bi would be "disastrous" for Latvian agriculture as a whole, since the dairy sector is its mo important branch .

On cereals, Latvia requested a reference yield of 3.0 tons/hectare, while the Commission current proposal sets it at 2.03 t/ha. Latvia argues that the average yield should not tak account of all farms, because many produce cereals for their own use, with extensiv production methods and a low productivity rate. It urges that the average yield should b calculated only from the cereal production farms to which direct payments are to be applie with an average yield of 3 t/ha.

On sugar, Latvia's requested quota of 110,000 tonnes has been cut to just over 50,000 tonne in the Commission's proposal. "Sugar production is an important and traditional sector i Latvian agriculture", it says, insisting that Latvian sugar production should not be jeopardise by setting sugar quota below the national production capacity and consumption levels.

The principle of setting production volumes on the basis of a reference period 1995-199 "cannot be considered as appropriate for the Latvian case", it says, because its agricultur production levels have fallen artificially low as a result of restructuring during the 1990s, ar because of the effects of the 1998 Russian crisis on its agricultural sector. It rejects the idea i what it sees as a freeze on Latvian agriculture "at the level of the deepest recession", whic would, it claims, mean reduction of production levels reached during the last two years. Latv says it is "well aware of the financial constraints behind the Commission's proposal". But argues that there should be more consideration of the need to provide real incentives fi



restructuring. "Reduction of production definitely diminishes incentives for the modernisation and restructuring processes".

There is also Latvian opposition to extending the transitional period for direct payments until 2013. The current and the new member states should agree together on the agricultural expenditure within the next financial perspective starting in 2007, it argues. Absence of full direct payments cannot be easily replaced by structural measures intended for modernisation since private co-financing is required for investments in modernization, it argues.

Latvia says it is ready to explore different approaches and to come up with counter-proposals "in order to find satisfying solutions to its concerns".

MORE EU SUPPORT FOR THE DANUBE REGION

The European Union is contributing Euro 128 million for transnational co-operation in the Central Adriatic Danubian South-Eastern European Space. The project, under the EU INTERREG programme, concerns seven candidate countries: Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Bulgaria and Romania.

Other partners in the project include Austria, Greece, the eastern and southern Länder of Germany and the eastern regions of Italy, as well as Croatia, Bosnia-Herzegovina, the Federal Republic of Yugoslavia, the Federal Yugoslav Republic of Macedonia, Albania, Moldavia and Ukraine.

The aim is to foster communications and economic and community development in the region. The direct EU funding will be supplemented by national co-financing and private sector involvement, so that altogether more than Euro 235 million will be available.

Michel Barnier, Commissioner responsible for regional policy, described the project as the largest and most complex multilateral transnational co-operation programme in Europe. It involves existing development areas including the Central European Interaction Area, the Danubian Co-operation zone, the Black Sea Co-operation Area, the Adriatic-Ionian Sea Region, the Stability Pact beneficiaries (Croatia, Bosnia and Herzegovina, FRY, FYROM and Albania) and the Carpathian Development Region.

Five specific fields of cooperation have been identified: cities as drivers of transformation; rural regions; transport, as a factor in integration and as an environmental burden; information society skill transfer, and sustainable territorial integration. Key actions include strengthening urban economies, promoting diversification in rural areas, management of landscape and cultural heritage, and prevention of natural and man-made disasters.

Enlargement news in brief

Nice ratification - "and then there were four"

The United Kingdom is expected to deposit its instrument of ratification for the Treaty of Nice early May, following the completion of all national legislative procedures. This will leave just four of the fifteen EU member states to ratify the Treaty: Greece, Ireland, Belgium, and Italy and a plenary session discussion of the Italian parliament is scheduled for May 7, which could lead to rapid conclusion of the process there, too. In Belgium, the French-speaking community assembly approved the necessary legislation on April 23, the Senate did so on March 7, and the Chamber of Deputies on March 28. However, the procedure in Belgium still requires ratification by four further assemblies. In Greece, the Chamber of Deputies gave its approval on March 20. In Ireland, the national debate is still underway following the rejection of the Treaty in a popular referendum in June 2001: a second referendum in the autumn is the current projection. All other member states have now completed their national procedures and deposited their formal instrument of ratification with the Council of Ministers. The Treaty will

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come into effect on the first day of the second month following the last deposit of a ratification instrument by the fifteenth Member State. The aim had been to complete the procedure by the end of this year, to coincide above all with the timetable for completing accession negotiations with EU candidate countries. Non-ratification of Nice would present a serious impediment to the plans for EU enlargement, and creating alternative arrangements on the matters that Nice settled (particularly on voting rights) would certainly take time.

New EBRD strategy for Slovakia

The European Bank for Restructuring and Development is to concentrate its future activities in Slovakia on sectors that can best promote growth and help the country's eventual accession into the European Union, according to the new strategy it has just agreed. It says it will focus increasingly on investments in infrastructure, non-banking financial institutions, small businesses, and areas that can help strengthen the private sector and reduce regional imbalances. So far, EBRD has invested around Euro 900 million in Slovakia - including a record Euro 344 million last year alone - and mobilised an additional Euro 2.1 billion. The new strategy is geared towards reinforcing the continuing reform commitment from the Slovak government, so as to help attract the foreign investment that is still needed to ensure further growth. Noreen Doyle, first vice-president at the EBRD, says Slovakia has made significant steps in recent years towards a market economy, and that the rate of growth and reforms has been impressive. "There has been a lot of progress, but the road does not end here," she said.

Euro 500 million of foreign investments in Latvia

Cumulative foreign investments in the capital of Latvian-registered companies totalled more than one billion lats - nearly Euro 500 million - at the end of 2001, according to the country's Central Statistical Bureau. The investment in 2001 alone was around Euro 100 million, or nearly 25% from the total at the end of 2000. Sweden led the list of foreign investors in 2001 with 13.3% of all foreign investments, followed by Germany, Denmark, Russia, Estonia, the UK, Norway, Finland and the Netherlands. Most investment so far has gone into companies involved in transport, warehousing and communications. Financial services is the next most investment-intensive sector, followed by the processing industry.

Euro 3.9 billion committed by ISPA

The EU's instrument for structural policies for pre-accession - ISPA, as it is known by its abbreviation - is celebrating its second anniversary, and has revealed that it has committed Euro 3.9 billion to 169 projects in transport and the environment in the candidate countries in central and eastern Europe since it came into being in 2000. 100 of the projects are in the field of transport, and account for 38.4% of the total granted, while the rest are in the field of the environment. The EU grant is only part of the finance for these projects: together with funding from the beneficiary countries and from international financial institutions, the total being put into these projects is over Euro 6 billion. In round figures, the national breakdown is as follows:

- Bulgaria: nine projects, with EU assistance of Euro 349 million
- Czech Republic: fourteen projects, with EU assistance of Euro 171 million
- Estonia: fourteen projects, with EU assistance of Euro 82 million
- Hungary: twenty-three projects, with EU assistance of Euro 337 million
- Latvia: seventeen projects, with EU assistance of Euro 219 million
- Lithuania: sixteen projects, with EU assistance of Euro 143 million
- Poland: thirty-five projects, with EU assistance of Euro 1.4 billion
- Romania: twenty-two projects, with EU assistance of Euro 1 billion
- Slovakia: ten projects, with EU assistance of Euro 172 million
- Slovenia: nine projects, with EU assistance of Euro 45 million

Austria's gains from enlargement



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An increasing number of Austrian companies are taking advantage of the opportunities for growth that enlargement offers in central and eastern Europe, according to a new study from Bank Austria. Between 1990 and 2001 the number of Austrian companies active in the candidate countries has risen from less than 1,000 to more than 12,000, it says. And since 1990 Austria has recorded an aggregate trade surplus of Euro 14 billion with just five of the candidates: Poland, the Czech Republic, Slovakia, Hungary and Slovenia. "This figure must be set against a calculated cost for enlargement of Euro 5.3 per EU citizen in the first year, or Euro 18 in the third year. The discussion about the costs of EU enlargement ignores reality. This bill has long been settled", says Bank Austria's chief economist, Marianne Kager.

Agenda

Wednesday 8th
 Wednesday 8-Friday 10th
 Thursday 16th

Date	Event
May	
Tuesday 7th	EU Council of Ministers working group on enlargement meets, Brussels European Commission scheduled to adopt a communication on the strategy for the EU's external frontiers post-enlargement, at its regular weekly meeting, Brussels Meeting of the EU-Hungary Joint Consultative Committee, Budapest
EU Council of Ministers working group on the drafting of the EU Treaty meets, Brussels	
EU Council of Ministers working group on central Europe meets, Brussels	
European Enterprise Commissioner Erkki Liikanen receives the Romanian minister for smaller firms, Silvia Ciornei, Brussels	
European Agriculture Commissioner Franz Fischler speaks on EU enlargement at the Austrian Chamber of Commerce conference on the future of Europe, Vienna	
European Parliament President Pat Cox visits Cyprus	

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Monday 13th-Tuesday 14th	Meeting of the EU-Poland Joint Consultative Committee, Poland.
EU Economic and Social Committee discusses the report by Lord Hanningfield on the common financial framework 2004-2006 for accession negotiations.	
Thursday 16th-Friday 17th	European Institute of Public Administration conference on "A roadmap for candidate countries: how to steer eurozone integration economically", Maastricht
Thursday 23 rd	Meeting of the EU-Slovak Republic Joint Consultative Committee
Thursday 23 rd -Saturday 25	European Commission Vice President for Transport and Energy Loyola de Palacio visits Poland
Wednesday 22 nd -Friday 24 th	Meeting of the EU-Romania Joint Consultative Committee, Alexandria
Thursday 30 th -Friday 31 st	European Enlargement Commissioner Günter Verheugen visits Bulgaria
Friday 31 st	Negotiating session at the level of deputies (EU ambassadors and candidates' negotiators), Brussels. European Trade Commissioner Pascal Lamy visits Malta
June	
Monday 3 rd	Possible negotiating session at the level of deputies (EU ambassadors and candidates' negotiators), Brussels.
Thursday 6 th -Saturday 8 th	EU-UNICE conference on entrepreneurship and sustainable development in an enlarged Europe, with sessions in which candidate countries present economic achievements and investment opportunities.
Monday 10 th	General Affairs Council will review the state of the enlargement process, Luxembourg
Monday 10 th - Tuesday 11 th	Ministerial negotiating session with foreign ministers of the EU and of the candidate countries, Luxembourg
Friday 14 th and Saturday 15 th	Czech Republic parliamentary elections
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.



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Monday 24th	Informal meeting of education ministers from the EU and the candidate countries, Bratislava
Wednesday 26th	EU/European Economic Area (EEA) consultative committee will discuss the implications of EU enlargement for the future of the EEA at its annual meeting, Egilsstadir, Iceland
July	
Monday 1st	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.
Friday 5th	European Commission conference on enlargement from a local and regional perspective, Brussels
Thursday 11th-Friday 12th	Economic and Social Committee Joint Consultative Committee with Turkey, Erzerum
Autumn	
Details tbc	Estonian local elections
Details tbc	Slovak parliamentary elections (probably September)
Details tbc	Slovenia presidential and local elections
October	
Details tbc	Hungary local elections
Details tbc	Latvia parliamentary elections
Details tbc	Poland regional elections
Wednesday 2nd-Thursday 3rd	Meeting of liaison officers from supreme audit institutions of the candidate countries and the European Court of Auditors, Luxembourg
24th and 25th	Brussels European Council: enlargement will be on the agenda and the Commission's regular reports on the candidate countries may be available.
November	

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Details tbc	Ecofin Council discusses the report on economic dialogue with the candidate countries
Details tbc	Lithuania presidential elections
Thursday 28th and Friday 29th	Meeting of the presidents of the supreme audit institutions of the member states and the candidate countries, Luxembourg
December	
tbc	Meeting of heads of supreme audit institutions of the candidate countries and the European Court of Auditors, Bucharest
Thursday 12th, Friday 13th	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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