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Enlargement

# Enlargement

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## Enlargement Weekly

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23 July 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 or candidate countries, and how the main challenges are being met. [Previous issues]

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### HUNGARY'S "POSITIVE ROLE" IN EUROPE'S FUTURE

Hungary can play a positive role in the future EU, stressed European Enlargement Commissioner Günter Verheugen, speaking in Budapest last week. It is difficult to find a country situated more centrally on the continent than Hungary, he said. And because Hungary is a country at the heart of Europe, it needs to establish close and friendly links with its neighbours. Recalling last October's opening of the reconstructed Maria-Valeria-Bridge that now links again the Slovak town of Sturovo with the Hungarian city of Esztergom, he said "Building bridges between towns, between countries is an act of great symbolism reflecting the will to work together in a united Europe. Relations with one's neighbours, foreign and security policy, is indeed an area where Hungary will profit greatly from EU membership."

He complimented Hungary for being the first candidate country that adopted a comprehensive new antiterrorism legislation. "Hungary was prepared and able to react quickly to new challenges, to take the lead by example. In my view, this is a clear sign of Hungary's potential to play a constructive and forward-looking role in the future EU", said Verheugen.

And he spelled out some of the physical challenges still to be faced. "Hungary has borders with seven countries. Four of these seven countries will not become members of the EU

2004. Hungary will thus become, together with Greece, the member state that has border with the highest number of non-EU members", he said. He went on to stress "the importance of a smoothly functioning border control system at these future external borders of the Union. Enlargement will help, he said: Hungary will benefit from being part of a group of countries prepared to work together. And the EU will benefit too: with Hungary's co-operation it will be better equipped to combat terrorism and organised crime and to control illegal migration.

The Commissioner also focused on Hungary's contribution to security. It is already a member of NATO, "and proved its reliability in connection with the Stability Pact for South Eastern Europe". Within the EU's own defence policy, Hungary will work hand-in-hand with the other Member States, on a footing of equality and mutual respect, he went on, to develop the European Union as "a community of peace". He noted the proximity of recent conflicts at Europe's borders: "We all had to witness the terrible experience of the war in Bosnia-Herzegovina for instance. Parts of this war took place nearly on your front door, not even 100 kilometers away from the Hungarian border. It is imperative to ensure that this will never happen again. It is therefore no surprise that one of the principles of the European Union is to export peace and stability to the whole of Europe. There can be no dividing lines between the European Union, even an enlarged one, and its closest neighbours. Our efforts to stabilise the countries of the Western Balkans and to bring them closer to the European Union are proof of our determination to succeed. In this way not only internal progress will be promoted, but also external peace will be guaranteed. EU support for these countries will continue. There is no doubt that Hungary's geographical proximity and knowledge of the region will bring considerable added value to this common enterprise."

See the web site of the Commission Delegation in Budapest on <http://www.eudelegation.hu/>

**ECONOMIC AND SOCIAL COMMITTEE FOCUSES ON ENLARGEMENT**

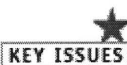
Enlargement was one of the key themes of the plenary session of the European Union Economic and Social Committee. In addition to reports on broad issues such as cohesion, it also adopted specific reports on Romania's and Slovenia's progress towards accession. As one of its key recommendations was that "the early involvement of the social partners and other non-governmental organisations will ensure a better understanding of the EU rules and proper implementation of them."

The future of cohesion policy in the context of enlargement depends on radical reform of the principles, general conditions, priorities and terms of cohesion policy, the committee concluded. The reform must also revise the eligibility criteria, to take account of factors such as remoteness, isolation, lack of education and entrepreneurship and absence of civil society structures, in addition to the usual criteria, the committee insisted. Changes are also needed to simplify procedures, it says, and to boost technical assistance to national and local authorities in the applicant countries, and the economic and social players, who should be called upon to play a key role in implementing programmes.

"The committee cannot accept that the future of cohesion policy should be determined by budgetary considerations alone. It therefore asks that the resources mobilised should allow an ambitious cohesion policy to be set up that meets the challenge of enlargement, enables the new regions to achieve their industrial and agricultural restructuring, addresses the need to adapt to the knowledge-based economy, guarantees a balanced distribution of activities across European territory and contributes more effectively to reducing existing disparities within the current Europe of 15", the report says.

In its report on Romania on the road to accession, the committee concluded that favourable legal provisions and the involvement of a number of public and private players has made it possible for civil society to develop along positive lines. This positive trend has also been demonstrated by the location of NGOs which, since their first appearance in Romania, tended to be set up more in urban areas but are now also to be found in rural areas. Major progress was also made in the field of the relations between NGOs and public authorities, which are starting to view NGOs as partners who can help resolve real socio-economic problems, rather than as pressure groups. This, it said, demonstrates that society in general in Romania has attained a certain level of civic maturity.

But it noted "a considerable shortage of financial, human and material resources, the level of which falls well behind the actual requirements of civil society in Romania. Attention should also be drawn to the reticence of a number of people who are afraid of any 'organised' activities



This reticence is a product of the mentalities encountered during the communist era". It also highlighted "the inadequacy of the present framework for civil dialogue in Romania and the fact that NGOs have no possibility of engaging in formal talks with the Romanian government. However, after three years of experience of co-operation with the EU-Romania Joint Consultative Committee, "it is possible to conclude that Romania has gained a better awareness of the importance of developing both social dialogue and civil dialogue."

On Slovenia, the committee remarked that it has shown "utmost willingness and ability to forge links with the European Union in all aspects: politics and institutions, economy and society, culture and communications". But it is "essential to strengthen direct, specific exchange through cross-border partnerships between economic and social organisations capable of playing a significant role in preparing Slovenians for the referendum that they will be called upon to participate in before an accession treaty can be signed. Social and economic interest groups must be specifically consulted, not only the 60% that are currently in favour of membership (according to official figures), but especially the remaining 40%, which represents a significant share of the Slovenian population. There should be sustained support for the strategic role which economic and social organisations, and non-governmental and religious organisations, can play in boosting direct communication between populations".

The report notes with satisfaction that social partners are constantly involved in the legislative process through representation in the National Council, set up under the constitution as a consultative body of the parliament. But the Chamber of Commerce has also represented companies in dealings with the government and in collective bargaining with trade unions, and this has hampered trade union and contractual autonomy. Tripartite negotiations on a social contract for the period 2001-2004 is being established, setting out a package of standards applicable to pay, workers' rights, health and safety at work, social security and employment.

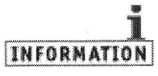
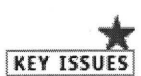
See the ESC's enlargement pages at <http://www.esc.eu.int/pages/en/enlarg.htm>

**MALTA BUSINESS COMMUNITY GETTING READY FOR NEXT STEPS**

Malta has seen a slowdown in the provisional closure of more chapters in recent months vis-à-vis other countries. But this in itself is not a bad sign as long as a good agreement is eventually secured on each of the pending chapters, says the Malta Business Bureau in Brussels. Although good deals have been secured on the free movement of persons and free movement of capital chapters, it is also very important to secure excellent agreements on remaining areas, particularly taxation, competition policy, agriculture and budgetary and financial matters. This, says the Bureau, should enhance Malta's competitive edge. By the end of December Malta still needs to close another seven chapters (plus the chapter dealing with "other issues"): competition policy, customs Union, taxation, environment, agriculture, regional policy and budgetary issues.

In competition, the two main issues to resolve relate to the restructuring plan of the ship-repair and shipbuilding yard and tax incentives under the Business Promotion Act. In customs union the main sticking point is the dismantling of agricultural levies, which the EU wants to discuss under this chapter because these border taxes are considered as major barriers towards the completion of the customs union between Malta and the EU. In taxation, ongoing negotiations relate to VAT on food, medicines and other goods and services. The two pending issues under the environment chapter relate to bird hunting (and the compatibility of current hunting practices in Malta with the EU's Wild Birds Directive) and packaging and packaging waste. Agriculture remains the prime problematic area, not because of its contribution to Malta's GDP but due to the complexity of issues being negotiated and possible repercussions on food prices. Malta has proposed a special programme for the restructuring of the agriculture and agri-food sector and various special supply measures to contain price shocks. The Commission is also awaiting the final draft of Malta's Rural Development Programme. Regional policy and budgetary issues have, like agriculture, major financial implications. Regional policy is considered less complex - although there are still questions over how the case of Gozo will be treated within the negotiations. On budgets, one of the key issues is the net amount of funding from the EU that would be available from Malta as from 2004.

But now the attention is turning increasingly to informing business operators in Malta about the practical implications of each of these pending chapters - "the priority over the next steps



months", says the Bureau's director, Leonard Mizzi. It is also important to review how the deal secured compares to the status quo, which is a loose form of free trade modelled on the Euro-Med process, or any other form of association. Already at this stage companies need to evaluate how the provisionally closed dossiers, especially social policy, free movement of persons, free movement of goods and free movement of capital impact upon their operation. They also need to become more active on the international front by participating in EU-funded initiatives, whether in the field of vocational training, research and development programmes for smaller firms.

"Malta's EU membership will be successful only if the potential benefits of membership are fully exploited by operators. Those enterprises which simply think that access to EU Structural and Cohesion funding will resolve all their recurrent problems are mistaken. It will only be the most aggressive and innovative companies which will prosper and grow in the EU's internal market", says Mizzi. And once companies have learnt what the rules of the game are and how best to exploit business opportunities, "it will be up to each individual operator to be pro-active and react immediately to the newly evolving circumstances".

See the web site of the Bureau on <http://www.azzz.sk/MBB.doc>

### Enlargement news in brief

#### Presidency to outline enlargement plans to foreign ministers

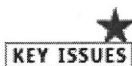
The Danish Presidency will outline its programme for EU enlargement to member state foreign affairs ministers at the General Affairs Council on July 22. The Presidency will repeat its aim of concluding the negotiations before the end of 2002 with up to ten candidate countries (the countries named by the European Council in Laeken in December 2001). This, it says, will enable the new member states to participate in the next elections for the European Parliament in 2004 and fulfil the mandate of the European Council, most recently at the summit in Seville in June. The schedule foresees that the Brussels European Council in October will name the countries that could conclude negotiations at the end of the year, and solving all outstanding non-budgetary issues before the Commission finalises its regular reports, so that the Brussels summit can make it possible to provide the candidate countries in early November with all the items in the financial package. In this way negotiations could be finalised with the best prepared candidate countries by the European Council in Copenhagen in December. The Presidency plan also includes providing support to Bulgaria and Romania in their preparation for accession, and intensifying their progress towards membership. An accordingly updated road map and revised and enhanced pre-accession strategy could then be adopted at the European Council in Copenhagen.

#### No magical list of candidates - Verheugen

European Enlargement Commissioner Günter Verheugen made clear last week that objectivity will be the only guide to the upcoming decisions on which candidates would be able to close negotiations this year. Speaking in Hungary about plans for October, when the Commission will present its assessment of the situation and will indicate the countries with which negotiations can be concluded by the end of the year, he said: "In drawing up its proposal the Commission will be guided solely by the principles governing the negotiations. There will be no preconceptions, no magical list of countries, and no favoured candidates. The only yardstick will be whether or not a given country fulfils the accession criteria. I can assure you that we will stick to this approach. There is no other option. Anything else will damage not only the credibility of the Commission, but also the credibility of the enlargement process as a whole."

#### Danish Presidency pamphlet on enlargement

The Danish Ministry of Foreign Affairs has published a pamphlet on EU enlargement, "in order

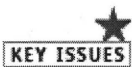


to highlight the Danish EU Presidency's top priority", it says. The pamphlet, "The Candidate Countries' Way to the EU", provides information about the political and economic process the candidates have followed to prepare themselves for EU membership, and about the enlargement process itself and its consequences for the citizens in the present and future Member States. It is a deliberate move towards increasing public understanding of enlargement. Danish Minister for Foreign Affairs Per Stig Møller said he had chosen to publish the pamphlet because "Enlargement is a quite unique European project, whose success depends on broad popular involvement. It is a widespread myth that the enlargement is an elite project devised by politicians and diplomats. This is not true. Enlargement is a project of the citizens of the EU Member States and the candidate countries". Already 66% of Danes support the enlargement process, according to the latest Eurobarometer survey, and St Møller attributed this to "the Danes' sense of responsibility towards the former communist countries, and their awareness of the advantages that enlargement will bring" - in enhanced security, trade, travel and residence.

The brochure can be downloaded in pdf format from the Danish presidency web site : <http://www.eu2002.dk/ewebeditpro2/upload/OW.StaticContent/827/Engelsk.pdf>

### Bulgaria and Romania sign up to boost investment

Bulgaria and Romania were among the countries of southeast Europe that last week in Vienna signed a commitment to principles that would encourage private investment in the region. Particular attention will be given to clear regulations, a level playing field, good governance and application of the rule of law. The joint declaration is part of a drive to boost economic growth and underpin political stability, and was developed under the auspices of the Stability Pact Investment Compact, with the involvement of the Organisation for Economic Co-operation and Development and the Austrian government. According to the EBRD, FDI flow to the region for 2002 will remain virtually unchanged from that of 2001, and it is therefore vital that the investment climate improves. The Austrian minister for economic affairs and labour Martin Bartenstein, pointed out that while cross-border investment flows in south east Europe totalled US \$4.4 billion in 2001, 16% up on 2000, this amounted to only around 0.6% of world wide investment flows in 2001 and substantially more was needed. "Further improvements to the investment climate and, more generally, the promotion of an energetic private sector are key for sustained economic growth in the region," he said.



### Strong Romanian public support for EU membership

According to a recent opinion poll, more than three-quarters of Romanians are favourable to EU accession. Asked how they would vote in a referendum on Romania's accession, 76 % of respondents would vote yes, and only 4 % would vote no, concludes the survey by the Romanian Institute for Marketing and Opinion Polls. Only 10 % answered that they would not vote at all, and the "don't knows" were only 9 %. The European Union enjoys a generally good image among Romanians. Most Romanians are aware of the country's EU membership bid and consider that Romania is partially prepared for accession. Romanians also believe that accession will bring more foreign tourists, increase earnings, and improve the chances for employment. More than half the respondents considered that accession will have more positive than negative effects on the country in general, as well as on their own lives.



### EIB reviews its financing to candidates

In 2001, the European Investment Bank advanced a total of 2.7 billion for projects to help the ten central European candidate countries, Cyprus and Malta comply with EU policies and standards, it says on its new website (<http://www.eib.org/lending/accession/index.htm>). This compares with annual lending averaging 2.1 billion in 1996-2000. Loans granted in 2001 brought aggregate financing devoted to the region since 1990 to 16.8 billion. 56% of EIB total lending in the Accession Countries went to transport and telecom schemes: modernising and upgrading the capacity of the rail and motorway network, bridges over the Danube, enhancing fixed and mobile telecommunications. To upgrade communications infrastructure the Bank has financed links between the countries themselves as well as between the region



and the EU. But 20% of the spending has gone into projects that help protect and improve the environment: water treatment and municipal waste processing in Hungary, and water supply and sewerage networks in Poland, the Czech Republic and Slovenia. In Hungary, the Czech Republic and Poland, flood repair and prevention projects were also financed following the flooding of recent years. And transport and environmental projects were co-financed, in a number of cases, with grant aid from the EU's ISPA programme. The EIB has also widened its lending to health and education: new university buildings in Brno, schools, hospitals and sports facilities in Lodz and a new hospital in Nicosia. And it makes loans available for companies planning inward investment in the candidate countries - because this brings benefits to the receiving country too, in terms of better employment opportunities and transfer of know-how and capital into the region.

**Fugitive former head of Slovak intelligence service arrested**

The fugitive former head of the Slovak intelligence service, Ivan Lexa, was captured last week in South Africa, and brought back to face charges of fraud and abuse of power during his term of office under the previous government of Vladimir Meciar. While the HZDS party - the leading Slovak opposition party - have claimed that the timing of the arrest of one of Mr. Meciar's former top aides is related to the forthcoming elections, prime minister Mikulas Dzurinda has refused to comment on what impact Lexa's return could have on the results of elections.


**Agenda**

See also the new "Enlargement events calendar" on the DG Enlargement web site <http://europa.eu.int/comm/enlargement/events/calendar.htm>. This gives a run-down of public events related to the enlargement of the EU taking place in all current and future member states.

Date	Event
<b>July</b>	
Tuesday 23rd	<ul style="list-style-type: none"> <li>• Hungarian finance minister Csaba László visits European Enlargement Commissioner Günter Verheugen, Internal Market Commissioner Frits Bolkestein and Finance Commissioner Pedro Solbes, Brussels</li> <li>• EU Council of Ministers working group on enlargement meets, Brussels</li> <li>• EU Council of Ministers working group on central Europe meets, Brussels</li> <li>• Candidate countries take part in EU Presidency meeting of European chiefs of police, organised by the Danish Ministry of Justice</li> <li>• Conference on adopting quality requirements in the meat and dairy sectors in accession countries, at the Institute of Agricultural Development in Central and Eastern Europe, Halle, Germany</li> </ul>
Thursday 25th	EU Council of Ministers working group on the Accession Treaty meets, Brussels
Friday 26th	EU Council of Ministers working group on enlargement meets, Brussels
Monday 29th	<ul style="list-style-type: none"> <li>• EU accession negotiations at deputy level with candidate countries, Brussels</li> <li>• EU Council of Ministers working group on the Accession</li> </ul>

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	Treaty meets, Brussels <ul style="list-style-type: none"> <li>• Candidate countries take part in EU Presidency meeting on European medicines agencies cooperation on legal and legislation issues, at the Danish Medicines Agency</li> </ul>
<b>August</b>	
Friday 16th - Monday 19th	Pope John Paul II visits Poland
<b>September</b>	
Details tbc	European Court of Auditors workshop with the supreme audit institutions of the candidate countries on audit of internal control systems
Thursday 12th - Friday 13th	Franz Fischler, European Commissioner for Agriculture, Rural Development and Fisheries visits Poland
Monday 16th - Tuesday 17th	Franz Fischler, European Commissioner for Agriculture, Rural Development and Fisheries visits Latvia
Tuesday 17th - Wednesday 18th	Franz Fischler, European Commissioner for Agriculture, Rural Development and Fisheries visits Estonia
Thursday 19th - Sunday 22nd	European Budget Commissioner Michael Schreyer visits Hungary
Friday 20th	European Enterprise Commissioner Erkki Liikanen visits Estonia
Friday 20th - Saturday 21st	Parliamentary elections, Slovakia
<b>Autumn</b>	
Details tbc	Slovenia presidential and local elections
<b>September/October</b>	
Details tbc	Self-governmental elections, Poland
<b>October</b>	
Details tbc	European Court of Auditors workshop with the supreme audit institutions of the candidate countries on audit quality control, Warsaw
Wednesday 2nd - Thursday 3rd	Meeting of liaison officers from supreme audit institutions of the candidate countries and the European Court of Auditors, Luxembourg
Saturday 5th	Parliament elections, Latvia

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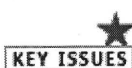
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Details tbc	Partial Senate elections, Czech Republic
Details tbc	Local governmental elections, Hungary
Sunday 20 October	Estonian local elections
24th and 25th	Brussels European Council: enlargement will be on the agenda and the Commission's regular reports on the candidate countries may be available.
<b>November</b>	
Details tbc	Local elections, Czech Republic (including first elections for the Prague region)
Details tbc	Local elections, Estonia
Details tbc	Presidential, Local, and National Council (Second Parliamentary Chamber) elections, Slovenia
Details tbc	Ecofin Council discusses the report on economic dialogue with the candidate countries
Details tbc	Lithuania presidential elections
Wednesday 27th and Thursday 28th	Meeting of the Presidents of the supreme audit institutions of the member states and the candidate countries in Luxembourg
Thursday 28th and Friday 29th	Meeting of the presidents of the supreme audit institutions of the member states and the candidate countries, Luxembourg
<b>December</b>	
Details 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.
Thursday 12th, Friday 13th	European Court of Auditors meeting with heads of the supreme audit institutions of the candidate countries, Bucharest
Sunday 22nd	Presidential elections, Lithuania (second round on January 5, 2003)
<b>January 2003</b>	





Details tbc	Presidential elections, Czech Republic
<b>February 2003</b>	
9th and 16th	Presidential, elections, Cyprus
<b>March 2003</b>	
Details tbc	Parliamentary elections, Estonia
<b>July/August 2003</b>	
Details tbc	Presidential elections (elected by the parliament), Latvia

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