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English

EUROPA > European Commission > Enlargement > Library > Enlargement Weekly

Contact | Search

What's new? | Site map | Index | FAQ

<< HOME

ALL ABOUT...

Enlargement

Candidate countries

Negotiations

Financial assistance

Communication strategy

USEFUL INFORMATION

Who does what?

Public opinion

Events

Library

Research Bulletin

Links

>> E.U in the world

PRESS CORNER

## Enlargement Weekly - 1st April 2003

- ☒ [Kok sets out enlargement stakes](#)
- ☒ [Parliament still concerned over Accession Treaty](#)
- ☒ [Turkey gets a new Accession Partnership and new funds](#)
- ☒ [New analyses of social protection system in candidate countries](#)
- ☒ [Czech Republic gets detailed OECD assessment](#)
- ☒ [Enlargement news in brief](#)
- ☒ [Enlargement Mini-Briefs](#)
- ☒ [Enlargement agenda](#)



Enlargement

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Newsletter and  
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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.

### KOK SETS OUT ENLARGEMENT STAKES

"The benefits and opportunities of enlargement by far outweigh the potential obstacles," concludes former Dutch Prime Minister in a report on EU enlargement requested by European Commission President Romano Prodi and Enlargement Commissioner Günter Verheugen, and which he presented to the Commission last week. Delay or abandonment because of any EU member state's failure to ratify the deal "would be a major political failure for Europe" - with costs for the EU and the applicants, he says.

However, he warns - as others have done before, notably in the European Parliament - that "a badly-managed enlargement would be almost as bad." If the EU does not move ahead with reforms and adjustments that enlargement now demands, it will miss the chance - perhaps for ever - to make Europe stronger and safer, in the interests of its citizens, its neighbours and the world".

His response to this challenge has been to develop a five-point agenda for "a new vision of what Europe can do with its new members, and how to do it". It covers

- Acting together in Europe - with better decision-making, and a determination to make "truly European policies in the enlarged EU";
- Boosting the European economy - with more innovation, and reforms aimed at growth, competitiveness and job-creation in the enlarged market;
- Making Europe safer for its citizens - with a "major leap forward" in justice and home affairs;
- Developing the partnership with neighbours in Europe - to spread prosperity and stability;
- Giving Europe a voice in world affairs - taking advantage of the potential for greater EU authority, coherence and influence.

President Prodi welcomed the report as "a thorough piece of work" that "will play an important role in the ongoing ratification debate". He developed Kok's

theme that enlargement is a win-win game, but added that "the full potential of enlargement will not come by itself - the report clearly demonstrates that the EU must move ahead with the reforms that enlargement now demand". For Prodi, the report is a confirmation of his long-held view that enlargement should mean "more Europe" - because "not one single European country is big enough, important enough to have its voice heard if it chooses to act alone".

See: [http://europa.eu.int/comm/enlargement/communication/index.htm#kok\\_report](http://europa.eu.int/comm/enlargement/communication/index.htm#kok_report)

#### PARLIAMENT STILL CONCERNED OVER ACCESSION TREATY

EU member states leaders in the European Council have violated the rights of the European Parliament in the way they have concluded the Accession Treaty, angry MEPs insisted again in a vote last Thursday, following a debate the day before. In consequence, there are still question marks over the Parliament's assent to the Treaty, which is scheduled for April 9, in time to allow the ceremony of signing the Treaty to go ahead on April 16. A meeting last Thursday morning between Parliament, Council and the European Commission failed to resolve the dispute. Another such "trialogue" is to be held on April 1 in Athens.

The recommendation adopted by the Parliament last week urges the Council to withdraw or alter Annex XV to the Accession Treaty, because it includes budget figures which the Parliament contests, viewing them as an infringement of its rights to be involved in fixing the EU budget. Parliament also argues that the Treaty discriminates against future member states, because their budget funds are immovably fixed by it, in contrast to funding for current member states.

During the debate, German MEP Elmar Brok, the chairman of the Parliament's foreign affairs committee said Council had refused to accept proposals that could allow an agreement to be reached - which he termed "unacceptable behaviour". Since the accession countries had overcome the insecurities of dictatorship, they should not be forced to face insecurity once more, he said: "I hope that Council will come up with the imagination required and Parliament can give its assent to enlargement on 9 April."

According to UK MEP Terry Wynn, chairman of the Parliament's budgets committee, if the annex in the Treaty laying down budgetary figures until 2006 - and in the case of agriculture expenditure until 2013 - were maintained, Parliament would regard this as an infringement of its budgetary prerogatives. Without better guarantees of Parliament's rights, he said, he would vote against the Accession Treaty.

Wynn promised that if an agreement were still not reached by April 9, Parliament would not delay its enlargement vote - but that EU inter-institutional relations would become extremely difficult thereafter. And there are still-unresolved variables in the process that even now could render Wynn's promise open to question.

European Budget Commissioner Michael Schreyer said the Commission had advised the Council explicitly not to include the figures in the Accession Treaty. She pointed out that, according to accepted EU practice, budgetary decisions concerning enlargement had to be taken jointly by the two branches of the budgetary authority, Council and Parliament, on the basis of a proposal by the Commission. "If an agreement is to mean anything, it will have to be respected", she added.

Greek European Affairs Minister Tassos Yiannitsis assured MEPs that the Greek presidency had the firm intention of resolving the differences. The application of the long-term budgetary figures (known in EU jargon as the financial perspective) would comply strictly with the inter-institutional agreement, he insisted - adding that no one in Council disputed Parliament's

prerogatives.

For the figures concerned, see :

<http://europa.eu.int/comm/enlargement/negotiations/chapters/index.htm>

### **TURKEY GETS A NEW ACCESSION PARTNERSHIP AND NEW FUNDS**

The European Commission last week proposed a revised Accession Partnership for Turkey, as well as a significant increase of the EU pre-accession financial support. The Accession Partnership - a tool to help candidate countries to focus on the priority areas for adaptation to EU rules - highlights the need for further efforts in the fight against torture, the alignment with the European Court of Human Rights judgements and the respect of fundamental freedoms of expression, association, and religion. In terms of what Turkey needs to do to assume the obligations of the *acquis*, the priorities go into considerable detail, reflecting the developments which have taken place since the adoption of the previous Accession Partnership in March 2001.

The Commission proposal will go to the EU Council of Ministers next month. It is expected that Turkey will revise its national programme for the adoption of the *acquis* in light of the proposed Accession Partnership.

The associated Commission proposals for strengthening the accession strategy for Turkey are based on the conclusions of the EU Copenhagen summit last December. The plan is to boost financial assistance for 2004-2006, with pre-accession aids of €250 million in 2004, €300 million in 2005 and €500 million in 2006. But the assistance will be tied in to the priorities set out in the Accession Partnership.

The communication also proposes to enhance co-operation in political and economic dialogue, justice and home affairs, maritime safety, the process of legislative scrutiny, extending the scope of the Customs Union as well as deepening trade relations.

<http://europa.eu.int/comm/enlargement/turkey/index.htm>

### **NEW ANALYSES OF SOCIAL PROTECTION SYSTEM IN CANDIDATE COUNTRIES**

A series of new studies carried out for the European Commission, covering the social protection systems in the thirteen candidate countries highlights the link between the social protection system and the economic potential of the countries concerned. A mis-match risks in the long run creating pressure on public resources, and discouraging the active search for employment among those covered by the system.

The studies, carried out for the Commission by Gesellschaft für Versicherungswissenschaft und -gestaltung, stress that economic performance directly influences the wealth of the society and of the individual. "It is the major determinant of the number of those who become part of the social schemes, while it also provides for means to cover their costs. A good macro- and microeconomic framework reduces the overall size of the social protection system and hence allows for a more effective allocation of resources for development".

The reports also point out that the shape of the social protection system in candidate countries is being influenced by the EU accession process. "Adoption of the *acquis communautaire* in the social sphere brings new norms and criteria for the indigenous legislative and institutional social framework", they say. And socio-economic development "is largely

dependent on the domestic political framework and the attitude of policy makers towards the reform process".

For the 13 individual reports, see the web site of the Employment and Social Affairs DG at  
[http://europa.eu.int/comm/employment\\_social/soc-prot/social/index\\_en.htm](http://europa.eu.int/comm/employment_social/soc-prot/social/index_en.htm)

### **CZECH REPUBLIC GETS DETAILED OECD ASSESSMENT**

The Organisation for Economic Co-operation and Development has taken a detailed look at the achievements and challenges in the Czech Republic in its survey published last week. "A key issue plaguing the Czech economy has been the dysfunctional legal framework regulating exit of non-viable firms from the marketplace", the OECD points out. Petitions for bankruptcy have declined and the number of completed proceedings kept rising so that the backlog of unfinished cases declined slightly in 2001, OECD concludes. But the rising number of applications for composition by debtors has resulted in only a handful of approvals by courts.

The current legislation permits a prompt sale and reallocation of viable parts of bankrupt firms to outside investors, but the process depends unduly on the abilities of commercial court judges and of the trustees appointed by them. So instances of successful restructuring by either bankruptcy or composition procedures have been rare, the study reports.

The question is important because while the experience of recent years suggests that restructuring of large industrial firms, either by state-controlled agencies or by court-appointed bankruptcy administrators, can succeed in replacing weak management and preserving viable core activities, it needs better bankruptcy procedures to make it work better. "To accelerate this process, it appears to be necessary to improve the current legislation to permit fast-track restructuring of insolvent firms with the aid of straightforward composition procedures and to transfer the responsibility for managing the exit process from state-owned agencies to specialised private-sector firms", says OECD.

More generally, the OECD survey notes that the Czech economy is now poised between three likely paths: moderate sustained growth, permitting a slow catch-up to EU income levels; or, if non-viable economic operations are closed down but not replaced, the economy could see employment fall; and, the best-case scenario, if microeconomic reforms significantly enhance entrepreneurship, investment and incentives to hire labour and take up work

See: <http://www.oecd.org/EN/document/0,,EN-document-590-17-no-12-39840-590,00.html>

### **Enlargement news in brief**

*Solbes bullish on integration of new member states*

"The integration of the future member states and the candidate countries into the EU's economic, social and environmental policy framework is already well underway", said European Economic and Monetary Affairs Commissioner Pedro Solbes said last week. Citing the Commission's Spring Report, submitted to last week's European Council, and which discusses enlargement in some detail, he said: "Enlargement offers the prospect of a substantial boost to the Union's capacity to grow in the medium to long term. Growth rates in most accession countries are above the EU average growth rate, albeit that they are starting from a lower base level: in 2001, average GDP per capita in the accession countries equalled 45 per cent of the EU average. This illustrates that substantial further efforts on structural reforms are necessary in these countries as well. On the other hand, enlargement creates opportunities that with time will bring the Union closer to the Lisbon strategy goals."

- For conclusions of the Spring Council, see <http://www.eu2003.gr/en/articles/2003/3/21/2316/>
- For the Commission contributions to the meeting, see [http://europa.eu.int/comm/lisbon\\_strategy/index\\_en.html](http://europa.eu.int/comm/lisbon_strategy/index_en.html)

#### *Accession Partnerships for Romania and Bulgaria too*

Reform of the public administration and the judicial system, and pursuit of economic reform, are some of the main priorities Romania and Bulgaria have to address to meet the EU accession criteria, according to proposals for a revised Accession Partnership presented on March 26 by the European Commission. The documents set out in detail the tasks that are considered as of most importance for Romania and Bulgaria to stay on track for EU accession. The texts now require formal endorsement by the EU Council.

In terms of administrative capacity, Bulgaria is being told to draw up a detailed reform strategy this year to reinforce the institutions directly involved with the EU acquis and management of EU financing and to boost the efficiency of the civil service. It will have to make staff recruitment and promotion more transparent, and protect officials against arbitrary or abusive dismissal. And a wider range of partners will have to be systematically listened to in policy formation. For the judicial system, Bulgaria must tighten up procedures to meet EU norms and to speed up the processing of cases. The independence of the judiciary needs further clarification, and training and proper career prospects must be given to judges and magistrates. Corruption must be combated more vigorously and penal sanctions must be introduced for transgressors.

Key economic tasks for Romania include getting inflation lower, cutting delays between firms in paying their bills, and increasing the level of payments by energy customers. Insolvency procedures need to be respected, state aids have to be cut, and the rules on privatisation need sanitising. And more public money needs to be invested in infrastructure, education, environment and health. But there is also a string of challenges in the area of democracy and rule of law, and in terms of human rights and protection of minorities - ranging from revising the 1999 law on the civil service, to fighting corruption more vigorously and to reforming child-care.

#### *EU aspirants also fighting for the other 2004 deadline*

EU candidate countries and acceding states fought hard to stay in the UEFA EURO 2004 competition in the qualifying round on 29 March. The Czech Republic drew 1-1 with the Netherlands, and Lithuania managed to hold Germany to a 1-1 draw too. But Malta lost 0-6 to France, and Romania went down 2-5 to Denmark. The Poland-Hungary match resulted in a no-score draw, and Cyprus drew 1-1 with Israel. The only one of the thirteen EU aspirants to come out with a victory was Slovakia, which beat the Former Yugoslav Republic of Macedonia 2-0. After this round, the likely fate of the thirteen is very mixed. Cyprus, Slovenia and Malta languish at the bottom of Group 1. Romania is halfway down Group 3, and Lithuania halfway down Group 5. But the Czech Republic is at the top of Group 3, Latvia, Hungary and Poland head Group 4, Turkey heads Group 7 (with Slovakia halfway down the group), and Bulgaria heads Group 8 (with Estonia just above the bottom position).

### **Enlargement Mini-Briefs**

- EU ministers last week agreed new mutual concessions with Poland on agricultural trade, which will replace the autonomous and transitional measures in force since 2001.
- To help meet demand for modern affordable housing in and around

Warsaw, the European Bank for Reconstruction and Development is lending up to €30 million to Dom Development, a Polish real estate development company. Poland has only an average of 310 housing units per 1,000 inhabitants, compared with 385 in Hungary, 397 in the Czech Republic and 450 in Western Europe. And the situation may well worsen because of demographic changes and the ageing of the existing housing stock. This is the EBRD's first direct investment in residential real estate development, and will employ innovative "mezzanine" finance not widely available today to medium-sized Polish borrowers.

- EU ministers last week agreed a regional aid map for the assessment of public aid granted by Romania. The maximum aid intensity applicable in Romania will normally be limited to 50% of total costs, but may be raised by 15 gross percentage points in the case of aid to smaller firms.
- The consultative committee of the European Economic Area - the joint EU-EFTA body of business, trade union and civil society interests - has added its voice to the calls for a deal which will allow parallel enlargement of the EU and the EEA next year. Under the co-chairmanship of Halldór Grönvold, of the **European Free Trade Association** Consultative Committee, and Clive Wilkinson, of the **European Economic and Social Committee**, the EEA committee stressed in a resolution at its March meeting "the importance of ensuring the smooth running of the largest coherent single market in the world". The resolution, agreed in the presence of organisations from the accession countries, which were taking part in an EEA Consultative Committee meeting as speaking observers for the first time, urged a balanced agreement for fisheries, agriculture and financing.  
([http://europa.eu.int/comm/external\\_relations/eea/ip03\\_25.htm](http://europa.eu.int/comm/external_relations/eea/ip03_25.htm))
- The Czech Republic attracted a record €8.96 billion in foreign direct investment in 2002, according to the **Czech National Bank**. Japan has started to assert itself among the biggest investors, alongside the traditional sources of Germany and the Netherlands. The biggest investors included Denso, Bosch, Black & Decker and Candy. There was a sharp rise in projects for technology centres and strategic centres, with expansion by existing major investors including Honeywell, Matsushita, Logica and Rieter.
- The European Bank for Reconstruction and Development is lending the Lithuanian capital Vilnius €7 million to upgrade Konstitucijos Prospektas, part of the central ring around the Old Town. The project entails road widening, and the building of pedestrian footpaths and bicycle tracks.
- Czech deputy minister of finance Zdenek Hruby signed a financing memorandum for the modernisation of the railway between Zabreh na Morave and Krasikov, which will receive €72.8 million of EU-funding under the ISPA programme. This is the third rail project to be co-financed by ISPA in the Czech Republic. Together with three road projects of international importance, eight large environment projects and over 30 emergency floods projects, this project brings the total of grant money made available under the ISPA programme in the Czech Republic since its start in 2000 to €350 million. This brings the total of EU funding approved for the Czech Republic to date to over €1.34 billion.

## Agenda

See also the new "Enlargement events calendar" on the DG Enlargement web site at <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
March 2003	

- Monday 31-  
Tuesday 1  
April
- April 2003**
- Tuesday 1
- European Enlargement Commissioner Günter Verheugen visits Hungary.
  - European Transport Commissioner Loyola de Palacio meets Bulgarian energy minister Milko Kovachev, Brussels
  - Franz Fischler, European Commissioner for Agriculture, Rural Development and Fisheries, takes part in conference on Poland and accession, Brussels
  - EU Council of Ministers working group on enlargement meets, Brussels
  - EP-Council-Commission trialogue in a further bid to resolve the dispute between Parliament and the Council over budgetary aspects of the Accession Treaty, Athens
- Wednesday 2-  
Friday 4
- Thursday 3
- TELEBALT Workshop: The IST 6th Framework Programme: new challenge for Baltic States, Riga
  - European Budget Commissioner Michaele Schreyer visits Slovakia
  - Franz Fischler, European Commissioner for Agriculture, Rural Development and Fisheries visits Hungary
  - European Commission President Romano Prodi meets Romanian prime minister Adrian Nastase, Brussels
  - European Commission Vice-President Neil Kinnock and European Enlargement Commissioner Günter Verheugen meet Czech foreign affairs' minister Cyril Svoboda, Brussels
  - Viviane Reding, European Commissioner in charge of Education and Culture, meets Slovenian foreign affairs minister Dimitrij Rupel, Brussels
  - Franz Fischler, European Commissioner for Agriculture, Rural Development and Fisheries, visits Hungary and meets prime minister Péter Medgyessy, foreign affairs minister László Kovács, agriculture and regional development minister Imre Nemeth, and environment minister Maria Kóródi, and addressed the parliament's agriculture committee.
  - European Budget Commissioner Michaele Schreyer visits Slovakia, and meets President Rudolf Schuster and finance minister Ivan Miklos, and speaks at the tenth anniversary meeting of the Supreme Audit Office
  - European Regional Affairs Commissioner Michel Barnier speaks at the European Parliament on the evolution of competition law in the context of enlargement, Brussels
  - European Parliament President Pat Cox meets Romanian prime minister Adrian Nastase, Brussels
  - European Parliament President Pat Cox meets Czech foreign affairs minister Cyril Svoboda, Brussels
  - Danuta Hübner, Polish secretary of state for European integration, Peter Balazs, Hungarian foreign affairs ministry, and Tzvetelina Ouzounova from the Bulgarian Council of Ministers are among participants in a conference at the European Parliament on "The EU citizen's right to know".
- Thursday 3 -  
Friday 4
- Franz Fischler, European Commissioner for Agriculture, Rural Development and Fisheries visits Hungary

- Thursday 3-  
Saturday 6
  - Monday 7
  - Saturday 12th
  - Monday 14th
  - Wednesday  
16th
  - Saturday 20th  
- Sunday 21th
  - Saturday 20th  
to Monday  
22nd
  - Monday 22nd  
- Tuesday  
23th
  - Thursday  
24th, Friday  
25th
- East European logistics & transport seminar "Sustainable chemical transport logistics", Budapest
  - EMITT 2003 - Eastern Mediterranean International Travel & Tourism Exhibition, Istanbul
  - European Commission President Romano Prodi visits Poland
  - **Referendum** in Hungary on EU accession
  - General Affairs and External Relations Council, Luxembourg
  - **Signature of the Accession Treaty, Athens**
  - European Conference, Athens
  - European Employment and Social Affairs Commissioner Anna Diamantopoulou visits Cyprus
  - European Employment and Social Affairs Commissioner Anna Diamantopoulou visits Cyprus
  - European Enlargement Commissioner Günter Verheugen visits Poland
  - European Enlargement Commissioner Günter Verheugen visits Poland
  - European Enlargement Commissioner Günter Verheugen visits Lithuania

### May 2003

- Friday 2nd
  - Saturday 10th  
- Sunday 11th
  - Friday 16 and  
Saturday 17th
  - Monday 19th
- Informal foreign affairs ministers meeting, Greece
  - **Referendum** in Lithuania on EU accession
  - **Referendum** in Slovakia on EU accession
  - General Affairs and External Relations Council, Brussels

### June 2003

- Sunday 8th
  - Sunday 15th  
and Monday  
16th
  - Tuesday 17th
  - Friday 20th
  - Tuesday 24th
- **Referendum** in Poland on EU accession
  - **Referendum** in the Czech Republic on EU accession
  - General Affairs and External Relations Council, Luxembourg
  - European Council, Thessaloniki
  - General Affairs and External Relations Council, Luxembourg

### July/August 2003

- Details tbc
- Presidential elections (elected by the parliament), Latvia

### September 2003

- Sunday 14th
  - Saturday 20th
- **Referendum** in Estonia on EU accession
  - **Referendum** in Latvia on EU accession

2004

May 2004

Saturday 1st      ■ Entry into force of the accession treaty (according to conclusions of General Affairs Council, 18.11.02)

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