Enlargement Weekly

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

Articles this week

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 hav enough information about the EU, and half of them have not yet started to prepare fo accession. These are the principal conclusions of the Eurochambres survey on the readines 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 corpora sector", it says. "It is imperative to involve both governments and civil society in this proces to ensure that enlargement is well understood and accepted by all", remarked Eurochambre President, Christoph Leitl.

More than half the 2,500 companies polled in the ten central and east European candida countries said they felt only partially informed about adjustments that need to be made, ar that they were not yet prepared for accession. Nearly a third have no information at all or fe they are not concerned by the EU acquis. But with the accession coming closer, they ai 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 % companies claiming to be fully informed. More than half of the respondents admit they do n sufficiently exploit the available sources of information. Only a third of them declare using th possibilities to its full. The best informed seem to be companies from Latvia, Bulgaria, Sloven 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), althoug most of them are quite optimistic about their future compliance with EU legislation. Sma companies and companies mainly operating on the domestic market are generally les prepared for enlargement: they are less informed on the acquis, their current level compliance is lower and they are less advanced in their preparation to achieve complianc 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 certificatio technical regulations, and standards; consumer protection; and producer liability - the area they perceive as the most important, and the most difficult to comply with. Most firms have r precise idea about the costs of compliance; only 12% have actually made a cost estimate, ar 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 Suppo Programme, reveals an overwhelming majority - 93% - of firms in the region want accessio Less than 3% of the respondents were against. Furthermore, more than three-quarters of th companies think that their country should be a member of the EU before 2006. Th percentage of companies seeking extra years to prepare for the acquis has almost halve since last year - their share dropped from 7.0% to 4%. Among those who responded that th deadline of December 2003 would be too short, the majority wishes to have two addition years, while one year ago the majority requested three years.

A majority of companies - 60% - are satisfied with the current accession negotiations. B 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-third respondents are "rather optimistic", compared to just half of them in a similar survey a ye ago. Joining the EU is expected to bring more open and competitive markets, and firms a confident about their future. Expectations vary between the 10 countries over th consequences: the three options that scored highest ("easier access to EU markets", "tough competition on home market by European companies" and "more transparent busines practices on the home market") are the same in all countries, except for Lithuania ar Romania, where "bigger inflow of foreign direct investments" comes in second place, wi "tougher competition" in third place for Lithuania and "better access to capital markets" f Romania. Only 12% of respondents are pessimistic - compared to last year's result, whe more than a third said they were pessimistic.

More than 40% of respondents believe they can manage the restructuring efforts necessary f the single market by themselves, while more than 20% are looking for a strategic partnershi 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 prospect ENLARGEMENT WEEKLY here provides a slightly more detailed snapshot of the view 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 area: 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 allianc 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% 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, an more concern about a shortage of qualified workers; an overwhelming majority expects only minor difficulties, and compared to 2001 the share of companies expecting seriou 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 dire 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% seel 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 seel 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 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 t 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, bı 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 t 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 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 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 fı restructuring. "Reduction of production definitely diminishes incentives for the modernisatic and restructuring processes".

There is also Latvian opposition to extending the transitional period for direct payments un 2013. The current and the new member states should agree together on the agricultui expenditure within the next financial perspective starting in 2007, it argues. Absence of fu direct payments cannot be easily replaced by structural measures intended for modernisatioi 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-proposa "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 tr Central Adriatic Danubian South-Eastern European Space. The project, under the EU INTERREG programme, concerns seven candidate countries: Poland, the Czech Republi Slovakia, Hungary, Slovenia, Bulgaria and Romania.

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

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

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

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Five specific fields of cooperation have been identified: cities as drivers of transformation; rur regions; transport, as a factor in integration and as an environmental burden; informatic society skill transfer, and sustainable territorial integration. Key actions include strengthenir urban economies, promoting diversification in rural areas, management of landscape ar 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 ju 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 cou lead to rapid conclusion of the process there, too. In Belgium, the French-speaking communi assembly approved the necessary legislation on April 23, the Senate did so on March 7, ar the Chamber of Deputies on March 28. However, the procedure in Belgium still require ratification by four further assemblies. In Greece, the Chamber of Deputies gave its approv on March 20. In Ireland, the national debate is still underway following the rejection of tr Treaty in a popular referendum in June 2001: a second referendum in the autumn is tr current projection. All other member states have now completed their national procedures ar deposited their formal instrument of ratification with the Council of Ministers. The Treaty w come into effect on the first day of the second month following the last deposit of a ratificatic instrument by the fifteenth Member State. The aim had been to complete the procedure by tr end of this year, to coincide above all with the timetable for completing accession negotiatior with EU candidate countries. Non-ratification of Nice would present a serious impediment · the plans for EU enlargement, and creating alternative arrangements on the matters that Nic 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 Slovakia on sectors that can best promote growth and help the country's eventual accessic into the European Union, according the new strategy it has just agreed. It says it will foci increasingly on investments in infrastructure, non-banking financial institutions, smε businesses, and areas that can help strengthen the private sector and reduce region imbalances. So far, EBRD has invested around Euro 900 million in Slovakia - including record Euro 344 million last year alone - and mobilised an additional Euro 2.1 billion. The ne strategy is geared towards reinforcing the continuing reform commitment from the Slove government, so as to help attract the foreign investment that is still needed to ensure futu further growth. Noreen Doyle, first vice-president at the EBRD, says Slovakia has mac significant steps in recent years towards a market economy, and that the rate of growth ar reforms has been impressive. "There has been a lot of progress, but the road does not er here," she said.

Euro 500 million of foreign investments in Latvia

Cumulative foreign investments in the capital of Latvian-registered companies totalled moi than one billion lats - nearly Euro 500 million - at the end of 2001, according to country Central Statistical Bureau. The investment in 2001 alone was around Euro 100 million, ι nearly 25% from the total at the end of 2000. Sweden led the list of foreign investors in 200 with 13.3% of all foreign investments, followed by Germany, Denmark, Russia, Estonia, th UK, Norway, Finland and the Netherlands. Most investment so far has gone into companie involved in transport, warehousing and communications. Financial services is the next mo 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 i abbreviation - is celebrating its second anniversary, and has revealed that it has committe Euro 3.9 billion to 169 projects in transport and the environment in the candidate countries ‹ central and eastern Europe since it came into being in 2000. 100 of the projects are in the fie of the environment, and account for 38.4% of the total granted, while the rest are in the field ‹ transport. The EU grant is only part of the finance for these projects: together with funding froı the beneficiary countries and from international financial institutions, the total being put in 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

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

Agenda

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

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 23rd	Meeting of the EU-Slovak Republic Joint Consultative Committee
Thursday 23rd-Saturday 25	European Commission Vice President for Transport and Energy Loyola de Palacio visits Poland
Wednesday 22nd-Friday 24th	Meeting of the EU-Romania Joint Consultative Committee, Alexandria
Thursday 30th-Friday 31st	European Enlargement Commissioner Günter Verheugen visits Bulgaria
Friday 31st	Negotiating session at the level of deputies (EU ambassadors and candidates' negotiators), Brussels. European Trade Commissioner Pascal Lamy visits Malta
June	
Monday 3rd	Possible negotiating session at the level of deputies (EU ambassadors and candidates' negotiators), Brussels.
Thursday 6th-Saturday 8th	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 10th	General Affairs Council will review the state of the enlargement process, Luxembourg
Monday 10th - Tuesday 11th	Ministerial negotiating session with foreign ministers of the EU and of the candidate countries, Luxembourg
Friday 14th and Saturday 15th	Czech Republic parliamentary elections
Friday 21st, Saturday 22nd	Seville European Council: European Commission reports on the implementation of the plan of action for strengthening the candidates' institutions.

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.

Archives

ENLARGEMENT WEEKLY is prepared for the Information Unit of the Enlargement Directorate General of the Europe Commission. As part of its communication strategy on enlargement, the Commission makes this bulletin publicly availabl Comments are welcome and should be addressed by e-mail to enlargement@cec.eu.int.

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