

EUROPEAN UNION and ENLARGEMENT

European Union Enlargement Conference:
European Union membership for central and eastern European countries,
Cyprus, Malta and Turkey: Situation and outlook

National Europe Centre Paper No. 4

Australian National University, 8 December 2000

Foreword

This National Europe Centre publication collates the proceedings from a conference held at the Australian National University in December 2000. The purpose of the conference was to allow the Australian diplomatic missions of nine Central and Eastern European nations seeking entry into the European Union to give their case for admission. Although Malta, Turkey, Poland, Hungary, Slovenia, Slovakia, Cyprus, the Czech Republic and Romania are at different stages of preparation for the EU, the object is to gauge their progress on the formal entry criteria. The papers address the countries' progress toward meeting these criteria, as well as the obstacles they face. The papers begin with a preview from the Commission. It cites the three core requisites for accession into the EU as a market economy, democratic political institutions and the capacity to abide by the EU's obligations of membership.

CONTENTS

<i>His Excellency Ambassador and Head of Delegation of the European Commission in Australia and New Zealand</i> Mr. Aneurin Hughes	4
<i>The Czech Republic</i> His Excellency Mr. Josef Sladek	21
<i>Cyprus</i> Counsellor Mr Stavros Ph Loizides	36
<i>Hungary</i> His Excellency Dr. Istevan Gyurk	43
<i>Malta</i> His Excellency Ives De Barro	51
<i>Poland</i> His Excellency Dr. Tadeusz Szumowski	59
<i>Romania</i> Her Excellency Mrs. Manuela Vulpe	67
<i>The Slovak Republic</i> Her Excellency Dr. Anna Turenicova	78
<i>Slovenia</i> Charge D’Affaires Mrs. Helena Drnovsek Zorko	87
<i>Turkey</i> His Excellency Mr. Umut Arik	98

THE COMMISSION

Introduction

Europe has witnessed major events in recent years. The break-up of the Soviet Union and the resulting end of the Cold War have profoundly altered the existing geopolitical order, marking the end of old models for understanding the international balance of power. The process of European integration has also rapidly gathered pace.

Against this new backdrop, the process of enlargement to include central and Eastern Europe, Cyprus, Malta and Turkey represents an historical undertaking for the European Union.

It is an opportunity too. An enlarged Union with, in its initial phase at least, over 100 million new citizens will promote trade and economic activity and give fresh impetus to the growth and integration of the European economy as a whole. The accession of new Member States will enhance the Union's weight and influence internationally.

Whatever happens, the issue of enlargement will dominate EU policy in the coming years. The central and eastern European countries, Cyprus, Malta and Turkey are, in principle, all starting out on equal terms. However, economic and political realities in these countries are often very different. This presents the Union with unprecedented institutional, political and economic challenges. As an order of magnitude, simply by achieving the first wave of accessions the EU's population will rise by over 25% to 500 million whereas its total GDP will grow by only 5%. Notwithstanding the enormous efforts taken by applicant countries, their integration into EU's common policies will be paramount for them and for the Union at large.

The Copenhagen European Council in 1993 confirmed the legitimacy of Central and Eastern European countries applications for membership. This marked the start of one of the EU's most ambitious projects. In 1997 the Amsterdam European Council called for accession negotiations to begin the following year. The Luxembourg European Council received applications from ten countries. Negotiations got under way in 1998 with the first wave of six countries: Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia.

These will be followed by a second wave of six countries: Bulgaria, Latvia, Lithuania, Romania, Slovakia and Malta.

In June 1998, the Cardiff European Council launched the EU strategy to prepare Turkey for accession.

In March 1999 the Berlin European Council reached agreement on the creation of new pre-accession financing instruments. In December 1999 the Helsinki European Council reaffirmed the importance of the enlargement process, in which the 13 candidate countries participate on an equal footing. It also decided to convene bilateral intergovernmental conferences in February 2000 with a view to opening negotiations with the six countries of the second wave, on the criteria for membership of the European Union and the corresponding changes that will be made to the treaties. The European Council also announced the adoption of appropriate measures enabling the Intergovernmental Conference for revision of the treaties to be officially convened in February 2000.

The Association Agreements (Europe Agreements)

The already considerable volume of trade between ten Central and Eastern European countries and the European Union was boosted with the signing of the Association Agreements (also known as Europe Agreements). These form the legal framework for association between the applicant countries and the European Union and cover political and economic relations between the two parties. Their objective is to provide an appropriate framework for the applicant countries' gradual integration into the Community.

Europe Agreements have been concluded with five countries of the first wave: Estonia, Hungary, Poland, the Czech Republic, Slovenia and five countries of the second wave: Bulgaria, Latvia, Lithuania, Romania and Slovakia.

The Association Agreements' objective is to establish a free-trade area by 2002, liberalizing trade in industrial products and providing a basis for economic cooperation in a large number of sectors. The Association Councils also provide a forum for discussion at ministerial level of the progress made in preparing for accession. The Agreements cover the main areas in which the Community *acquis* is to be adopted. They are being used to

help the applicant countries draw up schedules for incorporating the *acquis* and transposing the Community's legal rules into their national law prior to accession.

An Association Agreement has been in place between Turkey and the European Union since 1964. The cornerstone of this Agreement is the establishment of the customs union in three stages. The EC-Turkey Association Council decided to move on to the third stage in March 1995.

Cyprus has enjoyed a stable relationship with the European Union since 1973 on the basis of an Association Agreement which provides for the completion of a two-stage customs union over a ten-year period. The final stage of the customs union entered into force on 1 January 1998.

The Association Agreement between Malta and the European Community was signed on 5 December 1970 (and came into force on 1 April 1971). The Agreement provided for the completion of a customs union in two stages over a ten-year period. The second stage never started, with successive governments reluctant to pursue the actual implementation of a customs union.

The associated countries and the European Union:

Country	Association Agreement signed on	Accession application submitted on
Bulgaria	01-03-1993	14-12-1995
Cyprus	19-12-1972	03-07-1990
Estonia	12-06-1995	24-11-1995
Hungary	16-12-1991	31-03-1994
Latvia	12-06-1995	13-10-1995
Lithuania	12-06-1995	08-12-1995
Malta	5-12-1970	03-07-1990
Poland	16-12-1991	05-04-1994
Czech Republic	06-10-1993	17-01-1996
Romania	08-02-1993	22-06-1995
Slovakia	06-10-1993	27-06-1995
Slovenia	10-06-1996	10-06-1996
Turkey	12-09-1973	14-04-1987

Membership criteria

Copenhagen European Council (June 1993)

The Copenhagen European Council not only approved the principle of the EU's enlargement to embrace the associated countries of Central and Eastern Europe but also defined the criteria which applicants would have to meet before they could join the Community.

These criteria concern:

Political criterion: the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.

Economic criterion: the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the European Union.

Criterion concerning adoption of the Community *acquis*: The ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.

Pre-accession strategy

Essen European Council (December 1994)

The Essen European Council embarked upon a pre-accession strategy to prepare the countries which had signed an association agreement with the European Union for membership. This focuses on:

- the Europe Agreements (or Association Agreements);
- the White Paper of May 1995 defining key measures in each sector of the internal market and priorities in the harmonization of legislation;
- a structured institutional dialogue;
- the Phare program which is the pivotal financial instrument in the pre-accession strategies.

A key component in the strategy is the cross-border cooperation program which is designed to foster cooperation between states, regions and interest groupings either side of the European Union's border with Central European countries.

Report on the impact of enlargement

Madrid European Council (December 1995)

The Madrid European Council confirmed and refined the guidelines adopted in June 1993 and signalled that accession negotiations should be launched six months after the Intergovernmental Conference in 1996.

In its interim report the Commission stressed the potential benefits of enlargement for peace and security and economic growth and development throughout Europe but noted *that the prerequisite for accession was adoption of the Community acquis as at the date of accession*, although transitional measures could be required in certain sectors such as agriculture and free movement of persons. Any transitional period would have to be limited both in scope and duration.

Timetable for negotiations

Florence European Council (June 1996)

The Florence European Council adopted a detailed timetable for negotiations with the Central and Eastern European countries. Noting the conclusions of the Madrid Council it reiterated the need for the Commission's opinions and reports on each of the applicant countries to be made available as soon as the Intergovernmental Conference (IGC) had been completed. The intent was that the initial phase of negotiations with the Central and Eastern European countries could coincide with the start of negotiations with Cyprus and Malta - six months after the IGC had been concluded. However, following elections on 26 October 1996, the Maltese Government decided to suspend its application to join the European Union. In September 1998, Malta decided to reactivate its application.

Institutional reform, the prerequisite for enlargement

Amsterdam European Council (June 1997)

The Amsterdam European Council marked the successful conclusion of the Intergovernmental Conference by adopting the Treaty of Amsterdam. It instructed the General Affairs Council to examine in depth the Commission's opinions which would be ready in July 1997 and to present a detailed report to the Luxembourg European Council in December of the same year.

Although the Treaty of Amsterdam made significant advances on social and employment matters, it fell short of one of its key goals: institutional reform. A further Intergovernmental Conference would consequently be required to reform an institutional system which had been designed for the six original Member States before any future members could be admitted to the European Union.

Agenda 2000

The European Commission published *Agenda 2000* on 16 July 1997. This three-part policy document looks at:

- ❑ the future of the main areas of Community policy;
- ❑ the European Union's financial perspectives for the period 2000-2006;
- ❑ the Union's enlargement.

Attached to it are the Commission's opinions, prepared on the basis of the Copenhagen accession criteria, on membership applications from Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. The Commission proposed that membership be extended to a first wave of five countries and that negotiations be launched initially with the Czech Republic, Estonia, Hungary, Poland and Slovenia. The negotiations with Cyprus would open six months after the end of the Intergovernmental Conference. *Agenda 2000* confirms the situation described by the Commission in its 1993 opinion regarding the island's economic and political division but also reaffirms the European Union's determination to play a positive role in bringing about a just and lasting settlement between the two sides in accordance with UN resolutions.

The situation in the other countries would be reviewed annually.

Assessing the applicant countries:

The political criterion: The first accession criterion, respect for democracy and human rights, appears to have been met by all countries except Slovakia where, in the Commission's view, the rule of law and democracy is not sufficiently rooted in political life and there is insufficient protection of minorities. Consequently it was excluded from the first wave of applicants.

The economic criterion: This criterion has probably been the key factor. The five countries chosen are considered to have viable market economies and Slovakia is very close to this goal. As regards the second requirement under this criterion - capacity to cope with competitive pressure and market forces within the Union - the Czech Republic and Slovenia are considered to have made the greatest progress and Hungary and Poland appear to be proceeding apace with restructuring. The Commission noted that the four countries which had not been chosen for the first wave of negotiations on economic grounds had recently made substantial progress and could catch up the other applicant countries within the next ten years.

The ability to adopt the Community acquis: This third criterion highlights the differences between: Bulgaria and Romania which were considered to be unable to take on the obligations of membership in the medium term; the three Baltic States and Slovenia which were unlikely to be able to adopt the body of the Community *acquis* in the medium term unless they made substantial efforts; Hungary, Poland, the Czech Republic and Slovakia which should be able to take on the main part of the Community *acquis* in the medium term provided progress was made in specific sectors. Each applicant country received a road map tracing its progress in adopting the Community *acquis* which itself is constantly evolving.

Agenda 2000 also establishes a financial framework for supporting the pre-accession process in the applicant countries. EUR 21 billion will be provided in pre-accession aid to

the Central and Eastern European countries for the period 2000-2006. This will take three forms:

- the Phare program: EUR 10.5 billion (EUR 1.5 billion a year). Since 1997 this has focused on the two main priorities for adoption of the Community *acquis*: institution building in the applicant countries (30% of the budget) and investment financing (70%) in areas where post-accession transitional periods are to be avoided as far as possible;
- aid for agricultural development totalling EUR 3.5 billion (EUR 500 million a year);
- structural aid amounting to EUR 7 billion (EUR 1 billion a year) to be used primarily to help applicant countries comply with Community infrastructure standards in the transport and environmental sectors. It will also be used to familiarise these countries with structural project procedures.

Negotiations commence with 6 countries

Luxembourg European Council (December 1997)

The Luxembourg Council approved the Commission's analysis in *Agenda 2000*. It decided that negotiations should commence with five Central and Eastern European countries (the Czech Republic, Estonia, Hungary, Poland and Slovenia) plus Cyprus, and with the other five countries of Central and Eastern Europe once they had made the necessary progress under the accession partnerships. Its approach was two-pronged: negotiations would proceed on the principle that the Community *acquis* be applied on accession and an enhanced pre-accession strategy would be introduced to help all applicant countries align their law as quickly as possible on the Community *acquis*, preferably before accession.

EUR 100 million has also been allocated to the second wave of countries (Bulgaria, Latvia, Lithuania, Romania and Slovakia) to finance projects to help them catch up in applying economic reforms.

The European Conference

On 6 October 1997 the Foreign Ministers of the fifteen Member States endorsed the French plan for a European Conference to accompany the enlargement process. The first Conference was held in London on 12 March 1998 and was attended by Member States of the European Union and all aspirant European countries which had concluded an association agreement with the Union.

It is a multilateral forum for political consultations on common foreign and security policy, justice and home affairs and economic and regional cooperation. Turkey, which applied for membership in 1987, declined to attend. The Conference is held each year at head of state or government level and is attended by the President of the Commission and, where appropriate, national ministers.

The Helsinki European Council decided that the future role of the European Conference would be re-examined in the light of the development of the situation and the decisions taken by it in regard to the accession process. It announced the intention of convening the conference in the second half of 2000, which had been planned as a prelude to the Nice European Council.

Accession negotiations for the first six applicants

The accession process started on 30 March 1998 with a meeting of the foreign ministers of the Member States, the countries of Central and Eastern Europe and Cyprus. The negotiations focus on applicants' ability to take on all the obligations of a Member State of the European Union and to apply the Community *acquis* once they join and, more particularly, on immediate measures to extend the single market. They also cover the pre-accession aid which the Union is to provide to help the applicants adopt the Community *acquis*. Negotiations may be concluded even if the *acquis* has not been fully adopted as transitional measures may be introduced after accession. Any transitional periods must be as short as possible and cover as few sectors as possible.

The negotiations are taking place in six bilateral Intergovernmental Conferences with six-monthly ministerial meetings and monthly ambassadorial meetings. Although negotiations

began on 30 March 1998, negotiating positions will not be finalised until a detailed evaluation of the situation in each applicant country (“screening”) has been undertaken in relation to Community legislation and the second and third pillars of the Treaty on European Union.

This evaluation exercise concerns the eleven applicant countries and includes a multilateral phase to discuss clarifications for all the countries followed by a bilateral phase to look at each applicant’s specific problems. The joint exercise will form the basis for the European Union’s negotiating position which will be unanimously adopted by the Council and for the position of each of the six countries involved in the negotiations.

For Cyprus, in its latest report of November 1998 the Commission confirms its 1993 analysis concerning the economic disparities between the two parts of the island and notes the continuing difficult political relations between the two communities. For that reason, the screening exercise does not cover the whole of the island.

The enhanced pre-accession strategy

The enhanced pre-accession strategy was welcomed by the Dublin European Council in December 1996. It covers all applicant countries in central and Eastern Europe and makes use both of existing instruments (the Europe Agreements, the White Paper on the internal market and the Phare program) and a new instrument forming the keystone of the strategy, the accession partnerships.

Cyprus is not covered by the Phare program but, under the Association Agreement, receives EUR 72 million in grants from the Community budget and other assistance under the Fourth Financial Protocol which came into force in 1996 and runs for four years.

Accession partnerships

The accession partnerships launched on 15 March 1998 provide a single framework for their three basic components:

- priority areas in which the Community *acquis* is to be adopted;
- programming the Union’s financial assistance;

- the terms applying to this aid: compliance with the obligations under the Europe Agreements and progress in meeting the Copenhagen criteria.

They bring together all forms of assistance to the countries preparing for accession. They involve:

- a national program for adopting the Community *acquis* in which each applicant must specify the laws and regulations;
- institutional and administrative reforms;
- human and budgetary resources they intend to deploy in each priority area identified in the accession partnership;
- a joint evaluation of economic policy priorities;
- a pact against organized crime;
- the road maps introduced in 1997 by the Member of the Commission responsible for the internal market to help applicant countries take up the Community *acquis*.

The Commission has undertaken to submit a progress report to the European Council each year. The first was published on November 1998 for the Cardiff European Council. This monitoring exercise, involving both the Commission and bodies set up under the Europe Agreements, will be of crucial interest to the applicant countries. The Commission may, in the light of progress made, recommend to the Council that negotiations be opened with the second wave of countries or propose that the pre-accession aid be reduced or abolished.

Cardiff European Council (June 1998)

Following the opening of accession negotiations with Cyprus, Hungary, Poland, Estonia, the Czech Republic and Slovenia, the European Council noted that the screening exercises for seven chapters of the *acquis* had been completed. The analytical examination of the *acquis* had also started with Bulgaria, Latvia, Lithuania, Romania and Slovakia.

The Commission confirmed that, at the end of 1998, it would present the initial evaluation reports of progress made by each of the applicants towards membership. At the request of the European Council, the reports include Cyprus and Turkey.

The Commission adopted the twelve reports on 4 November 1998. The report on Malta was published on 17 February 1999. In compiling the reports for the Central and Eastern European applicants, the Commission set out to analyze whether, in the light of the Copenhagen criteria, the announced reforms had been completed. The Commission also analyzed progress made by each candidate in implementing the *acquis* and adapting the related administrative structures.

The report on Cyprus is an updated version of the 1993 opinion, based in particular on the results of the screening exercise. However, the Commission has only partial information on the situation in the north of the island.

Malta expressed the wish to resubmit its application on 10 September 1998. The Commission therefore presented a report updating its 1993 opinion in February 1999. At the political level, the report confirms the conclusions drawn in the 1993 opinion: Malta's institutions are functioning smoothly and there are no particular problems on the human rights front. Nor does the country seem to be having any major problems in adapting its administrative and governmental structures in preparation for participation in Community institutions. Malta has taken a number of measures to prepare its economy for EU accession. It displays all the characteristics of a market economy, but will need to restructure its industry to cope with competitive pressure in the Union. The report also examines the progress made since 1993 towards aligning Malta's legislation on the *acquis*.

The report concludes that Malta's preparations for EU membership differ from that of other applicant countries, particularly given its decision to freeze application for two years. Malta will have to give a new impetus to its preparations for membership. The Commission considers that a specific pre-accession strategy should also be established for Malta. It intends to prepare a report setting out in detail the state of play regarding Malta's preparations for membership, which will be submitted at the end of 1999 along with reports on the other candidate countries and their progress towards accession.

On Turkey, the latest Commission report goes beyond updating the 1989 opinion. The criteria applied were the same as for the Central and Eastern European countries. Some difficulties were encountered in gathering information concerning the adoption of the *acquis* in areas outside the scope of the customs union.

The Cardiff European Council set in motion the European strategy referred to in the Commission communication of 4 March 1998. Under this strategy, the Commission and the Turkish authorities are called upon to cooperate in the alignment of Turkish legislation on the *acquis*. In October 1998 the Commission accordingly adopted a communication on providing the necessary financial backup for the European strategy. In its latest report of November 1998, the Commission confirmed the *Agenda 2000* analysis and pointed to Turkey's development of a market economy accompanied, however, by anomalies in the political system, notably with regard to the way the authorities operate, respect for human rights and the treatment of minority rights.

On the whole the Commission confirms the analysis set out in *Agenda 2000* and believes that all of the applicant countries will only be able to take on the obligations of the *acquis* in the medium term if they pursue their preparatory efforts with determination. On the basis of that analysis, the Commission does not feel it necessary to make new recommendations on the conduct or extension of the ongoing negotiations.

New pre-accession financial instruments

Berlin European Council (March 1999)

The Berlin European Council reached an overall agreement on *Agenda 2000*. On the issue of enlargement, the agreement includes the creation of two pre-accession instruments: a structural instrument (ISPA) and an agricultural instrument (SAPARD). The European Council also established a financial framework for these instruments and decided to double pre-accession aid from 2000. This agreement was given substance by the adoption, in June 1999, of regulations establishing the two instruments and another on the overall coordination of pre-accession aid.

The Berlin European Council also confirmed the renewed Phare program as the main instrument of intervention, geared to two key priorities for the adoption of the *acquis*, with 30% of its budget earmarked for institution building (the reinforcement of the applicant countries' administration and institutions) and 70% for investment financing. Further

investment projects will be financed by the structural and agricultural pre-accession instruments.

The Luxembourg European Council in December 1997 adopted a special pre-accession strategy for Cyprus based on: its participation in certain targeted projects, primarily in institution building and justice and home affairs; its participation in a number of programs and Community agencies (following the approach for other applicant countries); and the use of technical assistance provided by TAIEX (Technical Assistance Information Exchange Office).

A new intergovernmental conference

The Helsinki European Council (December 1999)

The Helsinki European Council (10 and 11 December 1999) confirmed the importance of the enlargement process, especially for ensuring stability and prosperity in Europe. It also reaffirmed the inclusive nature of the process, in which the 13 candidate countries participated on an equal footing. The Council stressed that Turkey was a candidate country.

The Helsinki European Council stressed the need for the candidate countries to share the values and objectives of the European Union as set out in the treaties. It called on the candidate countries to settle any border disputes (and other matters) in accordance with the principles of the United Nations Charter and, failing that, to bring disputes before the International Court of Justice within a reasonable period of time. An evaluation of remaining disputes would be carried out by the end of 2004 in the light of the impact they might have on the accession process.

The Council stressed that a political settlement of the Cyprus question would facilitate Cyprus's accession to the European Union (relevant talks opened on 3 December 1999 in New York). However, it also affirmed that such a settlement was not a precondition for the final decision.

The Helsinki European Council also reiterated that compliance with the political criteria set by the Copenhagen European Council was a precondition for the opening of accession negotiations.

The Helsinki European Council stressed that Turkey was a full candidate for membership of the European Union but that it would have to meet the criteria applicable to all the other candidate countries (Copenhagen criteria). The European Council noted the progress made by Turkey as set forth in the Commission report of 13 October 1999 and its resolve to continue efforts and reforms in order to meet the criteria.

The Helsinki European Council decided that under the current strategy Turkey, like all the candidate countries, would benefit from a pre-accession strategy to support its reforms. An accession partnership would also be established on the basis of the conclusions of previous European Councils and would set out the priority areas of the accession preparations.

The European Council decided to convene bilateral intergovernmental conferences in February 2000 with a view to opening negotiations with Romania, Slovakia, Latvia, Lithuania, Bulgaria and Malta on the criteria for membership of the European Union and the corresponding changes that will have to be made to the treaties. It also took note of the Commission's recent evaluation of progress by the candidate countries (reports of 13 October 1999). Although the evaluation found that some progress had been achieved, it nevertheless noted that certain candidate countries would not be able to meet all the Copenhagen criteria in the medium term.

The European Council also announced the adoption of appropriate measures enabling the Intergovernmental Conference to be convened in February 2000. The aim of the conference is to adapt the institutions of the Union to the requirements of an enlarged Europe. The proceedings are expected to conclude by December 2000. Once the results of the conference are ratified the Union will be ready to begin welcoming new countries from the end of 2002.

If European construction was founded on an economic and monetary base, its aim now is clearly political. Its ultimate goal is to promote a continuous union between European people in order to establish permanent peace and defend common values.

Enlargement is an historic opportunity to erase the line that until recently divided the continent. It is the best safeguard for stability in Europe for the longer term. It will bring at the same time more prosperity for both the new and the existing member States.

THE CZECH REPUBLIC

1. General Overview

The accession of the Czech Republic to the EU is a matter of immediate national interest. The Czech Republic links its EU membership above all with the vision of a strong and dynamic Europe, characteristic of economic growth and cultural richness stemming from the diversity of national and regional cultures. The Czech Republic (CR) will bring to the enlarged Union its human potential, skills and creativity. In his second address delivered at the plenary session of the European Parliament in February 2000, the President of the Czech Republic, Václav Havel, presented his vision of the Union of the new millennium trying to follow up the message of the founding fathers. He outlined his ideas regarding the possible development of the institutional structure of the enlarged EU.

Since the early 1990s the gradual creation of the necessary preconditions for achieving membership in the European Union has been an organic part of the CR's economic transformation. Responsible and high-quality preparations for joining the EU and the negotiation of the accession agreement constitute the most important political task facing the CR today.

After due considerations, the Czech Republic has set January 1 2003 as the target date by which it intends to be prepared for EU membership.

The Czech Republic perceives the adoption of the *acquis communautaire* as a precondition of prime importance for its accession to the EU. Meanwhile the CR continues its internal preparations for membership, based on its foundations as a democratic and industrialized country. The CR has been achieving relatively good results in the overall preparedness for EU membership, including the transposition of legislation. In February 1999, the renowned Austrian Institute for Economic Research (WIFO) placed the Czech Republic first with regard to the maturity of Central and Eastern European candidates for EU entry. Likewise, The Economist placed the CR on the top of the candidate countries in December 1999 from the viewpoint of suitability index.

Consensus of political forces on accelerating preparations for EU membership

In effort to speed up the approximation of the Czech legislation with the *acquis*, allowing the Czech Republic to enter the EU by 1 January 2003, the largest parliamentary parties - the Czech Social Democratic Party (ÈSSD) and the Civic Democratic Party (ODS) have concluded an agreement on the preparation of the country for EU membership. The agreement sets up a mechanism for debating legislation related to the approximation of Czech law with the *acquis*. It embodies in particular the commitment to respect the valid wording of corresponding legal norms of the EC in approving the respective laws and the effort to avoid the adoption of provisions that would not be consistent with the legislation of the EU.

In order to achieve the strategic objective of the quickest possible accession of the CR to the EU, the parliamentary parties agreed to change the rules of procedure of the Chamber of Deputies of the Parliament of the Czech Republic. This enabled Parliament to shorten the process of adoption of European legislation, including the possibility of adopting a legislative norm within the first reading. Apart from this, the deputies agreed to give priority to discussing legislation related to the future membership of the CR in the EU. Starting January 2000, the Chamber of Deputies shortened by one week the length of the parliamentary cycle enabling it to hold more plenary sessions.

The deputies and senators of the other parties (Christian Democratic Union - Czechoslovak People's Party /KDU-ÈSL/, Freedom Union and the Civic Democratic Alliance /ODA/) expressed their readiness to support government proposals aimed at the alignment of the Czech legislation.

The Government is resolved to fulfil its tasks in the field of legislation and to submit to the Parliament all draft legislation according to the timetable corresponding to the Czech target date for accession to the EU, i.e. the year 2003. Accordingly, legislative activities have intensified substantially.

The Government has adopted the updated National Program, systematically covering all issues related to the entry into the EU and requiring solutions in the short and medium terms. It also takes account of the priorities of preparation of the Czech Republic for

membership from the viewpoint of the EU expressed in the Accession Partnership document (www.euroskop.cz/cr_pripravacr_narprog-list.html).

Support of General Public for European Integration

Support for EU membership is high and stable among the Czech public. Opinion polls on the CR's integration into the EU show a considerable credibility of the EU amongst Czech citizens. Almost 70 per cent of the country's adult population has confidence in the EU. The Government is conscious of its obligation to provide the citizens with a great amount of information - objective and balanced - on the EU and impacts of the membership. The Government therefore pursues a communication strategy, the objective of which is to provide the Czech public with information on issues related to European integration and the anticipated accession of the CR to the EU.

Accession Negotiations

By the beginning of December 1999, the CR had presented its position papers to all the 29 chapters of the *acquis communautaire* (www.euroskop.cz/cr_vyjedn_pozdoc.html). To date, the CR has opened negotiations on all 29 chapters, of which 13 have already been provisionally closed. As thus far the only candidate country, the CR has provisionally closed the chapter on the *Free Movement of Goods* which is generally regarded as the cornerstone of the single market. Hitherto the negotiations have proved good preparedness of the CR.

The CR has expressed its determination to adopt the EC legislation, i.e. the *acquis* of the 2nd and 3rd EU pillars by 1 January 2003. It has only asked for transition periods for assuming the commitments arising out of the EC/EU legal regulation in necessary and justified cases. These applications are limited both in terms of time and scope. The Czech Republic demands transition periods in nine chapters.

The Government of the CR is also convinced that in the coming period, when the most difficult chapters of the *acquis* will be negotiated (in particular that of the environment and agriculture) the CR will be able to advance with sufficient pace.

In certain areas, the Czech Republic continues to occupy the front position among the candidate states, owing to, inter alia, its endeavours to harmonize Czech legislation with

the *acquis* in these areas since the early 1990's. In the field of technical harmonization and standardization, the CR has adopted 90 per cent of EU technical standards. It is also a member of the European standardization bodies, CEN and CENELEC, being the only such country among the candidate states. The CR has been successful in completing expert talks with the EU on the Protocol on European Conformity Assessment and Acceptation of Products.

Also with regard to the environment, generally regarded one of the more difficult chapters, the CR has achieved a considerable improvement. The quality of air in the whole of the CR corresponds to the EU average and the so-called black triangle in northern Bohemia has disappeared. The decisive indexes of pollution show a dramatic decrease over the past ten years. In terms of nitrogen oxide emissions this represents an up to 80 per cent decrease and an 88 per cent decrease of sulphur emissions. For solid substances, the decrease is 92 per cent. This means that the CR has surpassed OECD expectations by 20 years. Among factors which have contributed to these results are the good quality of the laws adopted in 1991 and the state administration's success in enforcing them.

Together with the United States and New Zealand, the Czech Republic is one of the three countries in the world which have signed a protocol concerning sanitary, phytosanitary and animal welfare measures with the EU.

The less problematic nature of Czech agriculture reflects the amount of funds earmarked for the CR within the pre-accession assistance. The CR has been allocated the least amount of per capita means, i.e. EURO 22 million from the SAPARD fund (some 4.3% of active population are employed in agriculture, with a 1.8% GDP share in 1998). A total of 5.5 - 8 per cent from the ISPA budget or 5.2 per cent from the Phare fund are allocated to the Czech Republic. The GDP per capita average in Prague reaches 119 per cent of the EU average. With the exception of Central Bohemia (the districts around Prague with 49 per cent of the EU GDP average) the remaining regions oscillate between 54 and 61 per cent of the EU GDP average.

Strengthening the Political Stability

The strongest parliamentary parties the ÈSSD (74 out of 200 deputies and 23 out of 81 senators) and the ODS (63 deputies and 25 senators) have concluded an agreement on the

conditions of tolerance of the ÈSSD minority Government, including concrete tasks to be fulfilled before the end of the current election term. For example, the Government will propose for 2001 a government budget with a deficit not exceeding CZK 20,000 million and for 2002 budget with a deficit not exceeding CZK 10,000 million. The tax burden on citizens and corporations including health and social insurance will not be increased. In the remaining part of the current election term, significant progress will be made in privatization, namely in terms of the remaining stakes in banks and other selected enterprises. Privatization will be launched in the field of regional distribution companies. On the whole, at least two-third of the assets held by the National Property Fund, i.e. about CZK 120,000 million - 130,000 million in present market valuation, will be privatized. The Government will continue deregulation of rents and adjustment of energy prices with the aim to complete deregulation by 2002.

Economic Situation

The CR's economic revival is acquiring a broader basis - apart from a growth in retail trade, primary industry and the building industry are also beginning to show an increase in profit and output. Following an economic downturn, the GDP increased in the first quarter 2000 with a growth rate of 2.5 per cent. Inflow of foreign capital has increased in the form of foreign direct investments, exports are rising rapidly and the balance of payments is improving. As early as in 1998, the Czech economy abandoned the course of an extremely high deficit in the current account vis-a-vis the GDP. (In 1999, the deficit in the balance of payments of the current account reached USD 1,063 million, that is 2% of GDP compared to 7,6% of GDP in 1996). Inflation has stabilized at a very low level and in April 2000 amounted to 2.4 % on a year-to-year basis.

In 1999, mutual trade between the CR and the EU increased by 13 per cent. The Union is the CR's most important economic partner and accounted for 66.5 per cent of the total turnover of the Czech foreign trade in 1999. In 1999, mutual trade exchange reached EUR 34,760 million. Czech exports into EU countries totaled EUR 17,406 million (69.2 per cent of Czech exports) and imports from EU countries to the Czech Republic reached EUR 17,353 million (64 per cent of overall imports of the Czech Republic).

It is expected that economic growth will continue in the forthcoming period as well. In the year 2000, a 2.3 to 2.5 % increase of the GDP is expected, while inflation may reach some

4.0% as a result of price deregulation and of the growth of international prices of certain commodities. Approved state budget for 2000 expects a deficit amounting to 1.8% GDP. This negative development should be compensated for by an acceleration of future economic growth; in the year 2001 a 3.5 % and in 2002, a 4.5% GDP growth is expected.

The earlier economic decline and the necessary structural adjustments at the company level have been accompanied by the unemployment rate now reaching 8.7%. The Czech government has reacted to these trends by adopting a program for revitalization of large industrial enterprises, intended to contribute to the acceleration of restructuring and modernization of a part of industry, and by adopting the National Employment Plan, which is based on the EU's Employment Guidelines for the years 1998-99 and complies with EU's requirements in this field. The Common Assessment of the Czech Republic's Employment Policy Priorities signed on 11 May 2000 with the Czech Republic as the first candidate country is 'a strong political signal that the Czech Republic is ready to shadow the European strategy as of now'.

The key aspect of the country's economic policy is the strong support for the inflow of foreign investments by means of investment incentives in the form of tax reliefs, offers of developed areas of land at symbolic prices and interest-free loans for training and retraining courses. In 1999, the flow of direct investment in the CR increased again, reaching USD 5,108 million (in 1998 it totaled USD 2,720 million). The share of the EU member states exceeded 78% (eg. Belgium 25%, Germany 16%, Netherlands 15%).

Contributing to the growth of foreign investment in the CR is, inter alia, the ongoing process of privatization of leading banks and the remaining strategic companies. The government stake in the Československá obchodní banka was sold in June 1999 and its stake in the second largest bank, Česká spořitelna, was sold in February 2000. Remarkable progress has been made in the preparation for privatization of the last large partly state owned Czech bank, Komerční banka, so that it could be finalized by the end of 2000. The aim of the privatization of banks is to have credible, strong and strategic partners who will bring capital as well as the necessary know-how so as to prepare large banks for integration into the EU.

The EBRD estimates that the private sector accounts for 80 per cent of the GDP and the CR thus takes a leading position in the privatization of state-owned enterprises in Central and Eastern Europe. The Joint Assessment by the Government of the Czech Republic and the European Commission concerning priorities of Czech economic policy, which was signed in autumn 1999, clearly stated that the main objective of the country's economic policy is to meet the Copenhagen criteria. The Czech Republic made decisive transformation steps and institutional changes in the first half of the 1990s so that today it can be regarded as a country with a functioning market economy. At the present stage the Czech Republic is making final adjustments of its market reforms and shaping the basis for the achievement of sustainable development.

In spite of the fact that until recently the CR had registered a decline in GDP, in terms of GDP volume per capita it ranks second among the post-Communist candidate countries. In terms of purchasing power parity, the CR reached 61% of the EU average PPP in 1998.

Nuclear Safety

The Czech government has been devoting utmost attention to nuclear safety. The nuclear reactors currently in operation or under construction in the CR fully comply with stringent internationally recognized standards, particularly those of the International Atomic Energy Agency. This was also confirmed by the first assessment conference on the Nuclear Safety Convention (April 1999) which found the achieved level of nuclear safety in the CR fully compatible with international standards.

Minority's Protection

The government devotes constant attention to social integration of the Roma community and creates conditions to prevent racial and other types of discrimination. The educational system oriented towards Roma education has virtually eliminated illiteracy of the Roma population in the CR. The media coverage of the different living arrangements of the Roma and non-Roma population pointed to the European dimension of the treatment of the Roma issue. Unlike the situation in the Czech Republic, European housing policy tends to segregate the Roma - special camping sites for them situated beyond the boundaries of cities and villages. The Roma's tendency to migrate is also one of the many reasons for the movement of Roma from Eastern Europe westwards after the fall of the Iron Curtain. The reasons for such migration are rather complex, sometimes resembling those motivating the earlier inflows of labour.

Common Foreign and Security Policy and the European Security and Defence Policy

In March 1999, the Czech Republic became a member of NATO. The Czech Republic, as a new member of the North Atlantic Alliance, welcomes the new impetuses towards strengthening of the Common Foreign and Security Policy and of Europe's defence identity. Sharing of common values enabled the CR to achieve basically full alignment with the *acquis* as part of everyday practical implementation of its foreign policy. Even in the pre-accession period, the CR has been taking part in the EU's CFSP to the extent enabled by its associated status. By aligning with the common positions and their implementation in practice, the CR is demonstrating its preparedness for its accession to the EU in the sphere of the CFSP, while assuming its own share of responsibility for the developments in Europe and throughout the world. The Czech Republic endorses the efforts toward strengthening Europe's defence capabilities with respect to crisis

management. The CR also considers the establishment of European military capacities to be just as important as the discussions on EU institutions and structures in this field. As a European member of NATO, it is interested in finding before joining the EU, the modalities for the CR's participation in the discussions on the future form of European security and in European crisis management operations.

The Czech Republic wants to contribute its share to the unifying Europe and to participate in the building of a prosperous, competitive, open, socially just, environmentally responsible and democratic Union of free citizens and collaborating regions.

Preparation of the Czech Republic for accession to the European Union

While the European Union had not laid down any special criteria for candidate countries in the previous rounds of enlargement (with the exception of the generally applicable conditions laid down in the Treaties), it did so in the case of Central and Eastern European countries, which applied for membership. These countries' baseline economic and political situation was considerably different from that of the preceding candidates.

The EU set forth these basic requirements at the Copenhagen European Council in June 1993: "Accession will take place as soon as a country is able to assume the obligations of membership by satisfying the economic and political conditions required."

These requirements are referred to as the Copenhagen criteria:

1. Political:

- stability of institutions guaranteeing democracy;
- rule of law;
- adherence to human rights and respect for and protection of minorities;

2. Economic:

- existence of a functioning market economy;
capacity to cope with competitive pressure and market forces within the Union;

3. Other commitments:

- ability to take on the obligations of membership, the *acquis communautaire*, including adherence to the aims of political, economic, and monetary union.

The above suggests that this is not a detailed list of economic indicators or clear-cut requirements for the working of the political system and institutions. At its December 1994

meeting, the European Council adopted a pre-accession strategy for Central and Eastern European countries to make it easier for them to achieve the accession criteria, which had become a precondition for the EU to open membership negotiations.

The pre-accession strategy has been based on four fundamental elements:

- Europe Agreements;
- Multilateral structured dialogue;
- Preparations of central and eastern European countries for integration in the single internal market of the EU;
- Assistance to Central and Eastern European countries under the PHARE program.

At its Cannes meeting in June 1995, the European Council adopted a document on the Preparation of Associated Central and Eastern European Countries for Integration into the Internal Market of the Union, referred to as the White Paper. Its purpose was to help define the essential legislative measures required for a successful integration into the internal market, clarify the technical and administrative structures necessary for their implementation in practice, and determine the orientation of technical assistance under the PHARE program. It contained a detailed overview of the internal market legislation, as in force at the end of 1994.

At the following European Council meeting in Madrid in December 1995, the European Commission was asked to prepare an Opinion on the application of each candidate country. The purpose of the Opinion was to assess each candidate country's ability to meet the Copenhagen criteria. In the Opinion, the Commission focused on the achieved degree of compatibility of the national legislation with the *acquis* over the whole range of EU competencies.

The Czech Republic meantime filed its application for membership together with an explanatory memorandum on 23 January 1996. The Opinion in its application, together with those on other candidate countries, was published as part of *Agenda 2000* on 16 July 1997. This Opinion, which assessed how well the Czech Republic was prepared as a candidate country to start accession negotiations, served as one of the basic documents for the December meeting of the European Council in Luxembourg. The European Council decided to open negotiations with a group of six countries (the Czech Republic, Poland,

Hungary, Estonia, Slovenia and Cyprus) which best complied with the Copenhagen criteria.

In *Agenda 2000*, part of which was also the Opinion on the Czech Republic, the European Commission formulated the so-called reinforced pre-accession strategy to support the preparation efforts of the candidates. In line with the reinforced pre-accession strategy, the Commission adopted a document called Accession Partnership. The purpose of Accession Partnerships is to unify all forms of the support provided by the EU to the candidate countries within a uniform framework, customise them for each individual country, and set the main short-term and medium-term priorities for the adoption of the *acquis*.

The first Accession Partnership for the Czech Republic was adopted in March 1998. On 7 December 1999, the Council adopted an up-dated version of the Accession Partnership, including short- and medium-term priorities for the period 2000-2002. Should a candidate country fail to display sufficient determination to accept the *acquis* or should it fail to meet the Copenhagen criteria for EU membership, the Council shall have the option of deciding, by a qualified majority, on suspending pre-accession assistance upon the European Commission's proposal.

The candidate countries' progress in the implementation of Accession Partnerships was also reviewed in Regular Reports of the European Commission. The first Regular Report was submitted to the Vienna European Council in December 1998, the second Regular Report to the Helsinki European Council in December 1999.

For its own part, the Czech Republic prepared a "mirror" document to the Accession Partnership – entitled the National Program for the Preparation of the Czech Republic for EU Membership. The priorities defined in the two documents basically match each other; however, the Czech Republic has conceived its National Program more broadly, and addressed in it also several other priority areas with which it deals in some detail its preparations for EU membership (for example statistics, communication strategy, training of state administration officials in EU affairs, official translations of EC legislation into Czech).

The revised National Program 2000 was approved by the Government on 31 May 2000 and submitted to the Commission on 22 June 2000. It is so far the most extensive preparatory document adopted by the Czech Republic. As in 1999, it corresponds to EU recommendations and priorities defined in the 1999 Regular Report and the 1999 Accession Partnership. The tasks identified and described in the document are divided into two groups: short term priorities, which are to be met in the year 2000, and medium term priorities, which are to be met in 2001-2002, in other words by the target date for the Czech Republic's accession to the EU of 1 January 2003.

Negotiations on the Czech Republic's accession to the EU

Enlargement and *acquis communautaire*

EU membership requires that the acceding countries accept in full the current and potential rights and obligations arising from the EU system and its institutional framework (EU *acquis*). The *acquis* develops continuously and includes: the contents, principles, and political objectives of the primary Treaties; secondary legislation and precedents of the European Court of Justice accepted on their basis; joint actions, common positions, signed conventions, resolutions and other acts accepted as part of co-operation in the areas of justice and the interior; international agreements entered into by the Communities and those entered into by member states in respect of the Communities' activities.

The *acquis communautaire* denotes that part of the *acquis*, which relates to the European Communities (and form part of the first pillar). The current *acquis communautaire* is estimated at more than 80,000 pages of text, one half of which cover agriculture. In all of the candidate countries, including the Czech Republic, the adoption of the *acquis* may lead to a need for technical adjustments and, in exceptional circumstances to transition measures of a temporary nature, which are set out exactly during membership negotiations. In no case, however, may the entry of new members cause a change in the rules or policies of the EU or negatively affect the working of those policies.

Screening

The actual negotiations were preceded (and later accompanied) by the screening stage of legislation, i.e. the examination of the national legislation (Czech law in the case of the Czech Republic), and its comparison with the EC *acquis*. Procedurally, this was a very

technical matter. The European Commission first presented a list of legal regulations applicable to the area under review, together with a brief comment. For screening purposes, the entire body of the *acquis* was broken down to 31 chapters. The first, multilateral phase, which took place with delegations of all candidate countries at the same time, was intended to clarify each of the chapters as a whole, offer help in the transposition of some legal norms, and highlight acts requiring amendments prior to EU accession. The second, bilateral stage was intended to identify where a country will have difficulties with the transposition of the EC *acquis* in the area concerned. During this stage, talks were conducted with each delegation separately. This stage followed immediately (usually at a time span of several days) the discussion of each individual chapter in the first stage and served to find out the candidate country's level in respect of *acquis* transposition and its readiness to apply the *acquis*, whilst identifying any particular difficulties. Only problematic issues were identified during screening, as this was not negotiation of membership conditions yet.

In February 2000, a screening up-date was launched to examine the *acquis* adopted since the beginning of 1999. The form of the screening up-date has been substantially simplified and has been carried out mostly by written procedure. Besides, new reports on the ability of the candidate countries to adopt the *acquis* for the period 1998-99, were elaborated. All candidate countries were simultaneously requested to elaborate reports on the progress achieved by 1 January 2000 in those chapters (including provisionally closed ones), which were open for negotiation. The purpose of these reports was to monitor progress achieved in the provisionally closed chapters and to find out whether the respective candidate meets all obligations adopted during the screening exercise.

Negotiations

Each candidate country negotiation positions are structured by the individual chapters; the candidate specifies the time by which it will transpose the various pieces of the *acquis*, or whether it will require a transitional period for the transposition of the *acquis*. The negotiation position is submitted to the European Commission. The Commission prepares a draft common position on each chapter, to be subsequently discussed by the working group on enlargement, by the Committee of Permanent Representatives (COREPER) and finally to be approved by the EU Council.

Membership negotiations proper are formally an inter-governmental conference held by the 15 Member States with each of the candidate countries (the Commission acts within a mandate given by the Member States), and take place at two levels:

Level of Deputies (Chief Negotiators/COREPER II): at this level, individual chapters are being discussed, positions and additional information are being presented and chapters are proposed to be provisionally closed.

The ministerial level (usually after the Council for General Matters meets): during the ministerial level negotiations the interim report on negotiations is reviewed, positions are presented, and very sensitive political problems are discussed.

Expert meetings take place at the level of the European Commission and officials from the candidate countries. The Council's working groups are also involved in expert meetings.

The Council determines the EU common position to all the issues discussed during negotiations. The European Commission presents to the Council, proposals falling within the jurisdiction of the European Communities (the first pillar). Proposals concerning the common foreign and security policy (the second pillar) and co-operation in the area of justice and the interior (the third pillar) are presented by the EU presidency in close co-operation with member states and the European Commission. COREPER bears overall responsibility for the preparation of common positions. The EU presidency chairs the meetings with candidates at all levels (at the moment the presidency is held by France).

The Czech Government has authorised a 12-member delegation headed by Pavel Telička, State Secretary and First Deputy Foreign Minister, to conduct negotiations on the Czech Republic's accession to the EU.

In April 1998, the EU set up a Task Force for Accession Negotiations (TFAN) within the European Commission. In 1999 TFAN merged with the European Commission's Directorate-General Enlargement, which is headed by General Director Eneko Landaburu. DG Enlargement lies within the portfolio of Commissioner Gunter Verheugen. Within the DG teams for each of the candidate countries have been established. Michael Leigh is the

head of the Czech team. The negotiations proper on the Czech Republic's accession to the EU were started in October 1998.

To date, the Czech Republic has presented 29 (out of 31) position papers to the EU (2 remaining chapters will be presented following the conclusions of the Intergovernmental conference). Since the launch of the negotiations in November 1998, 29 chapters have been opened and 13 of them have been provisionally closed (including the chapter Free movement of goods, which is considered to be a cornerstone of the internal market).

THE REPUBLIC OF CYPRUS

EU Enlargement: Challenges and Opportunities

In reviewing world history, one could say that the greatest achievements of humanity were by and large caused by the collective efforts of people who were inspired by a common vision. Imagination, boldness in reconciling oneself with one's own history coupled with courage to face challenges and to respond to them, were the vehicles that generated positive historical changes.

A striking example of these capabilities is the creation and development of the European Union and its process of integration. Thanks to the vision of the EEC's founding fathers and the collective efforts of European citizens, Europe today stands united and enjoys stability and prosperity after overcoming the ghosts of its own turbulent past. Driven by the same vision 13 more countries are now officially knocking at the door of this European construction.

Consequently, at the dawn of the third millennium, the European Union is facing one of its biggest challenges - enlargement.

The Union's response to this new challenge was directly and clearly stated in the European Commission's document, *Agenda 2000* which was communicated to the Council in 1997. In this document the Commission made no attempt to gloss over the difficulties and implications of enlargement, but at the same time no diversions were expressed as to what the final target should be.

In adopting the Commission's proposals contained in *Agenda 2000*, The Luxembourg European Council proved that the Union did not turn its back on this historic chance realizing its remarkable tribute to the strength, validity and vigour of the EU.

An enlarged European Union is a 'win – win situation', politically and economically, both for its current Member States and the candidate countries. Accession of new countries will contribute not only to the reunification of a divided continent, but will also ensure their incorporation into European political and economic structures, resulting in the enhancement of democracy, establishment of the rule of law, increased stability and lasting

peace for the whole region. Accession will offer support for human rights, increased respect for minorities, help reduce migratory pressures (by increasing prosperity), and improve environmental standards thereby reducing trans-border pollution, to cite some further benefits.

For the existing member states, enlargement will increase the political weight of the EU in the global arena, making it one of the world's most important players.

Reducing borders within Europe will contribute to the free movement of persons, goods, capital and services, thus leading to the creation of the largest single market for trade and investment in the world.

Robin Cook, the British Foreign Minister clearly reflected the historical necessity for, and opportunities from, an enlarged European Union. He stated at the launch of the Accession Process on 30 March 1998 that, 'by enlarging the EU, we are finally overcoming the cruel and unnatural division of our continent. And we are creating the conditions that will help prevent a return of the terrible suffering and destruction Europe has known this century. The vision of the Community's founding fathers of an "ever closer Union among the peoples of Europe is another step closer".'

The road leading to enlargement is neither short nor easy. Despite the fact that in all cases the bonds of the candidate countries with the Union are close and carved through history, the course of accession remains demanding for all parties. Both the candidate countries and the European Union itself are aware of the fact that only proper preparation guarantees the smooth enlargement of the Union and effective and successful integration of the new member states. Like all candidate countries, Cyprus aspires to find its proper role and place in this overarching European enterprise.

Cyprus' accession to the European Union will positively contribute to the achievement of the Union's objectives. It will contribute to both the balanced enlargement of the European Union (particularly towards the Mediterranean) and to the Union's integration process. In concert with other member states, Cyprus will promote issues such as the Common Foreign and Security Policy and Justice and Home Affairs, to name but two.

The Government of Cyprus has determined upon a direct and constructive contribution to European and Mediterranean Affairs as one of the major targets of its foreign policy. As a prospective member state of the EU Cyprus has all the potential to become an economic, political and cultural gate between the EU and the Middle East. Furthermore, Cyprus is well-placed to promote closer co-operation and understanding between the EU and Mediterranean third countries, given its geo-historical role in the Mediterranean basin and the privileged relations the island enjoys with both the Arab countries and Israel.

Cyprus' aim is to maintain its position as a centre of economic and financial activity, a communication and transport hub and a meeting point for peoples and cultures. The prospect of membership, and of course membership itself, will increase the importance of Cyprus as a member of the Euro-Mediterranean partnership. Membership will offer additional assets to both Cyprus and the EU, particularly if Cyprus were to become the base from which enterprises and organizations could launch their activities, thus furthering commercial and cultural integration in the Mediterranean region.

The candidature of Cyprus is a culmination of a long-standing relationship with the European Union. Since the early 70s, Cyprus has established and maintained excellent relations with the EEC, EC and EU. For example, the Republic of Cyprus was among the first countries which signed an Association Agreement with the then European Economic Community.

This Association Agreement, signed on 19 December 1972, provided for the establishment, in two stages and within a period of ten years, of a Customs Union between Cyprus and the EEC. However, the 1974 invasion, which saw the occupation of 37% of Cyprus' territory and the subsequent catastrophic effects on the economy delayed the development of the Association Agreement and in particular the actual implementation of its second stage.

After successive extensions of the first stage, a protocol for the second stage of the Association Agreement was signed in Luxembourg on 19 October 1987, thus paving the way towards the realization of a Customs Union. In accordance with the provisions of this protocol, the Customs Union between Cyprus and the EU should be completed by the year 2002, or 2003 at the latest.

On 4 July 1990 the Government of Cyprus submitted its application for membership to the EU. The Council examined the application and asked the European Commission to give its Opinion.

The Opinion of the Commission, issued on 30 June 1993, confirmed Cyprus' suitability, both economically and culturally, for entry into the European Union. It also noted the democratic system of Cyprus and the respect for human rights and did not omit to refer to the deep-lying bonds which for two thousand years have located the island at the very fount of European culture and civilization.

The Opinion concluded that Cyprus will face no insurmountable problems in adopting the *acquis communautaire* and noted that its G.D.P. per head and its rate of growth were higher than those of some member states.

Having studied the Opinion, the Council of the European Union supported the Commission's approach and, inter alia, invited the Commission to immediately open substantive discussions with the Cyprus Government in order to help the latter prepare for the accession negotiations.

The substantive discussions between the Government of Cyprus and the Commission that followed the Council's decision began in November 1993 and lasted until February 1995.

During this phase, the Cypriot officials familiarized themselves with the *acquis communautaire* and the areas needed to be harmonized were identified.

Thus, by the time accession negotiations commenced, in March 1998, after the Luxembourg Council's decision, the mechanisms for the adoption of the *acquis* were in place in Cyprus and a serious bulk of legislative work had already been completed.

The Minister for Foreign Affairs of Cyprus Mr. Ioannis Kassoulides stated, at the launch of the accession negotiations, in 1998, that the commencement of negotiations represented the fulfillment of Cyprus' European destiny. He stressed the bridge-building role that Cyprus would play in the troubled but important area of the Middle East, adding that Cyprus would

contribute to the cultural richness of the EU and its stability and prosperity, whilst at the same time strengthening its southern dimension.

The hard work being done out by the Cypriot services and the commitment shown by both the government and the people of Cyprus towards the accession of Cyprus to the Union is very well reflected in the results achieved in the framework of the accession negotiations.

Cyprus' accession negotiations are on the right track, since Cyprus is in the leading group of candidate countries having provisionally closed seventeen chapters of the *acquis*. This has been amply demonstrated both in the 2000 Regular Report on Progress towards Accession and in the Enlargement Strategy Paper recently issued by the European Commission. According to these documents Cyprus and Malta are the only two candidate countries which fulfill both the political and economic criteria for membership. Still, our target remains not only to harmonize the Cyprus legislation to the *acquis* but also to develop the necessary administrative capacity to implement it.

Cyprus' accession course is based on the assumption that accession will take place on 1 January 2003. This date has been set after careful consideration of the time frame required to prepare for accession, as well as the time frame needed for the Union to be ready for its enlargement.

We believe that Cyprus will be ready to conclude the accession negotiations by the end of the year 2001. Although this might seem ambitious, we believe that it is still feasible if we maintain the present pace of our efforts and receive the corresponding support of the Commission and the member-states.

The creation of the EU has been a unique historical experiment. A continent ridden for centuries by conflict and war has, through the collective efforts of its peoples, achieved stability, peace and prosperity by integrating and working together within the framework of supranational institutions.

The Government of Cyprus considers that Cyprus' accession to the European Union will act as a catalyst for the solution of the division of the island. But if the accession process is to play such a role it must proceed unhindered.

The 6 March 1995 decision of the General Affairs Council considered that Cyprus' accession to the EU should bring increased security and prosperity to both communities on the island. *Agenda 2000* considered the *status quo* in Cyprus at odds with international law, threatening the stability of the island and of the region and having implications for the security of Europe as a whole. In December 1997, the Luxembourg European Council was of the opinion that accession should benefit all communities and help bring about civil peace and reconciliation. It also took the position that the accession negotiations would contribute positively to the search for a political solution to the situation in Cyprus. In December 1999, the Helsinki European Council, explicitly stated that a political settlement would facilitate the accession of Cyprus to the European Union. However, if no settlement had been reached by the completion of the accession negotiations, the Council's decision on Cyprus was to be made without the above being a precondition.

All the above positions clearly indicate an interest for the promotion of a solution to the situation in Cyprus, but in no way make the solution a condition for accession. Such a linkage would have meant 'punishing' Cyprus for having been the victim of Turkish aggression and continued military occupation. It would have rewarded aggression and encouraged Turkish intransigence, which is the only reason why there has been no settlement on Cyprus so far. It would have given Turkey, a non-EU member, a quasi right to influence policies and veto decisions of the EU with regard to Cyprus.

With the accession process, Turkey, whose candidature was officially recognized in Helsinki, has, for the first time in 26 years, a real reason and incentive to decide to co-operate for a solution to the division of Cyprus. Ankara's non-co-operation would deprive Turkish Cypriots from sharing the benefits of membership and harm Turkey's own prospects of joining the EU. The options before Turkey are either to co-operate for a solution before accession thus seeing a Federal Republic, fully guarding Turkish Cypriot interests, joining the EU; or to continue its current negative attitude, resulting in Cyprus' accession before a solution to partition, a development with negative repercussions for both Turkish Cypriots and Turkish interests.

A general observation often advanced is that the accession of Cyprus without a prior solution of its partition would amount to the introduction of yet another difficult problem

within the Union. Although the Helsinki decision already provides an answer, one could add that the observation is unfounded. The problem in Cyprus is a European problem that directly affects important EU interests irrespective of whether Cyprus is an EU member or not. Contributing to the solution of partition will demonstrate the dynamic character of European integration and will mark an important breakthrough with regard to the Union's political influence on the international stage.

Our target of joining the European Union does not in any way mean that the solution of our political problem is not a priority for the Government anymore. On the contrary, all of our efforts are geared towards a comprehensive and functional solution, preferably before the time of accession. And the proximity talks that are now taking place offer the opportunity to reach a constructive solution on the basis of UN resolutions providing for a bi-zonal, bi-communal federation, as well as on the basis of the provisions of the *acquis*.

We consider it important to engage both communities of Cyprus, the Greek Cypriot and Turkish Cypriot, in two parallel processes, respectively aiming at the settlement of the Cyprus problem as well as involving both communities in the accession process. Regarding the latter aim, President Clerides has repeatedly invited the Turkish Cypriot community to nominate representatives to be included as full members of the Cypriot team negotiating accession. The invitation, though rejected by the Turkish Cypriot leadership, remains open. In the words of Foreign Minister Cassoulides, on 30 March 1998, 'it is our wish that our Turkish Cypriot compatriots work with us and share with us the task of preparing Cyprus for accession and enjoy with us the benefits'. However, it must be pointed out that despite the negative position of the Turkish Cypriot leadership, the vast majority of the Turkish Cypriots are in favour of Cyprus' accession to the EU. Recent events in the Turkish army occupied part of the Republic, and the economic situation of the people there, convinced them that their real political and economic interest lies in a reunited Cyprus, and a Cyprus that was a member of the European Union.

HUNGARY

The end of Communism and the change of political system in 1989-90 opened up new prospects for Hungary. Like other Central European countries, Hungary gained an opportunity to rapidly catch up with the developed, democratic Western part of Europe. The integration into the Euro-Atlantic system of institutions became the priority of Hungarian foreign policy. Since then there has been no change in this orientation and goal, regardless of the political affiliation of successive Hungarian governments. Hungary, which this year celebrated the one thousand anniversary of its statehood, has always belonged to the Western part of Europe economically, culturally and politically until alien values were imposed on the country from outside; values which Hungarians have never accepted as their own.

A special place in Hungary's plans to integrate into the Euro-Atlantic system of institutions is accorded to its accession to the European Union. It is strongly in Hungary's national interest to join the European Union at the earliest possible date under the most favourable conditions possible. The Hungarian people believe that close cooperation among European states may give rise to a common European consciousness, while at the same time reinforcing a sense of Hungarian national identity.

Although the change of political system took place in 1989-90, diplomatic relations between Hungary and the European Communities were already established by August 1988. This was followed in September of the same year by a commercial and economic cooperation agreement that served as a model for similar accords with several other countries in Central and Eastern Europe.

The Europe Agreement between Hungary and the EC was signed in Brussels on 16 December 1991. The full agreement took effect on 1 February 1994, after ratification by EC members and the Hungarian Parliament. This made Hungary an associated country of the European Union on 31 March 1994. However, the Association Agreement avoided establishing any clear linkage between the signature of the Agreement and potential future membership. Although the preface contained a unilateral statement by Hungary that the country considered the

Association Agreement as an important stepping stone towards the goal of achieving full membership in the EU, this approach was not fully shared by Brussels. The association agreement with Greece three decades earlier – and to some extent with Turkey - included a promise full membership at some point in the future.

The Hungarian Government, with unanimous parliamentary approval, submitted to the European Council an official application for EU membership in 1994. But the actual accession talks began only four years later, in March 1998, and we believe that the negotiations with Hungary will be concluded by the end of 2001.

Accession talks and the EU's timetable

Why and how did Hungary arrive at the conclusion of wanting to complete the accession talks by the end of 2001? The explanation is to be sought in the December 1999 Helsinki Decisions of the European Council, and in the strategy subsequently adopted.

The Helsinki conclusions of the Presidency declared that member states will do whatever possible for the adoption of institutional reforms required by the end of 2000, and for ratification by 2002. In other words, from the end of 2002 there will be no obstacles in the way of welcoming the first new members – provided that they have met entry requirements and the accession talks are concluded at the right time.

EU preparations to start expansion have been underway for many years now. Financial requirements were provided in March 1999 when the acceptance of *Agenda 2000* created suitable financial conditions. In regard to the as yet unresolved institutional reform, the member states are committed to concluding the Intergovernmental Conference by the end of 2000, and the parliaments of the member states are also expected to conclude ratification. In other words, the EU has set up a tentative schedule to begin expansion in 2003.

Hungary's timetable

The Hungarian Government responded by setting its own timetable of preparations. The Hungarian Government and the Hungarian public are fully aware of the tasks ahead in the field of preparation. By adopting the revised version of our National Program for the adoption of the *acquis* and the updated Legal Harmonization Program, the Hungarian Government made a firm commitment to take all the necessary measures in the field of law harmonization, institution building and economic development in order to be fully prepared by the time of our anticipated accession (1 January 2003), including the necessary administrative and budgetary resources.

The key to success of Hungary's preparation for EU accession lies in the perception that the demands arising from integration coincide with our ambition to build a modern and prosperous Hungary. These two related processes are thus mutually beneficial to each other.

Hungary's preparation for membership

Legal harmonization

Hungary has made energetic efforts to harmonize its laws with the European Community since the Europe Agreement was signed. The Agreement obliges Hungary to approximate current and future legislation to Community Law as a prior condition to EU entry. Accordingly the Hungarian Government adopted a program of legal harmonization in 1995 that covered all fields of legislation. This tied the planning of legal approximation into the overall planning of domestic legislation. Harmonization, in fact, has become a means of modernizing the country's legal system.

a.) Institutional Reform

As an important part of the strategy of integration a new system of institutions was set up for coordinating preparations for EU entry. Integration-related functions and responsibilities were reallocated in 1996. The Inter-Ministerial Committee for European Integration was joined by new institutions, such as the European Integration Cabinet, the Strategic Task Force for Integration, and the Ministry of

Foreign Affairs' State Secretariat for Integration. The main forum is the Inter-Ministerial Committee for European Integration (IMC) which is charged with coordinating government tasks and decision-making related to the entry negotiations. It is led by the head of the Ministry of Foreign Affairs' State Secretariat for Integration.

b.) Improvement of the economy

Apart from legal harmonization and institutional reform, the third important element of the preparation was, and still is, the improvement of the economy.

The last decade in Hungary was an economic success story. One of the most significant changes has been the change of ownership in the Hungarian economy. The private sector, which accounted for some 20% of GDP in 1990, now accounts for more than 80%, which is the highest figure amongst the countries of Central and Eastern Europe.

Economic growth has also been impressive during the last couple of despite the painful recession at the beginning of the 1990s. This is illustrated by the fact that the economic performance (level of real-GDP) has exceeded the 1990 level: real-GDP is about 2.6% higher than the corresponding figure for 1990. This consistently dynamic economic growth signals that the process of economic transition is complete in Hungary, and the country has become a healthy and well functioning market economy convergent with the EU. Despite unfavourable external conditions, the Hungarian economy expanded dynamically in 1999 achieving a GDP growth of above 4% for the third consecutive year, and an estimated 6 % for 2000. This is more than double of the average GDP growth of the EU.

Industrial production grew by 10.5%, current account deficit amounted to only 2 billion \$US, well under expectations. The general government deficit dropped to below 4%, inflation fell to 10%, foreign exchange reserve of the National Bank of Hungary reached a record high level, and the rate of unemployment decreased to 7%.

Economic adjustment can be confirmed by the convergence of Hungary's GDP per capita ratio with that of the EU's average based on the Purchasing Parity Standard (PPS). According to the projections of the Vienna Institute for International Economic Studies this ratio will rise above 60% by 2005, exceeding Ireland's (59% in 1973) and Portugal's (54% in 1986) income at the time of their respective accessions.

Trade has been reoriented fundamentally towards the EU. In 1999, 76% of Hungarian exports were marketed in EU countries and 64% of imports originated from the Union, compared with 25% and 29% respectively in 1989. The EU share of total Hungarian exports is by far the highest share of all the Central-European countries. Geographic shifts in trade patterns have been accompanied by sizable market gains. In 1999, about 2.2% of the EU's total extra-regional exports and imports were with Hungary, compared with 06% in 1989. Altogether, Hungary was estimated as the 8th most important EU trade partner in 1999, slightly behind Russia in 7th place.

Even more important have been the structural changes. Once a mainly agricultural country, in less than a decade, Hungary became the leading Central and Eastern European exporter of machinery and equipments to the EU. In 1999 Hungary accounted for more than one-third of the total machinery exports of the 12 associated countries of the EU. (The structural upgrading is even more noticeable in the German market, the main buyer of Central and Eastern European products. In 1998, two-thirds of Hungary's exports to Germany consisted of technology and human capital intensive goods like machinery, electronics, computers, precision-instruments, pharmaceuticals and transport equipment.)

This structural change is more significant if compared with the data from a decade ago. As a result of the change, low value-added, natural resource-intensive products and unskilled labour-intensive products (totaling 65% of the Hungarian EU exports in 1989) accounted for only 34% of the Hungarian export basket in 1997, while high value-added, technology-intensive and human capital-intensive products commanded 66% of total EU exports. Thus, in terms of EU-orientation, export

patterns and volume of trade, Hungary has already become largely integrated into the microstructures of the EU.

The dramatic acceleration of exports to the EU has been mainly generated by the massive inflow of foreign direct investment. By the end of 1999 the stock of FDI invested in Hungary amounted to more than US\$20 billion. In terms of per capita foreign direct investment inflows, Hungary is by far the leading country amongst the Central and Eastern European countries.

The Report of the Hungarian Enlargement Business Council (the forum of Hungarian affiliates to major European enterprises represented in the European Round Table of Industrialists) concluded in March 2000 that "Hungary has a well functioning market economy that has all the preconditions to cope with the competitive pressure and market forces within the EU."

According to the World Competitive Chart published by the Lausanne based Institute for Management Development, Hungary ranked 27th in the world in 2000. The competitiveness of the Hungarian economy was higher than that of all the other EU candidates and some of the member states as well.

Agriculture

Agriculture (and the Common Agricultural Policy – the CAP) is often described as a serious hurdle still to pass. In Hungary's opinion, well prepared new members are not cause for concern. On the contrary, the EU has proved to be the beneficiary of the integration process. The EU could already speedily extend its agricultural exports into the Central and Eastern European countries (CEEC), possibly with the help of heavy subsidies the CEEC can not match. Agricultural goods make up about eight percent of EU exports into the CEE region, whereas the share of agricultural products from the CEE region in EU imports only amounts to about 5%. In the 1990s, the EU partially reoriented its agricultural exports into the direction of the CEEC. Agricultural exports from the CEEC, however, suffered a loss in market share and were thus the only product groups not to improve their relative market share in EU imports.

There can be no doubt that the Common Agricultural Policy would have to be principally reformed and structured in a more cost-conscious way even without Eastern enlargement. The imminent Eastern enlargement could accelerate this process of change, create healthier production structures and decrease the price level. That is why a considerable number of people in the Commission and in single EU countries appear to welcome the enlargement.

The weight of agriculture in Hungary at present is barely over 5% of our GDP which is comparable with the EU average. Also the level of producer prices for the most important commodities are close to, or already at the level of intervention prices applicable by the CAP.

Communication strategy

The efforts undertaken by the government to prepare the country for future EU membership are based on a broad consensus of opinion in Hungary. The latest polls show that if the referendum on Hungary's accession were to be held today the majority, that is 65% of the population, would be in favour of EU accession and only 8% against. This public backing is reflected by all six political parties represented in the Hungarian Parliament who signed a joint declaration in September 2000 stating their support for EU membership. Therefore most Hungarians have high hopes of joining the EU in the time frame indicated in Helsinki.

The Hungarian government was glad to see that latest Strategy Paper devoted much attention to communication strategy. It is essential that citizens everywhere be aware of the great opportunities provided by participation in the enlargement process and eventual membership, whilst being aware that the new member states will be fully prepared when they join the Union.

The outlook

Thus the only outstanding condition remains the timely conclusion of the talks. The Regular Report published on 8 November not only gave a positive assessment of Hungary's progress in the past year but also reflected our overall level of preparedness. This encouraged the government to continue its efforts to complete the remaining tasks ahead.

Hungary welcomed the European Commission's reconfirmation of the principle treating each candidate country on its own merits in the Regular Report, as well as in the Enlargement Strategy Paper also published on 8 November. Furthermore, in conformity with the Helsinki Agenda, the European Commission proposed a road map for finalizing the accession negotiations. Hungary considers it of utmost importance that besides the road map, the Enlargement Strategy Paper also created the necessary instruments to enter the more substantive phase of negotiations. By applying the principle of flexibility and differentiation it should be possible to conduct the negotiations more quickly, closing chapters sooner than proposed by the Commission in its Strategy Paper, and thereby concluding the negotiations by the end of 2001 or the beginning of 2002 at the latest. That would make possible the accession of any prepared candidate country from the beginning of 2003.

The European Union faces the fifth enlargement in four decades of Western European integration. The original six parties to the treaty of Rome waited 15 years before the first enlargement (Britain, Denmark and Ireland) in 1973. Later enlargements came after shorter intervals: the second after eight years (Greece - 1981), then third after five (Spain and Portugal - 1986), and the fourth after ten (Austria, Finland and Sweden - 1995). Assuming the preparations for and the negotiations on accession go smoothly, the fifth enlargement is likely to occur eight years after the fourth, in 2003, when the Central and Eastern European countries that meet the criteria become full EU members.

MALTA

Background

- The Maltese Government is steadily moving ahead in preparation for membership in line with the schedule agreed upon with the European Commission.
- In 1998 the Maltese electorate delivered a clear message that it wants its political leaders to pursue full European Union membership negotiations immediately. Malta turned a new page in its history in May 1999 when it held its first bilateral screening session with the European Union. Further progress towards EU membership was registered a month later at the Cologne Summit when the EU council of Ministers announced that it would be publishing another progress report on Malta in the third quarter of 1999. Malta was officially invited to commence EU membership negotiations at the Helsinki summit in December 1999. Just one month later Malta had completed screening in all thirty-one chapters that make up the European Union's *Acquis Communautaire*.
- EU membership negotiations with Malta commenced in March this year with the opening of discussions on eight chapters: Education, Training and Youth, Science and Research, Culture and Audio-Visual, Telecommunications and Information Technology, Small and Medium Sized Enterprises, Industrial Policy, European Union External Relations, and the Common Foreign and Security Policy. By late May the European Union had agreed to the provisional closure of all of the above Chapters with the exception of Culture and Audio-Visual. A number of additional chapters were opened in the second half of this year during the French Presidency.
- Commencement of European Union membership negotiations in March of this year firmly placed Malta on track towards European Union membership. Malta's task is now a straightforward one – to demonstrate its ability to carry out the necessary structural reforms that will once again place it among frontrunner EU applicant countries and to demonstrate its ability to implement the European Union's *Acquis Communautaire*.

- Malta's role in contemporary international relations is to integrate itself into the global political economy. This is the primary reason and objective behind accession to the European Union. EU membership is a vehicle through which Malta can harness the opportunities that the process of regional integration offers.

Malta's Preparations for EU Membership

- Since the publication of the European Commission's 1999 Regular Report on Malta's Progress towards Accession, the Maltese Government has significantly accelerated its preparations for EU membership. Between May 1999 and January this year, Malta completed the screening process, a process whereby the government presented the Commission with a detailed overview of the situation in Malta and how it compares with the *Acquis Communautaire*.
- Earlier this year, Malta opened formal negotiations with the Member States. The government submitted its negotiation position on eight chapters in line with the wishes of the Portuguese presidency. Seven of these chapters have been provisionally closed with the exception of Culture and Audiovisual. The expression "provisionally closed" means that both sides agreed there is nothing further to negotiate on that particular chapter, but according to agreed protocol the chapter remains technically open until all the remaining chapters are also closed.

Industrial Policy

- In December 1999, the Maltese government published the White Paper entitled 'Prosperity in Change – Challenges and Opportunities for Industry'. The paper provided a strategic overview for future industrial development and looked at the principal issues involved. These were: attracting foreign direct investment, expanding export activity, developing high value-added sectors, generating new employment opportunities and promoting joint ventures. The Paper underlined the need to encourage innovation and extend skills, boost investment, improve trade performance, embrace the information age, and modernise public sector structures.
- The Institute for the Promotion of Small Enterprise launched a business network called "Partners in Business Initiatives". The objective of this network is to create

subcontracting between larger and smaller enterprises as well as to assist local firms to form strategic alliances with foreign enterprises.

Small and Medium Sized Enterprises

- Government is preparing a policy document outlining a strategy for the development of entrepreneurial enterprise. It is also drafting legislation to facilitate the implementation of incentive schemes for small business and legislation to promote the crafts sector.
- The Institute for the Promotion of Small Enterprise launched a number of support programs for small and medium sized enterprises. These were 'Small Is Beautiful', 'Choosing to Compete', 'Going for Growth', and 'Fast Track' – all designed to support the restructuring of small enterprises.
- In March of 2000, the Maltese government set up a Small Business Efficiency Unit, an enterprise designed to address the needs of small businesses and self-employed persons.

Science and Research

- The Maltese Government is committed to participate in the Fifth Framework Program in 2001, setting up the National Contact Point Organization to manage and co-ordinate this participation.

Education and Training

In June of this year, Malta signed the draft agreement on its participation in the Education, Training and Youth Programs. The agreement has been submitted to the European Union Council of Ministers for approval.

Telecommunications

- The Government has adopted the Malta Communications Authority Bill that empowers the Authority to oversee and regulate the development of communication services and Information Technology in Malta including privacy, authentication and security arrangements, and E-commerce. The Bill also addressed present

inadequacies within the current licensing system to make licensing more objective, non-discriminatory, proportionate and transparent. All telecommunications services except fixed telephony, mobile telephony, the international gateway and cable television were liberalized last June. The present mobile telephony monopoly will end when a second mobile company will be licensed. Additional mobile licences will be issued after the end of 2002. Cable television will be liberalized as of June next year. International gateway services and fixed telephony services will be liberalized on the 1st of June 2003. This Bill therefore institutes a program of reform from which will emerge greater competition in the telecommunications sector.

Culture and Audiovisual Policy

- A National Culture policy document is being formulated and is expected to be published by the end of this year. The government is holding consultations regarding the setting up of a national heritage database by the Museums Department for the management and regulation of movements of national cultural treasures.
- Accession negotiations were held in March 2000 and the only outstanding issue is Malta's alignment with the EU commitment under the World Trade Organization agreements. This is currently under discussion and will be resolved in the near future.

External Relations

- Parliament has adopted legislation that allows the government to exercise sanctions that do not originate from the United Nations Security Council, as has thus far been the practice. Legislation has also been adopted to address Intellectual Property rights across borders. This legislation implements provisions of the Trade Related Intellectual Property Services Agreement under the World Trade Organization.

Common Foreign and Security Policy

- Malta is already associated with numerous Community statements and declarations in the field of foreign and security policy and is actively seeking further alignment.

Free Movement of Capital

- In the last Budget, Malta announced the further relaxation and/or removal of a number of restrictions on transactions of capital. This includes an increase in the foreign portfolio investment allowance for residents, permission for investment in foreign real estate by residents, permission for the listing of local companies on overseas stock exchanges, measures relating to accounts held in foreign currency with local banks by residents, and portfolio investment by insurance companies. The Maltese Government is adopting a prudent approach in the implementation of this program in order to avoid any adverse effects on the economy and financial system.

Company Law and Competition Policy

- Parliament has passed a series of legislation to protect intellectual property rights in Malta.
- The Government intends to amend the Competition Act to include all public undertakings and those granted special or exclusive rights unless made specifically exempt.
- The Malta Development Corporation is currently reviewing the incentives granted under the Industrial Development Act. This is being undertaken with a view to bringing them into line with the European Union's *Acquis Communautaire*, although incentives linked to exports will no longer be provided. The current Government has formulated guidelines on regional development, *de minimis* aid, research and development, environmental protection, small and medium sized enterprises, employment, training and the restructuring of firms in difficulty. The Maltese government wants to ensure that firms operating in Malta will not be at an unfair disadvantage when competing with European firms within the single market, whilst also ensuring that fiscal and other advantages are completely in line with the *Acquis Communautaire* and international obligations.

Fisheries

- Malta established a fisheries management zone in 1971, a zone that extends to 25 nautical miles from the set baselines. The zone was established to manage fishing efforts and to maintain resources at sustainable levels. The European Union's *Acquis Communautaire* applies a zone of only 12 nautical miles beyond which European Community fishermen should be allowed to operate under the common fisheries policy. Malta is requesting a derogation from the principle of equal access to European Community waters for all Community vessels in order to continue to manage its existing conservation zone of 25 nautical miles.

Transport Policy

- Malta requests consideration in regard to the new road transport requirements. Government has submitted requests for transitional periods in relations to four of these requirements. A further request seeks to make legislation regarding road transport more applicable to Malta's situation. For example, the government does not consider regular roadside checks to be feasible due to low volumes of international traffic.

European Monetary Union

- Malta is already well advanced in implementing the *Acquis Communautaire* in the area of fiscal policy and economic policy co-ordination. Malta is formulating its macroeconomic policy with a view to achieving compliance with the Maastricht criteria.

Statistics

- The Central Office of Statistics has now become the Malta Statistics Authority. This authority is currently implementing a Maltese Geographical code that is fully integrated with the international geographical structure. In this context a NUTS classification for the Maltese Islands has been devised to allow for a division of the islands into three regions.
- Work is currently underway on the reclassification of all Government financial transactions in accordance with ESA95.

- No problems are foreseen in accepting the *Acquis Communautaire* and no transitional period or exemption is requested.

Social Policy

- This is an important chapter in the *Acquis Communautaire* and relates to legislation on conditions of employment. Malta is able to accept the *Acquis* with only small exceptions and work on implementing the changes within an acceptable timeframe.

Malta's Economic Situation

During 1999 real Gross Domestic Product growth stood at 4.6 per cent. Economic activity was primarily export-led. Merchandise exports increased and the tourist industry enjoyed healthy growth. These developments were reflected in the current account deficit which was reduced to 3.5 per cent of GDP from 5.6 per cent in 1998. Last year around 800 new jobs were created in response to private sector activity reducing the unemployment rate to 5.3 per cent of the labour market. The inflation rate declined from 2.39 per cent in 1998 to 2.1% and, as a result of increased tax revenue and proceeds from privatization, the budget deficit dropped from 8.6 per cent to 3.7 per cent of GDP.

- The Government continued to pursue a controlled fiscal policy with the aim of reducing the budget deficit to a sustainable level. In 1998 the government planned to reduce the deficit of 11 per cent to 4 per cent by 2004. I am informed that, according to the information available from the Ministry of Finance, reduction of the deficit is ahead of forecast and is expected to fall to 7 per cent by the end of this year.
- Our fiscal policy has bought about steady economic growth and the GDP forecast for this year is expected to be slightly higher than in 1999.
- Regarding trade policy, a program for dismantling the import levy is being implemented. The levies on the first and second group of products listed therein were removed on the 1st of October 1999 and the 1st of January 2000 respectively.

- One area in which change is planned, is the creation of a new Directorate dealing with Protocol, Consular and Information Services. This new Directorate will serve to provide the protocol and consular services that exist today, whilst simultaneously ensuring the centralization of the information services provided by the Ministry – both to the general public and to our missions overseas.
-

Conclusion

- Malta's experience with the first phase of accession negotiations has confirmed our commitment to membership of the European Union. We are taking the accession process seriously both in terms of legislative and administrative action, as well as in terms of the broader political perspectives entailed. We are working to ensure recognition of our aspiration and desire to assume a role in European developments that so often carry deep significance for us.
- As we move further into the accession process it is encouraging to enjoy confirmation of the expected congruence between this process and our own national development. It is this congruence that underpins the strength and vitality of our candidature and which encourages us to persevere in our primary objective of being included in the next enlargement of the European Union.
- Malta is considered a business location centre. Its strategic position straddling the economically advanced European continent and the resourceful African continent makes it highly attractive location for foreign companies. We have developed a strong maritime business and adopted all the Maritime Conventions to ensure that we abide by our international obligations. Equally, we are striving to build a strong financial sector whilst abiding by OECD and other international obligations.
- The negotiations for EU membership are well underway and we are attaining the same position enjoyed by the Luxembourg group of candidate countries. We stress that Malta wants to be in the first group of candidate countries to join the European Community in its first enlargement.

POLAND

Poland's accession to the European Union - problems and challenges

Tightening Poland's bonds with the European Union and obtaining full membership of the Union remain the fundamental goals of our in the near future. We intend to be ready for membership by 1 January 2003, and hope to join on that day. This date remains the firm target that sets the timetable for our actions across a wide range of government policy areas. We realize that this is a very ambitious goal. The accession negotiations are not easy and they require imagination and commitment on both sides.

The Benefits of Membership

The membership of Poland and the other Central European candidate-countries will close the Post-Yalta chapter in European History once and for all. It will also foster the eastward expansion of the zone of security, stability and good-neighbourly relations now enjoyed in the European Union area. It will therefore provide benefits that are in the interests of all of Europe.

Poland's membership of the European Union will help to speed up our economic development and modernization as well as to close a "civilization gap" between Poland and the countries of the Western part of Europe.

As regards the political sphere, membership of the EU will be the best guarantee of consolidating Poland's democratic political institutions. It will ensure the irreversibility of the transformation process by consolidating those values that link Poland to the European Union states and to the entire Western economic and politico-defence system. These include democracy, the principles of the rule of law and respect for human and minority rights, and a market economy system. Membership of the European Union should also elevate Poland's international status and determine its new place in Europe.

One of the political benefits stemming from European Union membership is that the new members will be perceived differently by non-member countries than they have been in the past, including our eastern neighbours. These other countries will see that they are now dealing with a member-state of a great political, economic and, in future, possibly also a

defensive bloc. Although it is still not a defence structure, the European Union already constitutes today an objectively effective factor counteracting internal threats. Whilst engaging in accession negotiations, Poland has been simultaneously carrying out two programs that are bringing it closer to European Union membership. The first is the National Preparatory Program for Membership in the European Union (NPPM), which was developed by the government of Poland and envisages ways of incorporating European Union legislation into Poland's system. The second is called the Partnership for Membership and was worked out by the European Union. This is a program of priority adjustment activities that Poland should undertake in the pre-accession period. It also envisages mechanisms for financing those efforts.

Problems Being Addressed

Poland has fulfilled all conditions of the Common Foreign and Security Policy (CFSP). It should be emphasized that Poland's membership of the North Atlantic Alliance in no way lessens its interest in the European Security and Defence Identity (ESDI).

As a future EU Member State, Poland attaches great importance to a deepened discussion between the existing Member States and the Candidate States about EU institutional reform. Poland has presented its position concerning the internal reform of the Union, in particular about the Intergovernmental Conference (IGC). We think that the key challenge facing the Union is enlargement. The work of the IGC should concentrate on preparing the Union to meet this essential challenge.

We expect that the process of reforming the institutions of the European Union - will be concluded at the end of 2000 with adoption by the European Council of solutions in the fields covered by the anticipated reforms. We expect practical confirmation that the processes of reforming the Union and its enlargement can proceed simultaneously. Poland supports the adoption of such institutional reforms that would upgrade the EU's efficiency, consolidate its integrational character and at the same time would allow each member country to retain its distinctness and cultural identity, whilst ensuring its representation in all decision-making institutions of the Union.

As far as the European Commission is concerned, Poland's position is that each Member State should retain the right to propose a candidate for membership of the Commission. The need to enhance the Commission's credibility as a European institution is an argument in favour of introducing the principle of the Commissioners' individual responsibility while preserving the Commission's collective character.

The demographic criteria should remain the principle governing the distribution of votes in the Council of the European Union. Poland agrees with the argument that given the steadily growing importance of the European Parliament and the need to ensure it works effectively, the upper limit on the number of Members of the European Parliament cannot exceed 700. After all, unity in variety is the wealth of Europe. This is the principle of the European Union. Montesquieu once wrote that Europe was a nation composed of many nations. Poland's natural place is in such a community.

Poland is looking forward to a further, regular and deepened dialogue on institutional reform. We believe that depriving Poland - and other prospective members of the EU - the right to participate in that discussion would be not appropriate from both a political and moral point of view. Fundamental changes in the institutional order of the Union carried out while ignoring the opinions of those who soon will become an integral part of that order would only lead to an increase of the so-called democratic deficit of the EU. Each of the member states can bring to the European Union new, refreshing approaches to the principles of integration, springing from the same European values but conditioned by different historical experiences.

According to numerous experts, the lack of objective knowledge about Poland is one of the main obstacles to the creation of a positive image of our country in the minds of the elites and societies of the EU member states. This is particularly the case in the present economic, social and political circumstances which, to a certain extent, foster existing stereotypes. The truth is that there is a comparatively low degree of public support in EU countries for Poland's accession to the EU. According to Eurobarometer, the regular poll carried out by the Commission, in April 2000 on average only 44% of all EU societies pronounced themselves in favour of Polish accession. Low support prevails mainly in France and Germany, but also in Austria, Portugal, Great Britain and Belgium.

Accession negotiations with the European Union have created a new frame of reference for a cohesive system of Poland's promotion abroad. This system has two aims. Firstly, to win the support and acceptance of the widest possible segments of society in the EU countries for Polish accession. Secondly, to bring about the ratification of Poland's treaty of accession through lobbying and promotional activities aimed at decision-makers and opinion-making circles in EU states and institutions. Accordingly the Government has this year approved the Framework Program of Foreign Promotion of the Republic of Poland's Accession to the EU.

The elaboration and implementation of the Program is further indispensable because of the EU Communication Strategy that also involves the launch of a program on the promotion of enlargement both in member states and candidate countries. The Commission's program, and the means earmarked for its implementation, will in some cases enable Poland to conduct joint initiatives with EU partners

Using the terminology invented by Timothy Garton Ash to describe the changes in Central and Eastern Europe, Europe needs "refolution", - revolution through reforms. The experience of implementing difficult economic and social reforms in the countries of Central and Eastern Europe teaches us that one of the most difficult challenges for the reformers is to convince the citizens of the need for change. So it is equally important to promote the EU in Poland and to launch a campaign addressed to the Polish society. The European Information Centre has been established for the purpose of better informing Poles about the EU mechanisms and about the advantages for our country that will result from accession. The most important problem that the Government has to deal with in its pro-Union campaign is to overcome the popular attitude that EU membership will negatively affect national sovereignty. As often happens in public life, perceptions may be more important than reality.

The Polish government continues to support EU membership as a top political priority and a broad consensus on this issue exists across the main political parties.

This commitment to EU membership has in recent months manifested itself in a new drive to adopt the necessary legislation to harmonize Polish law with the *acquis communautaire*. There has subsequently been an increase in the amount of draft legislation prepared by the

government and submitted to Parliament. Efforts have also been directed at speeding up the adoption of legislation by Parliament. A new Committee on European Law has been created on a cross party basis in the Sejm and Senate to oversee the adoption of EU-related legislation, and a new approach designed to speed up this process has been adopted. This approach is based on the concept of horizontal European legislation. The horizontal laws will consist of bundles of legislation necessary to achieve harmonization with the *acquis*. Thus the items of legislation grouped together in this way need not necessarily be related to each other but must be directly necessary for harmonization with the *acquis*.

On November 8, 2000 in Brussels, the European Commission proposed to conclude European Union membership negotiations with the best-prepared candidate countries in 2002. The Commission also presented a detailed timetable of closing the still open negotiation chapters. In the annual composite paper Brussels recognized that Poland had made outstanding progress in fulfilling the economic membership criteria and in adjusting its legislation to EU standards. The Polish Prime Minister Jerzy Buzek welcomed the report saying that “it praises our effort”.

The European Commission asserts that the Polish economy will soon be able to handle competition in the Single Market. In Brussels’ opinion, the advancement of reforms in Poland is sufficient to enable Poland to soon achieve a standard of living similar to that in West European countries.

In the Regular Report on Poland’s Progress towards Accession published on 8 November 2000, the EU Commission wrote that Poland continued to fulfill the Copenhagen political criteria. However, it felt that further efforts were necessary to increase the efficiency of the judiciary and that more attention should be paid to the fight against corruption.

Of the 29 negotiation chapters opened with Poland by the European Union, 11 have so far been provisionally put aside, which means that these chapters do not, at this stage, require further negotiation. These are: Economic and Monetary Union; Statistics; Industrial policy; Small and Medium-sized Undertakings; Science and Research; Education, Training and Youth; Telecommunications and Information Technologies; Consumers and Health Protection; External Relations; Common Foreign and Security Policy and Financial Control. Negotiations continue for the remaining chapters.

A number of economic imbalances have emerged and require adequate monitoring and policy measures. Both macroeconomic and structural policy responses are needed.

- The restructuring of agriculture seems to be the most important problem. This sector is very sensitive and must be protected not only because of purely economic aspects but also because of social considerations (primarily employment).
- The very significant widening of the current account deficit constitutes the most pressing challenge for Poland's economic policy. The current account deficit may reach some 8% of GDP in 2000. Although exports have picked up and Foreign Direct Investment inflows remain high, import growth is even more robust, reflecting the rapid increase in domestic demand.
- The pace of privatization has been particularly encouraging in the last year, including sensitive sectors such as the coal and defence industries. But large parts of the state-owned enterprise sector still need to be restructured to increase the efficiency and profitability of the overall economy because they negatively affect public finances through tax and social contribution arrears. There are also delays in privatization of the steel sector.
- The high level of unemployment represents another significant policy challenge. The rate of unemployment is high and rising. Higher economic growth is not offsetting employment losses associated with economic restructuring. The envisaged implementation of structural reforms in agriculture as well as coal and steel will lead to a shake out of labour that needs to be absorbed in other sectors of the economy.
- Inflation has picked up significantly in recent months, and will be above the upper band of the Monetary Policy Council's target for the second year in a row.
- The implementation of reforms in areas such as pensions, health care, education and taxation, although strengthening the basis for future growth, is difficult and costly in the short-term.
- The appropriate stance on public finances is strongly debated. Both macroeconomic and structural policy responses are needed. Pressures on government expenditure will increase in 2001 in view of the need to compensate for past inflation and offset higher debt servicing costs. Beyond windfall revenues next year, effective fiscal consolidation of current expenditures is the key to restoring external balance in the medium term.

Progress in structural reforms should help to ease fiscal constraints and allow for high and sustainable growth through increased productivity in the medium term.

We believe that delaying Poland's accession to the European Union beyond the year 2003 would be disadvantageous not only for Poland but also for the European Union itself. This would slow down Polish development and would cause social fatigue, thus weakening the readiness to tackle the difficult challenges of adjustment to EU requirements. In the case of the Union itself, this would mean putting off for another few years the building of European unity, which - in the eyes of the initiators of this process half a century ago - constituted the deepest sense of the process initiated by the Schuman Plan and the establishment of the European Coal and Steel Community. Departure from 'the creed of the founding fathers' would mean that the Union and its leaders were abandoning the chance of uniting Europe.

We are convinced that as a member of the European Union Poland will be capable of making an important, original and constructive contribution to its activity. Poland has significant assets as the size of its territory, its location in the centre of Europe bordering on the vast and still unstable post-Soviet region, a population of almost forty million, a dynamically expanding economy, an educated society, and - most of all - a democratic state ruled by law that guarantees protection of human rights.

Poland does not have to 'return to Europe' for the simple reason that it has been within Europe for centuries and has never left it. Poland has helped to shape Europe - and has done it, moreover, with great effort and sacrifice. The history of Poland is interwoven with the history of Western Europe. Culturally, Poland belongs to the sphere of influence of the Latin culture. She shares the system of values of Western civilization, which is based on democracy and respect for human rights. Yet, that does not alter the fact that Poland - through no fault of her own - spent fifty years separated from Europe. "Asia has come to the shores of the Elbe", wrote Konrad Adenauer in a letter of March 1946. Nonetheless, history has shown that the impact of communist ideology was only superficial, and that the Polish people have remained faithful to the traditional values of the West. It is no coincidence that it was precisely in Poland, with the emergence of Solidarity, that the collapse of the communist system began, going on to affect all the countries of the so-called Eastern Bloc. The distance to Europe that Poland has to overcome is not the distance

dividing her from an alien system of values - it is more a distance from certain political institutions and economic standards. The return to these standards will signify the return of Poland to her historic place.

ROMANIA

Introduction

The preparatory process for Romania's full membership of the European Union gained a new dynamism following the decision at the Helsinki European Council to begin accession negotiations. The Council also committed to accelerate the pace of institutional reform within the European Union itself through holding a new Inter-Governmental Conference on Treaty changes to meet the requirements of enlargement.

Accession to the European Union represents a strategic priority for Romania's foreign policy. It enjoys the support of the entire political spectrum as well as the vast majority of the population. It has been firmly and consistently pursued by all democratically elected governments in Romania since December 1989.

I. Romania's Commitment

Romania welcomed the decisions of the Helsinki European Council as a truly historic turning point in the future development both of Romania and of Europe, ending an era of division on the continent, and laying the foundations of a united future.

The Helsinki decision to open accession negotiations with six other candidate countries, including Romania, and the participation of all candidates in the accession process on an equal footing, enhanced our confidence in the EU's commitment to a consistent implementation of the enlargement strategy approved by the European Council.

The Romanian people now have not only an historic opportunity to fulfill their destiny together with the other peoples of Europe but also to embrace a new and compelling challenge - to integrate Romania fully and successfully into an enlarged common space of prosperity, freedom, security, and justice.

The Romanian Government is aware of the magnitude of this challenge and of the need to maintain the support of Romania's population, for whom the opening of accession negotiations has become a source of renewed hope and energy.

It should of course be stressed that the goal of European integration enjoys a broad consensus across all of Romania's political parties. This in itself guarantees that the goal of full membership of the European Union will be pursued with the same determination in the future, irrespective of the political outcome of this year's general elections.

Despite all the difficulties of the transition process, the Romanian Government is resolutely and purposefully committed to fulfilling its commitment to fully meet all the requirements of membership.

Special emphasis has been placed on accelerating and deepening the economic reform process, as well as on increasing Romania's economic competitiveness, restoring macro-economic stability and creating the prerequisites for sustainable development.

Furthermore, the Government's committed efforts to adopt and to implement the community legislation, as well as to achieve institutional modernization within the nation, will help Romania to reduce any distance separating her from the countries that are already engaged in accession negotiations.

Of decisive importance in this respect is the development of the capacity within Romanian institutions for modernization and for adjustments to European Union mechanisms and procedures, which are implied by the process of Romania's accession.

However, meaningful and rapid progress in these areas cannot be achieved solely by individual efforts. Consequently, the Romanian Government has welcomed the consistent and important support it has received from the European Commission and from EU Member States, in the difficult and challenging process which lies ahead.

The implementation of the Europe Agreement, complemented by the Accession Partnership arrangement and the comprehensive pre-accession strategy launched at Luxembourg European Council, provide the framework for Romania's advancement towards full membership of the European Union.

Participation in European Union programs, including the twinning program and the re-oriented PHARE assistance, has been a valuable means of supporting the internal efforts undertaken to meet the accession criteria.

Following the decision of the Helsinki summit, an immediate imperative has been the internal organization of the accession negotiation process so that Romania could be well prepared to cope with the complexity of the exercise. A National Negotiation Delegation and the required number of sectoral teams were established. In order to ensure a greater coherence and efficiency in the preparatory process, as well as in the conduct of the negotiations, the Department for European Integration has been incorporated into the Ministry of Foreign Affairs.

Romania's approach to the accession negotiations is clear and constructive and is based on the understanding that they are conducted between partners who will become members of the same community.

However, in order to enhance and promote the negotiating process and to provide a clear time frame for fully meeting the accession requirements, Romania established January 1st 2007 as a reference date for its accession to the EU.

This date was set unilaterally by the Romanian Government having taken into account the following considerations:

- **The political aspect**

The negotiating process requires an accelerated and sustained rhythm. This approach should concentrate the efforts and focus the attention of key decision makers in the political and administrative sectors and among public opinion, both in Romania and the European Union. Otherwise, momentum can slow and possibly a crisis can intervene, as the experience of the accession negotiations with other states has shown.

- **Developments within the European Union**

On 1 January 2007 a new multi-annual budgetary arrangement will enter into force. By contrast with the existing one, the next community budget

will be able to take into consideration the accession of all states presently engaged in negotiations and their participation in the structural funds, as well as in the on-going reform of these funds, especially of the Common Agricultural Policy.

- **The implementation of the Romania
- EU Association Agreement**

- whose validity (in its present form) will last until the end of January 2005.
- The content and the experience gained by its implementation represent - from the Romanian point of view - an *acquis* in itself. The successful conclusion of the Association Agreement will demand the launching of a new phase which, both in terms of internal logic of the Agreement itself and the dynamic of the emerging partnership, should correspond to Romania's full accession to the European Union.

II. Romania - EU - A Dynamic Partnership

1. Timeline

Romania has had long established relations with the European Union. It was the country in Eastern Europe which, as early as the 1970's, developed a legal framework in its relations with the European Community. In 1980, that relationship was properly formalized by the signing of the Agreement establishing the Joint Commission between Romania and the EC.

One of the early acts of the new democratic Romanian Government, the declaration of 7 January, 1990, stated Romania's wish to further develop its relations with the European Union, including the establishment of diplomatic relations. The first Romanian Ambassador to the European Union was appointed in April 1990. The European Commission opened a Permanent Delegation in Bucharest in June 1993.

► 1 February 1993 - Romania signs the Europe Agreement

The Agreement concerning Romania's Accession to the European Union (the Europe Agreement) was signed on 1 February 1993 and entered into force on 1 February 1995. The Agreement provided the legal and institutional basis for the further development of

relations between Romania and the Community and clearly spelled out the main objective: to prepare Romania's accession to the European Union.

► **22 June 1995 - Romania's official request for accession is tabled**

Romania's official request for accession to the European Union was tabled on 22 June 1995. It expressed the consensus of all Romanian political groups as recorded in the Snagov Declaration of 21 June 1995. Subsequently, the National Strategy for Romania's Accession to the European Union was underwritten by the representatives of all parliamentary parties.

► **15 July 1997 - The European Commission produces the *Agenda 2000***

The *Agenda 2000* Strategy Document produced by the European Commission on 15 July 1997 began a process of reflection on the structural adjustments required by the new realities of a European Union which was more and more integrated in economic, political and security terms. At the same time the presentation of the formal Opinions of the European Commission concerning the preparations for full EU Membership of the associated countries of Central and Eastern Europe, provided a realistic and objective basis for the initiation of the process of accession negotiations.

The conclusions of the European Council in Luxembourg confirmed, by a historic consensus of the EU Member States, the candidate status for 10+1 European states which had association relations with the European Union.

► **March 1998 - The official launch of the EU enlargement process**

The inclusive and dynamic character of the process initiated in Luxembourg was maintained throughout the following stages including: the institutionalisation of the European Conference as a pan-European frame for enhanced co-operation; the official launching in Brussels, in March 1998, of the EU enlargement process with all the countries nominated at Luxembourg; and the initiation of the ongoing assessment of the absorption of the "*acquis communautaire*" by the associated countries.

► **June 1999 - Romania's National Accession Program is tabled**

Starting in the autumn of 1998, the European Commission is required to submit to the European Council an annual Report on the progress of each candidate state in fulfilling the

accession criteria focused particularly on the degree of its assimilation of the "*acquis communautaire*".

Romania's accession strategy is set out in its own National Accession Program. The Program is an action oriented document which elaborates the procedural phases and the short and medium term decisions plus the concrete measures necessary to fulfill the criteria for accession to the European Union. The National Accession Program, tabled in June 1999, is based on the Government's Program for the period 1998 - 2000 and assimilates the guidelines of the main policy documents of the European Union. Its implementation is a dynamic exercise, subject to a permanent updating and re-evaluation process.

The National Accession Program was updated by the Romanian Government in May 2000, for the time frame 2000-2003. At the same time, the Government adopted the Action Plan and the Macroeconomic Framework, which are complementary to Romania's National Strategy for Economic Development on a Medium Term (2000-2004) - adopted in March 2000 and presented on the occasion of the 6th EU-Romania Association Council.

► 11 December 1999:

Romania is invited to start the negotiations for accession

The Helsinki European Council (10-11 December 1999) decided to open negotiations with Romania for its accession to the EU. This historic decision has marked Romania's entrance into a new stage of the process of European integration, providing the foundation of a new intensified phase in the enlargement process. As a consequence, Romania's determination to accelerate its preparations for accession was further strengthened.

2. Trade exchanges between Romania and the EU

The bilateral trade between Romania and the EU has recorded a sustained rate of growth, underlining the strength of our economic links as well as the high degree to which the Romanian economy is already integrated into the EU market.

During the first 9 months of 2000, commercial exchanges between Romania and the European Union accounted for US\$9.9 billion, almost three times higher than the level recorded in 1992 (i.e. before the entry into force of the Europe Agreement). This rapid

evolution demonstrates the positive impact of the Europe Agreement on the development of our bilateral trade.

Romanian exports to the European Union up to September 2000 were US\$4.8 billion (US\$4.0 billion in 1999) and the imports US\$5.1 billion (US\$4.5 billion in 1999). The trade deficit decreased to US\$300 million, given the budgetary and fiscal policies which have shown internal demand for imported goods.

The EU's share of Romania's total foreign trade in 2000 was 63.7% in exports and 56.7% in imports, compared to 66.4% in exports and 61.2% in imports in 1999.

With respect to the *structure* of bilateral trade (1999 figures), the main categories of Romanian exports to the EU were: textiles and clothing (35.9%), steel products (12.0%), footwear (11.8%), machinery and equipment (12.1%), and furniture (7.3%).

At the same time, the main categories of Romanian imports from the EU were: textiles and clothing (26.6%), machinery and equipment (26.4%), chemical products (14.8%), and steel products (6.0%).

The significant share of machinery and equipment in total Romanian imports from the EU shows the need for a technological upgrading of Romanian industry. The significant Romanian textile and clothing exports reflects the inward processing traffic of the Romanian textile sector in the framework of industrial co-operation between Romania and the EU.

In 1999, Italy was Romania's largest trading partner among the EU member states, with 33.9% of total bilateral trade, followed by Germany (27.7%), France (10.4%) and Great Britain (7.2%).

III. Romania's Negotiations for Accession to the EU

1. Evolution and current situation

Following the decision of the Helsinki European Council of 10-11 December 1999, Romania opened accession negotiations with the European Union on 15 February 2000. A

meeting of the Heads of National Delegations (Ministerial level) launched the Intergovernmental Conference on Accession.

Negotiations with Romania effectively started by opening 5 out of the 31 chapters in the accession process, namely: science and research, education and training, small and medium-sized enterprises, external relations and the Common Foreign and Security Policy. The position papers for these chapters, adopted by the Romanian Government during its 23 March 2000 meeting, have been officially presented during the Accession Conference meeting held in Brussels on 28 March 2000. The *acquis* included in these chapters has been accepted in its entirety, no derogation being requested. The decision to close all 5 chapters - provisionally and *ad referendum* - was adopted on the occasion of the Intergovernmental Conference for Accession held in Brussels on 25 May 2000 and confirmed at the Ministerial Reunion of the Conference, in Luxembourg on 14 June 2000.

In June 2000 Romania forwarded to the European Commission the proposal to open negotiations on a further 8 chapters of the *acquis communautaire* during the French Presidency in the areas of: economic law, competition policy, transport, statistics, telecommunications and information technologies, culture and audio-visual policy, customs union and consumer protection policies. Following the decision of the European Commission, Romania continued the negotiations with only 4 new chapters: competition policy, statistics, telecommunications and information technologies, culture and audio-visual policy.

2. Romania's position with regard to the principles of accession negotiations

Romania endorsed all the general principles proposed by the Member States of the European Union in the Intergovernmental Conference on Accession:

- none of the points of view expressed by any of the parties on a chapter of the negotiations shall prejudice the position regarding other chapters of negotiation
- the agreements - even partial - reached during the negotiations on different chapters shall not be considered as final until the global agreement is concluded in the end.

At the same time, the Romanian authorities appreciate that given the complexity of the process, it is important to have set of defining principles which ensure a unitary and consistent approach.

Thus, in conformity with the Government Program approved by the Romanian Parliament in December 1999, Romania considers that the negotiations should continue rigorously, with the progress in negotiations reflecting the advancements registered in the given sectors. The Romanian authorities appreciate that it is not the number of chapters opened which is important, but the speed of temporarily closing them. The "race" to open up as many chapters as possible, although apparently aimed at concluding the process, represents a superficial approach to a process whose complexity and importance far exceeds any "game of numbers".

Romania also considers that in the course of the process - with special regard to identifying the chapters ready for negotiations - it is necessary to use the same measuring tools for interpreting the progress registered by all the candidate countries. This rule is a counterpart of the principle that each candidate country should make progress in negotiations according to its own efforts. If however, the assessment criteria differ, this will lead to situations which will eventually affect the consistency and coherence of the European Union itself, its policies and the centrally important Community *acquis*.

Finally, Romania appreciates that the negotiation process and, especially, the effective preparation for the full exercise of rights and obligations of a member state can be supported only by a coherent use of the various tools for monitoring the progress registered during this process. However, for this approach to be effective it is essential that the monitoring tools not be multiplied without precise reasons and predictable results. In this context, there is a need for a common reassessment of our accession partnership, in addition to the already established National Program for Accession to the EU, the regular reports, the updated reports of the monitoring process and other such instruments.

IV. EU Membership – Cost and Benefits

Romania's membership of the European Union will have a major impact upon all facets of the economic, political and social life of the nation. The economic implications will be

among the most significant, though radical transformations will also be evident in the political, security, social and cultural domains.

From the political perspective, there will be an impact on **our national decision-making mechanisms**, in the sense of transferring certain competencies towards Community's institutions. At the same time, Romania will benefit from actual participation, in the complex collective deliberative processes of the EU, whilst directly influencing decisions and thus promoting our own interests.

To summarise, the **main advantages** of accession to the EU will be:

- a stable political and economic climate, essential to the promotion of sustainable development
- a greater predictability and stability in the economic environment
- the improvement of competitiveness in the internal market which will stimulate national companies to increase their productivity and efficiency by developing new products and services, by utilizing modern technologies and by becoming both cost effective and price competitive
- trade development, an important stimulus for national economy and labour market
- an increased access to European capital and investment markets, to new equipment and informational technologies, to "know-how" management and organizational techniques of developed countries
- the introduction of Romanian companies to a huge and significant single market
- special opportunities induced by the implementation of Economic and Monetary Union
- the increasing of national security through integration in CFSP mechanisms
- the ability to fully participate at the decision-making processes concerning the future structure of Europe
- increasing the prestige and consolidating Romania's statute in its relations with other states, both political and economic
- granting to Romanian citizens several rights deriving from "European citizenship"

- further professional specialization and increased access to European labour market for Romanian nationals
- the protection of our unique cultural heritage within the mosaic of Europe's cultural personality and the creation of new opportunities for Romanian artists and actors, writers and performers in a new European theatre

These direct advantages have to be evaluated, as a correlative, also in terms of "lost opportunities" that would be generated by Romania's non-integration into the EU:

- isolation and lack of participation at the decision-making processes and the CFSP mechanisms, that would involve increased difficulties and expenses for an autonomous position in the European political and economic arena
- Romania's economic isolation, as the EU is a major partner (60% of Romanian external trade)
- increased vulnerability of the Romanian merchandise in face of protection measures and technical obstacles that are to be found in EU's policy vis-à-vis third countries
- increasing the economic gap between Romania and the EU acceding countries, mainly due to the impossibility of taking advantage from the community development funds
- the diminution of further chances of alignment at the "*acquis*", taking into account the permanent evolution of intra-community integration
- new difficulties in obtaining the consensus at EU level for a new round of accession, as there will be substantially more member states
- lack of agricultural competitiveness due to non-participation in the Common Agricultural Policy

The social and economic effort to transform the Romanian economy and Romanian society cannot be considered as arbitrary options imposed through EU exigencies. Such efforts and sacrifices are inherent in the actual transition stage to full membership and as such they constitute the price of an inevitable reform.

THE SLOVAK REPUBLIC

In his romantic *Little Prince*, the famous French writer Antoine de Saint-Exupéry suggests that people have their stars but they do not mean the same to them. Those who travel see the stars as their guides. Others see only small lights in them. For those who are scientists they mean challenges. And what do the stars mean to us in the Slovak Republic?

A full-fledged membership of Slovakia in the family of European countries has been the priority of the country's foreign policy ever since the Velvet Revolution and enjoys the full support of the majority of the Slovak citizens and their political representatives. Recent opinion polls suggest that over a longer period of time some 60 to 70 % of Slovak citizens favour their country's integration into the EU. The European Council in Helsinki decided in December 1999 that the accession talks were to be initiated, along with other candidate countries. Following the positive decision adopted within the framework of the Helsinki Summit, the Accession Conference with Slovakia and 5 other countries took place on 15 February 2000 and negotiations on EU membership have formally started. In achieving that goal, the government of the Slovak Republic accomplished an important part of its foreign policy objectives - objectives which, in fact, can be traced back to the early 90's when the process of European integration actually started for us.

Establishment of Slovak-EU relations

In 1989 revolts against communist governments swept through many Central and Eastern European countries, including East Germany, Poland, Romania, and Czecho-Slovakia. In November that year Slovaks joined with Czechs in mass protests against the communist regime and succeeded in paving the way for peaceful take-over of power by democratic forces. This process became known to the world as the Velvet Revolution. In June 1990 federal and national elections were held freely for the first time after the fall of the totalitarian regime and coalition governments were formed in the two constituent nations of Czecho-Slovakia. Following this development it was natural that Czecho-Slovakia and other recently democratized Central and Eastern European countries should gradually cut off their close military and economic ties with the Warsaw Pact and Comecon.

Soon after those revolutions, Czecho-Slovakia and other countries of Eastern Europe on one side, and the European Communities on the other, quickly established diplomatic

relations. The European Communities removed import quotas on a number of their products and simultaneously extended the Generalised System of Preferences. Over the next few years Trade and Co-operation Agreements were concluded with Bulgaria, Czecho-Slovakia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovenia. They were soon replaced by Association Agreements which were called Europe Agreements.

Slovakia and the EU

On 1 January 1993 Czecho-Slovakia was peacefully replaced by two independent states: the Slovak Republic and the Czech Republic. After the establishment of an independent state, our country's political elite faced an immense challenge of laying down the cornerstone of our statehood as the whole structure had to be established from scratch. As a new state on the political and geographical map of Europe, Slovakia is already in its eighth year of building and strengthening independence, sovereignty, democracy and freedom. The establishment of the Slovak Republic as a sovereign entity in international relations was a consequence of the historical fall of communism and colossal democratic changes in Europe after the end of the Cold War. Since the time of its establishment, Slovakia has affiliated itself with democratic values, the protection of human rights and also trends in global integration. It became an active participant in international processes and a member of many international institutions. From the beginning of its existence as an independent state the Slovak Republic's key foreign policy goal has been to obtain membership in the European Union.

Slovak-EU relations continued to develop. Both contracting parties signed the Europe Agreement between Slovakia and the EU on 4 October 1993 and soon the European Parliament and the National Council of the Slovak Republic ratified it. The process of ratification in the parliaments of the EU Member States was completed one year later and the agreement effectively entered into force on 1 February 1995. After the successful ratification of the agreement Slovakia submitted its formal application for the EU membership in June 1995.

Until now the Europe Agreement serves as the major legal and political basis for the Slovak-EU relations. It is based on the recognition of common values and mutual

understanding and creates conditions for achieving Slovakia's full membership of the EU. The Europe Agreement regulates the relations between the EU and its Member States on the one side and the Slovak Republic on the other in the political, economic, trade, cultural, financial and technical fields.

Given the intensification of the enlargement process during the following years, it was necessary to reinforce mutual relations between Slovakia and the EU and the notion of the Reinforced Pre-Accession Strategy was created. It is aimed at supporting the specific needs of each candidate country as it prepares those countries for accession. In this way the EU focuses its support towards the specific problems identified in the Commission's opinion and the yearly regular reports on the candidates' applications for membership.

The Copenhagen Summit of June 1993 set criteria for Candidate Countries to become members of the Union. EU membership required that these countries achieve:

- (1) stability of institutions guaranteeing democracy, the rule of law, human rights, respect and protection of minorities,
- (2) a functioning market economy, an ability to deal with competitive pressure and market forces within the Union, as well as
- (3) the capacity to assume obligations resulting from membership, including the obligation to be committed to the goals of political, economic and monetary union.

The Luxembourg European Council of December 1997 approved an important concept regarding EU enlargement. All Associated Countries of Central and Eastern Europe and Cyprus have become fully involved in the process of accession. The summit took a decision that intensive negotiations with Cyprus, Estonia, the Czech Republic, Hungary, Poland and Slovenia should be opened. Slovakia was assigned to the group of countries which were to prepare for the accession negotiations.

Parliamentary elections of autumn 1998

In September 1998 the citizens of the Slovak Republic were able - in the course of a general election – to clearly show that they wanted to live in a state that respected democratic principles, in a prospering and socially just society and that they saw Slovakia's future in the European Union.

All parties forming the present governmental coalition unambiguously support the pro-European and pro-integration policy based on Slovakia's long-term state interests. This policy received support from more than 70% of the electorate, which is one of the key prerequisites for its successful implementation.

The need for a more intensive participation in the integration processes became a dominant theme of Slovak foreign policy. This clear orientation towards the EU has been defined also in the declaration of the Slovak government:

The Slovak Republic's strategic goal and one of its key political and economic priorities is membership in the European Union. In order to achieve this goal, the Government intends to meet the political criteria as soon as possible and it also undertakes to meet further criteria set by the Copenhagen EU summit and the conclusions of joint EU-SR bodies, so that Slovakia can join the group of best-prepared candidate countries.

Soon after the new coalition government took office, it achieved substantial progress in meeting the short-term political criteria to which the EU pays special attention. The so-called Copenhagen political criteria were fulfilled in a relatively short time, thus opening the possibility for launching accession negotiations. This primarily included securing an adequate representation of the opposition in diverse parliamentary bodies and supervisory boards, and significant improvement in bilateral relations with our neighbours.

Economic Performance

Besides the political criteria of EU membership, Slovakia is also giving full attention to the fulfilment of the economic criteria demanded for accession. These include the deepening of

economic reforms and improving of our country's competitiveness on a global scale, restoration of macro-economic stability and support for sustainable development. At present, our efforts are concentrated on the process of restructuring the banking and enterprise sector and on the completion of privatization process which pave the way to being a fully functioning market economy.

The new Slovak government has prepared concrete steps to increase the inflow of foreign capital, strengthen the financial sector in Slovakia and achieve progress in the regulation of the capital market and bankruptcy proceedings. To increase the foreign enterprise presence in, and the integration potential of, the Slovak economy, we are intensifying the approximation of Slovak legislation in the areas of standards and certification, state aid, intellectual property, public procurement and, last but not least, the environment.

Compared to other associated countries – including those with which negotiations on accession have already started – agriculture's share in the accumulation of Slovakia's gross domestic product is low (only 5-6%) and the share of employment in agriculture is equally low (7.5%). Slovakia still has a relatively low inflation rate and the approximation of its legislation to European Union law is at an advanced stage. We do not expect the accession of Slovakia to the Union to place a significant burden on the Union's structural or cohesion funds.

Slovakia's opportunities and expectations from joining the EU

We are aware of the fact that the enlargement of the Union is a gradual process. It is necessary that the EU takes a flexible approach towards the candidate countries preparing for accession. The Slovak Republic neither wants the process to be accelerated nor stages to be omitted. We are not calling for prompt accession to the Union and do not desire a race between the candidate countries. We are calling for it to be made possible for the Central European candidate countries to prepare for accession to the Union jointly. In doing so, we are building on the Luxembourg EU summit conclusions, which defined Union enlargement as a comprehensive, inclusive and continuous process which will be carried out in stages, where each candidate country proceeds at its own pace depending on its level of readiness.

There is no alternative to the project of enlargement of the European Union. All participating countries have to co-operate very closely on this project. Countries that are “in” should assist countries that are currently “out” (or “pre-ins” in EU language). Candidate countries should closely co-operate with each other. The stronger countries should be helpful to weaker, or less advanced, countries through, for instance, sharing their experience of the integration process. On the other hand, the weaker countries must not hinder the progress of more rapidly integrating countries. We believe that this is the only effective way to achieve our common goal.

Co-operation with other Central European Countries

The development of good relations with neighbouring countries will be a permanent priority of Slovakia’s foreign policy. We see good neighbourly relations as a basis for stability and a prerequisite for the development of our Central European region.

Slovakia considers the co-operation with other Candidate Countries very important for the whole integration process, in particular in terms of sharing experience from the convergence process to the EU and its co-ordination in the future. Slovakia has intensified its diplomatic relations with all Candidate Countries. This mutual co-operation should benefit the whole region, particularly in the fields of economics and security. The development of mutual relations in various areas of common interest is in itself a contribution to European stability and security. Indeed, as a result of the renewed and deepened co-operation of Central European countries the Visegrad group consisting of the Czech Republic, Hungary, Poland and Slovakia could join the EU at the same time. In our opinion, this would be beneficial not only to the four Visegrad countries but would also contribute to the stabilisation of the whole Central European region.

We believe that the level of readiness of the Visegrad countries for accession to the European Union is comparable and the joint or parallel accession of these four countries to the Union is historically and politically acceptable as well as necessary.

Speeding-up integration

In the spring 1998 the process of multilateral screening of the *acquis communautaire* – the EU legislation - with the 10 Central European Countries and Cyprus was launched as a part of the enlargement process. It continued from March till June 1999 in a bilateral form with each Candidate Country. The 29 chapters of the *acquis* - which constitutes different fields of the EU legislation - was analytically examined during the bilateral screening process. Slovakia made gradual progress in the full transposition of the *acquis*, the objective being to harmonize national legislation with that of the EU and to build the necessary administrative capacities by the end of 2002.

The decision of the Helsinki Summit of December 1999 to open negotiations with the Slovak Republic was a clear recognition of the progress attained by Slovakia in the recent period and it also represents a commitment to intensify our integration efforts. In line with the Helsinki European Council conclusions, which stressed an individual approach of the EU to each of the candidates, Slovakia successfully closed 10 and opened talks in 13 of the total number of the negotiation chapters. It is our ambition to have all chapters gradually opened by the end of 2001. Such approach offers those candidates who have started negotiations the real possibility to catch up with the countries already negotiating, provided they make the sufficient progress in their preparations.

The opening of the Accession Conference on 15 February 2000 was the beginning of a new stage in Slovak-EU relations which will result in our membership of the EU in a foreseeable future. We are strongly convinced that the outcome of this process will be mutually enriching for both sides, the Union and Slovakia alike. We informed our colleagues in the EU that Slovakia will not request any derogations from the implementation of the *acquis communautaire*. Only a limited number of transition periods will be requested, mainly in the areas where it is necessary to improve the performance of the Slovak economy or make large capital investments. Slovakia is ready to accept and implement the *acquis* by 1 January 2004 set by the Slovak Government as the reference date of our accession to the EU. This date reflects both the realistic approach and ambitions of Slovakia. It is based on the assumption that after ratification of the results of the Intergovernmental Conference on EU institutional reforms, the Union will be in a position to welcome new members.

The European integration process is based primarily on the idea of co-existence among European countries and nations, which share and implement common values and principles of political, economic and social life. European integration is a unique project not only in this century but, at a broader scale, within the development of modern civilisation. It is natural that Slovakia and its citizens want to contribute to common endeavours of the nations of Europe aimed at safeguarding peace, freedom, stability and prosperity on our continent.

Position of the Ministry of Foreign Affairs of the Slovak Republic on the Regular Report from the Commission on Slovakia's progress towards Accession from 8 November 2000

The Ministry of Foreign Affairs of the Slovak Republic has welcomed the 2000 Regular Report from the Commission on Slovakia's Progress towards Accession to the European Union and the Enlargement Strategy Paper. The documents contain a comprehensive assessment of the fulfillment of political and economic criteria, ability to assume the obligations of membership and the building of institutions necessary for the implementation of the EU legislation. Furthermore, the Report offered a comparison of membership preparation progress in individual candidate countries and an outline of progress in the accession process.

The Ministry considers the statement that Slovakia continues to meet the political criteria for the EU accession as an important one. The Slovak Republic is determined to take further efforts to strengthen the independence of the judiciary, to proceed with the fight against organized crime and with the implementation of specific measures for improving the situation of the Roma minority. At the same time it is aware of the necessity of completing public administration reforms.

It is encouraging that the Report evaluates Slovakia for the first time as a functioning market economy able to cope with competitive pressure within the European Union. Economic policy will continue to be oriented towards the stabilization of the

macroeconomic situation, completion of structural reforms and privatization of the financial and energy sectors.

The European Commission states that the Slovak Republic has achieved significant progress in legislative alignment with the *acquis* in areas such as internal market, statistics, industrial policy, telecommunications, audio-visual policy and consumer protection. Limited progress has been achieved in the field of social policy, justice and home affairs as well as in transport policy. The European Commission has observed only little progress in agriculture, energy, regional policy, environment, financial control and in company law. Therefore the Slovak Republic will focus on these sectors in the forthcoming period.

Slovakia appreciates the objectiveness of the European Commission's Regular Report and Enlargement Strategy Paper. The positive assessment of the integration effort is encouraging. The Commission's outline of further progress in the candidate countries accession process is will only stimulate Slovakia's EU membership preparations.

SLOVENIA

Introduction

The aspiration of Slovenia to integrate into the European Union arises from the close political, economic and cultural links Slovenia enjoys with the European Union, and from the position of Slovenian culture and civilization in relation to Western Europe. Slovenia is also convinced that it can best solve the questions of national defence and security within the framework of the European Union and NATO.

Irrespective of our location in south-central Europe, Slovenia has adopted a global outlook and strategy. Protectionism, which in the past contributed to prosperity of the country has become ineffective. The growing internationalization of economic activities meant that Slovenia had to become globally competitive but within the context of regional economic integration, which would help facilitate those systemic changes. Slovenia will achieve these goals in the long run more easily as a full member of the European Union since the above-mentioned goals are also the principles, values and goals of the European Union.

The enlargement of the European Union to the countries of the Central and Eastern Europe is both a historical challenge and a guarantee of stability for the entire continent. Considering the great differences in the economic and social development of the candidate states, the enlargement of the European Union represents a significant institutional and political challenge. At the same time, it is a great opportunity in terms of economy, security and culture, and of Europe's position in the world. An enlarged European Union of 25 Member States, with a population of 500 million, will be able to offer unprecedented opportunities in the field of economic and trade relations and fresh incentives to further development of integration processes and economy.

Full membership of the Republic of Slovenia in the European Union is the current priority of Slovenian foreign policy. This is evident in the most important decisions of the Government and the National Assembly, and in documents on the strategy and development of the Slovenian state.

The legal institutional framework of relations between the Republic of Slovenia and the European Union has been set up through the Cooperation Agreement. On 15 January 1992, the EU recognized Slovenia as an independent state. The Agreement on Cooperation between the Republic of Slovenia and the European Economic Community was signed on 5 April 1993 and came into force on 1 September that same year. The Association Agreement between the Republic of Slovenia and the European Union was signed on 10 June 1996.

By signing the Association Agreement, Slovenia became fully included in the pre-accession strategy for EU membership. Accordingly, Slovenia started to participate in the structured dialogue of the European Union with the Associated Countries of Central and Eastern Europe. The National Assembly of the Republic of Slovenia ratified the Association Agreement on 15 July 1996 and the Agreement entered into force early on 1 February 1999. On 12 December 1997, the European Council decided to begin the negotiations with Slovenia for full membership.

Slovenia's goals in joining EU

Slovenia would like to see negotiations leading to its full EU membership completed by the end of 2001. It would also like to see the Intergovernmental Conference on Institutional reform completed by the end of 2000 (as the date set by the French Presidency). Slovenia expects the EU to be ready to accept new members by the end of 2002, coinciding with the deadline when Slovenia plans to be prepared internally for EU membership. Slovenia will hold a referendum before it ratifies the Joining Agreement.

Transparency of the negotiations and public opinion

Slovenia maintains a policy of transparent negotiations. Drafting the negotiation positions involves all appropriate ministries, unions, non-government organizations and public institutions. The final negotiation positions are confirmed by the Committee of International Affairs under the National Assembly. Positions, results of negotiations and Slovenia's views on certain issues are available to the public.

The polls indicate that the Slovenian public is inclined towards Slovenia joining the EU and believes that Slovenia cannot develop successfully if it does not join. Only a small percent believe that Slovenia will join the EU before 2004 or 2005, while only 3% think it will never become a full member. According to opinion polls, the group which is set to gain most by Slovenian membership in the EU, is youth, i.e. university and secondary school students, with the owners of companies in second place. Those same polls indicated that a lower share of respondents considered that politicians would unduly benefit from Slovenia's joining the EU, whilst many believed that the Slovenian economy will perform better after joining. In general, public opinion is very much in favor of Slovenia's membership in the EU. This is due in part to specific activities of the government's communication program, the so-called *Evrofon*. This communication strategy includes pages on the internet, postcards containing EU information application forms, books, brochures and the *Evrobilten* bulletin. The results also show that the *Evrofon*, i.e. the free telephone information service is the best known of these informations. The most successful logo is "Slovenia at Home in Europe".

Consequences and Costs of Slovenia's Membership in the EU

Full membership of the European Union will have an impact on every facet of economic and political life. Economic implications will certainly be the most important, but also social, political, security, and cultural aspects should not be disregarded. The political consequences of joining the Union are primarily related to changes in decision-making mechanisms in numerous fields, particularly the renouncing of one part of national sovereignty in the decision-making process. On the other hand, this very process - seen from a different angle - is an opportunity for Slovenia to participate, within the framework of the European Union, in decision-making on essential issues related to the further development of the EU.

The price of the necessary economic and social reforms should not be regarded solely as the cost of joining the European Union, but rather as the cost of transition and progress. If Slovenia wishes to become a modern, economically developed and socially well-organized state, it must inevitably undergo these processes.

Macroeconomic indicators, trade balance, technological development, general welfare, etc. are expected to improve with membership of the EU. This does not mean, however, that all economic sectors will profit to an equal extent; some will gain more, some less, and some will be badly stricken. The time dimension is also important: some sectors are bound to lose in the short term, and will gain in the long term, and vice versa.

In the field of trade relations, such potential positive effects should also be considered in the light of possible negative impacts in the case of non-accession to the EU. We may expect that, if Slovenia does not join the EU, its position will be weakened in comparison to other states that will become. With accession of new members, various limitations regarding access to the internal market might put the Slovenian export economy in a much less favourable position.

The final benefits from all these impacts may be quite impressive: rise in productivity and competitiveness, encouragement of technological innovation, promotion of domestic and foreign investments in Slovenia, as well as Slovenian investments in EU Member States, access to new technologies and knowledge, more rational use of resources.

Joining the European Monetary Union

Upon becoming a full member of the EU, Slovenia will have to consider the question of joining the economic and monetary union (EMU). Again the estimation is that, on the grounds of similarity between the structure of Slovenian exports and the structure of exports among the EU Member States, the cost of joining the EMU will be ultimately lower than in the case of non-accession. Slovenia can definitely expect some privileges and net benefits from its integration into the economic and monetary union.

Since gaining independence in 1991, Slovenia is a sovereign state in monetary terms, with its own national currency and an autonomous monetary policy. However, joining the EMU,

with the subsequent loss of monetary sovereignty and the disappearance of the national currency, would no doubt have a great psychological impact. This is certainly a problem that other EU Member States will have to face as well.

Migration of human resources

Regarding human resources, the benefits of accession will be considerable: extensive possibilities of education and training, mobility of Slovenian and foreign experts, unrestricted possibilities of employment anywhere inside the EU, free access to major scientific potentials, and cooperation in all EU research programs.

After becoming a full member of the EU, Slovenia will experience migration flows between our country and EU Member States. Slovenia does not expect a major flow of the work force to other member states, since in wages it has already reached the level of the least developed members. What is to be feared is an increased flow of the expert work force to more developed and therefore richer member states.

Slovenia's membership in OECD

Slovenia has not yet become the member of the OECD. The OECD membership is therefore the country's short-term goal, being a crucial step in the integration into the global economy. Slovenia is convinced that it fulfils the criteria for membership in this organization. Before becoming a full member, its goal is to be included into different groups and areas of work inside OECD. While EU Member countries fully support Slovenia's intention to become part of the OECD, non-European countries, Australia included, at present do not support further enlargement of this Organization. We hope that the arguments presented in this paper will provide some new objectives for Australia to reconsider its position towards the membership of Slovenia in OECD.

Current economic trends in Slovenia (1999 - 2001)

Sustainable economic growth, successful catching up with advanced economies and quite positive business expectations became fairly standard features for Slovenia at the turn of the Millennium. With an average 4.4% economic growth in the last five years and the GDP at purchasing power per capita at 71% of the EU average, Slovenia is ranked as one of the most successful countries in transition, coming in second of all the EU candidates after Cyprus, and going ahead of Greece, the country with the lowest GDP in the EU. The average annual inflation rate in 1999 was 6.1 %. The increased world commodity prices, the introduction of a VAT (Value added Tax) and a price rise in the services sector pushed inflation to 8% in the first months of 2000. The registered unemployment rate slowly decreased to 7.5 % (according to the International Labour Organization definition), which is lower than the average unemployment rate of the EU. After several years of equilibrium in the balance of payments, the deficit of about 2.5 to 3% was recorded in 1999, for reasons of a structural and long-term nature. At the current level, Slovenia is restructuring its trade and services, which will lead to a lower surplus in invisibles than in the years before and represents a new challenge to the economic policy makers. The World Competitiveness Report 2000 (IMD Lausanne) ranks Slovenia 35th of 47 observed countries, which places it second among Central European countries, after Hungary. Euromoney's country risk assessment in Spring 2000 brought about an improved change in the ranking of Slovenia, a trend that is expected to continue after recent political changes on the Balkans.

The most important trading partners for Slovenia are the individual EU Member countries. The share of exports to the EU reached 66% of total exports of goods, whilst the share of imports accounts for almost 69% of the total. The second most important trading region for Slovenia are CEFTA-EU candidate countries with total exports of more than 7% and imports around 8.5%. An increase in trading with the USA, Japan, Turkey, Korea, Mexico and others countries was also recorded. An increase in trade is also expected within south eastern Europe, especially with the Former Republic of Yugoslavia.

Slovenia's most important export product groups are motor cars, accessories and parts for motor vehicles, seats and chairs, medical and pharmaceutical products, furniture, white goods and pneumatic tyres. The most important import products, on the other hand, are motor cars, accessories and parts for motor vehicles, petroleum oils, data-processing

machines, medical and pharmaceutical products and transmission apparatus for radiotelephony.

The trade with Australia is not high, around US\$25 million in total per year. Still Australia is the most important export country for Slovenia in Asia Pacific region, with the potential to grow. There is an increased demand in Slovenia for Australian meat and wool, computer and information technology and communications and the number of Slovenians using Australia as a tourism destination seems to be on the rise.

Current state of the negotiations between Slovenia and EU

The Slovenian strategy anticipates the conclusion of the negotiations with EU at the end of 2001, which would enable it to become a full member in 2002.

In 2000, despite a change of government in May and elections taking place in October, Slovenia continued apace activities related to EU accession. Adopting and implementing the so-called “European” legislation has remained a priority of all governments and the National Assembly.

The November regular annual Report of the European Commission gave a generally positive assessment of Slovenia’s progress in preparations for EU membership over the past year, but it also included certain criticisms. In its Report, the Commission acknowledges the continuation of a positive trend in transposing the *acquis* into Slovenia’s national legislation and considered the negotiations for Slovenia’s accession to the European Union very successful. The process of legislative alignment was concluded, and progress in enhancing the administrative capacity for the implementation of the *acquis* was made. However, whilst identifying a number of areas in which significant progress had been made, the Commission - as expected - also pointed out those areas in which the work commenced must be continued and concluded. The country’s macroeconomic situation is satisfactory, and Slovenia can be considered a functioning market economy that will soon be able to face competitive pressures of the EU market. But whilst hailing the economic situation, Brussels is dissatisfied with the fact that Slovenia has still not honoured its commitment to close down its duty-free shops.

Slovenia continues to meet the political requirements for membership, but the progress is too slow in the realm of public administration and in judicial reforms where it is still too early to appraise the efficiency of measures adopted to do away with delays in courts. Slovenia has been carrying out its structural reform too slowly, while banks and insurance companies have not yet been privatized. Moreover, slow privatization, together with the restrictions on the free movement of capital has resulted in low foreign investment. The Commission maintains that the role of the state in some areas of the economy remains too strong, especially in finance sector with state-owned banks hindering development and competition. Slovenia is advised to make further progress towards abolishing administrative impediments to the movement of capital and make additional efforts to assure free movement of persons. Slovenia has also made progress in harmonizing its legislation in agriculture and energy as well as the environment. There has been a progress in adopting the *acquis* in the field of home affairs, where Slovenia is encouraged to make it a priority to strengthen control of its borders. In telecommunications and audiovisual, Slovenia has only made limited progress and has still not passed essential laws. Regardless of the above criticisms, the Commission considers Slovenia capable of concluding the above reforms in the short-term.

Required transitional periods and some open questions

Slovenia asks for a transitional period in the following chapters: free movement of goods, free movement of services, agriculture, taxation, social politics and employment, energy, environment, external economic relations and development aid, finances and budget. Most of the transitional periods relate to agriculture.

Regarding the agreement on free trade with the countries of the former Yugoslavia, Slovenia will ask for a 10 year transitional period from the day it becomes a member, to maintain its preferential trade relations with Croatia, Macedonia and Bosnia. Slovenia has currently more favourable trade relations with the above mentioned countries than was anticipated by the EU, and supports further trade exchange and development. The reason is mainly economic, but also related to development and security. Slovenia believes these agreements contribute towards a stable south eastern Europe and is in accordance with the aims of the Stability Pact. A sudden adaptation of the EU trade policies would lessen the trade exchange and affect the GDP in the countries of south eastern Europe, threatening the liberalization of trade in the wider area, which could result in worsened economic and

political stability in the Balkans. Slovenia will on the other hand terminate other relevant agreements and contracts with third party countries.

Regarding the Nuclear power plant Krsko, it has been assessed in the negotiation positions that the plant is very safe and as such comparable with nuclear power plants in EU countries, other developed Western European countries and the countries of North America. In the negotiation proceedings in the area of energy, Austria in October 2000 opened the question of a horizontal definition standard for nuclear safety within the EU, and insisted the EU require an assurance from the candidate countries to respect nuclear safety. Slovenia is of the opinion that such a request can be easily met.

Slovenia and the Enlargement Strategy Paper

In addition to the Regular Report this year the Commission drew up the Enlargement Strategy Paper, providing a possible framework for negotiations and their conclusion with regard to the next three presidencies of the European Union. Slovenia considers that the Enlargement Strategy Paper is an important document, and one that represents a step forward in the conclusion of the negotiations. It is considered that the attitude towards the negotiations is favourable. However, the Commission's proposal as regards time scale for the conclusion of negotiations does not correspond to the time schedule planned by Slovenia. It is therefore important for Slovenia that according to the Commission's position the above time scale will not necessarily be realized for all candidates, as the differentiation principle will be maintained. This will enable the negotiations with well-prepared candidates to be accelerated. In Slovenia's opinion, this does not exclude the possibility of accession in accordance with the commitments made by both Slovenia and the European Union.

Slovenia appreciates the Commission's attitude towards transitional periods, which enable the desired acceleration of the negotiations in the future period.

The Commission's proposal that individual chapters involving only a limited number of problems be set aside and reopened at a proper time is acceptable for Slovenia.

In particular, Slovenia welcomes the Commission's plan to focus on the conclusion of the negotiations as regards the chapters relating to the internal market as early as the first half of the next year.

Slovenia believes that all membership requirements must be met. Therefore it would like to point out once again the principles and criteria set by the European Union itself with regard to enlargement; namely the individual treatment of candidates and meeting the Copenhagen and Madrid criteria. In addition, one should also bear in mind that by the end of 2002 the Union will have to be ready itself to accept new Member States meeting the membership criteria.

It should also be pointed out that it is the next two years that will be crucial for the enlargement of the European Union and that Slovenia's accession mainly depends on internal developments in Slovenia itself. All efforts should therefore be focused on the conclusion of the reforms commenced, the continuation of the alignment of the Slovenian legislation with the *acquis*, and the conclusion of accession negotiations as early as possible.

Conclusion

When a high Slovenian official visited Australia some years ago, he had to answer the question, "why did Slovenia want to become part of the EU so soon after becoming an independent state?". There is also a well-known piece of graffiti in Slovenia saying: "EU? No, thank you, I'm too young to be a bride." It shows an attitude that has never really prevailed in Slovenia, but is never the less still present. Slovenian people have always been proud of their language, which survived despite the absence of a Slovenian state. A fear that these most precious assets can be lost forever was probably the main motif for the so-called Euro-scepticism. The positive experience of other smaller members of the EU, together with all the exciting challenges and opportunities offered by finally joining the rest of Europe after years of being part of the so called communist bloc, are rapidly gaining ground among Slovenian opinion. To a country so close to war torn areas, the principle of regionalism present in the EU, may seem the only possible way of maintaining peace and prosperity. The strong determination of Slovenia to develop an even better economy, a healthy environment and a high standard of human rights can only make it more attractive to the EU and the rest of the world.

TURKEY

Introduction

Turkey is the only pluralist, secular democracy in the Muslim world and has always attached great importance to developing its relations with other European countries. Historically, Turkish culture has had a profound impact over much of Eastern and Southern Europe.

Turkey began “westernizing” its economic, political and social structures in the 19th century. Following the First World War and the proclamation of the Republic in 1923, it chose Western Europe as the model for its new secular structure.

Turkey has ever since closely aligned itself with the West and has become a founding member of the United Nations, a member of NATO, the Council of Europe, the OECD and an associate member of the Western European Union. During the Cold War Turkey was part of the Western alliance, defending freedom, democracy and human rights. In this respect, Turkey has played and continues to play a vital role in the defence of the European continent and the principal elements of its foreign policy have converged with those of its European partners.

Having thus entered into very close cooperation with Western Europe in the political field, it was therefore only natural for Turkey to complete this in the economic area. Thus, Turkey chose to begin close cooperation with the fledgling European Economic Community in 1959.

The Ankara Agreement

In July 1959, Turkey made its first application to join the EEC. The EEC’s response to Turkey’s application was to suggest the establishment of an association until Turkey’s circumstances permitted its accession. The ensuing negotiations resulted in the signature of the Agreement Creating An Association Between The Republic of Turkey and the European Economic Community (the "Ankara Agreement") on 12 September 1963. This agreement, which entered into force on 1 December 1964, aimed at securing Turkey’s full membership in the EEC through the establishment in three phases of a customs union

which would serve as an instrument to bring about integration between the EEC and Turkey.

The Ankara Agreement envisaged the progressive establishment of a Customs Union which would bring the Parties closer together in economic and trade matters. In the meantime, the EEC would offer financial assistance to Turkey. Under the First Financial Protocol which covered the period 1963-1970, the EEC provided Turkey with loans worth 175 million ECU. The trade concessions which the EEC granted to Turkey under the form of tariff quotas proved, however, not to be as effective as expected. Yet, the EEC's share in Turkish imports rose from 29% in 1963 to 42% in 1972.

Although the Ankara Agreement envisaged the free circulation not only of goods, but of labour, services and capital between the Parties, it excluded Turkey from the EEC decision-making mechanisms and precluded Turkey from recourse to the European Court of Justice for dispute settlement. The Customs Union that was to be established between the Parties went much further than the abolition of tariff and quantitative barriers to trade between the Parties and the application of a Common External Tariff to imports from third countries, and envisaged harmonization with EEC policies in virtually every field relating to the internal market.

The Ankara Agreement still constitutes the legal basis of the Association between Turkey and the European Union.

The Additional Protocol

The Additional Protocol of 13 November 1970 set out in a detailed fashion how the Customs Union would be established. It provided that the EEC would abolish tariff and quantitative barriers to its imports from Turkey (with some exceptions, including fabrics), whereas Turkey would do the same in accordance with a timetable containing two calendars set for 12 and 22 years. Furthermore, the Additional Protocol called for the harmonization of Turkish legislation with that of the EU in economic matters, envisaging the free circulation of labour between the Parties in the next 12 to 22 years.

The Additional Protocol brought significant advantages for Turkey's agricultural exports to the EEC. Ninety-two percent of our agricultural exports in 1971 benefited from this regime. Despite other agricultural producers such as Greece, Portugal and Spain later becoming member states, and the EEC's conclusion of preferential trade agreements with certain Mediterranean countries, Turkey preserves even today its position as one of the EEC's most privileged trading partners.

Had the Additional Protocol been implemented in full, the free circulation of goods and services and the harmonization of Turkish legislation with that of the EEC in a multitude of areas would have been achieved at the end of the 22 year timetable.

Turkey's Application for Full Membership in 1987

On 24 January 1980 Turkey shifted its economic policy from an autarchic import-substitution model and opened its economy to the operation of market forces. Following this development in the economic area and the multiparty elections in 1983, the relations between Turkey and the Community, which had come to a virtual freeze following the military intervention of 12 September 1980, began returning to normality. In the light of these positive developments, Turkey applied for full membership in 1987, on the basis of the EEC Treaty's article 237 which gave any European country the right to do so. Turkey's request for accession, filed not under the relevant provisions of the Ankara Agreement, but those of the Treaty of Rome, underwent the normal procedures. The Council forwarded Turkey's application to the Commission for the preparation of an Opinion. This has reconfirmed Turkey's eligibility, given that a similar application by Morocco was turned down by the Council on the grounds that Morocco is not a European country. The Commission's Opinion was completed on 18 December 1989 and endorsed by the Council on 5 February 1990. It basically underlined Turkey's eligibility for membership, yet deferred the in-depth analysis of Turkey's application until the emergence of a more favourable environment. It also mentioned that Turkey's accession was prevented equally by the EC's own situation on the eve of the Single Market's completion which prevented the consideration of further enlargement. It went on to underpin the need for a comprehensive cooperation program aiming at facilitating the integration of the two sides and added that the Customs Union should be completed in 1995 as envisaged.

Although it did not attain its basic objective, Turkey's application revived Turkey-EC relations: efforts to develop relations intensified on both sides, the Association's political and technical mechanisms started meeting again and measures to complete the Customs Union in time were resumed. Meanwhile, the Commission's promised cooperation package, known as the "Matutes Package", was unveiled in 1990, but could not be adopted by the Council due to Greece's objection.

The Customs Union

a. The Technical Aspects of the Customs Union

Under these circumstances, Turkey chose to complete the envisaged Customs Union with the Community. Talks began in 1994 and were finalized on 6 March 1995 at the Turkey-EU Association Council. The Association Council is the highest ranking organ of the association and is composed of the Foreign Ministers of Turkey and the 15 EU Member States. On that day the Association Council adopted its decision 1/95 on the completion of the Customs Union between Turkey and the EU in industrial and processed agricultural goods by 31 December 1995. At the same meeting, another Resolution on accompanying measures was adopted and the EU made a declaration on financial cooperation with Turkey as part of the customs union "package".

With the entry into force of the Customs Union, Turkey abolished all duties and equivalent charges on imports of industrial goods from the EU. Furthermore, Turkey has been harmonizing its tariffs and equivalent charges on the importation of industrial goods from third countries with the EU's Common External Tariff and progressively adapting itself to the EU's commercial policy and preferential trade arrangements with specific third countries. This process is to be completed in 5 years.

As a result of these measures, Turkey's weighted rates of protection for imports of industrial products originating in EU and EFTA member states have fallen from 5.9% to 0%, and from 10.8% to 6% for similar goods originating in third countries. The latter rates will further drop to 3.5% when the EU fulfils its obligations under the WTO negotiations.

Although basic agricultural products have been excluded from the initial package, a preferential trade regime for these products has been adopted on 1 January 1998. Further efforts are expected to be made in the same direction. Moreover, Turkey is progressively adopting many aspects of the Common Agricultural Policy. On the other hand, under the Customs Union Decision, the EU is expected to take as much account as possible of Turkey's agricultural interests when developing its agricultural policy.

Turkey's efforts towards harmonizing its legislation with that of the EU are under way. These efforts include, in commercial matters; monitoring and safeguarding measures on imports from both the EU and third countries; the management of quantitative restrictions and tariff quotas; and the prevention of dumped and subsidized imports. As to competition rules, subsidies through State resources in any form whatsoever which distort or threaten to distort competition will be banned. A special Competition Authority has been set up for this purpose. Assistance to promote economic development in Turkey's less developed regions and assistance intended to promote cultural heritage conservation which does not adversely affect competition will, however, be allowed. Furthermore, Turkey is progressively adjusting its legislation regarding state monopolies of a commercial nature so as to ensure that no discrimination exists in the conditions under which goods are produced and marketed between nationals of Turkey and EU Member States. Turkey is also in the process of harmonizing its laws with EU legislation eliminating technical barriers to trade during a transitional period which is expected to last five years, as foreseen in the Customs Union Decision. Effective cooperation between Turkey and the EU in the fields of standardization, calibration, quality, accreditation, testing and certification will be achieved as part of this process. Harmonization of Turkish legislation to that of the EU on intellectual, industrial and commercial property has been realized and laws for consumer protection are now being put in place. It is also noteworthy that both Parties are banned from using internal taxes as indirect protection mechanisms and from using tax rebates as export subsidies.

b. The Resolution on Accompanying Measures

Apart from these rather technical provisions related to the establishment and the proper functioning of the Customs Union, the package also comprised an Association Council Resolution providing for the intensification of cooperation between Turkey and the EU in such areas not covered by the Customs Union. Such areas included industrial cooperation, Trans-European networks, energy, transport, telecommunications, agriculture, environment, science, statistics, as well as matters relating to justice and home affairs, consumer protection, cultural cooperation and information. These provisions also aimed at ensuring that the higher degree of integration achieved between Turkey and the EU through the Customs Union was not limited solely to economic/ and trade matters and that the Customs Union continued to serve its purpose under the Ankara Agreement: being an important cornerstone towards Turkey's accession to the EU.

c. Financial Cooperation

The third element of the Customs Union package was the statement on financial cooperation which the EU delivered at the Association Council meeting where Decision 1/95 was adopted. This financial cooperation, which amounted to 2.22 billion ECU over a five-year period, aimed at alleviating the burden which the opening up of the economy to EU competition would bring to Turkish economic operators on the one hand, and improving Turkey's infrastructure and reducing the economic disparities between the parties on the other. Yet, the transfers envisaged within this framework have so far failed to materialise due to the lack of political will on the part of the EU.

d. The First Results of the Customs Union

Trade figures after the completion of the Customs Union reveal that, in 1996, our imports from the EU rose by 34.7% compared to 1995 and reached 22.7 billion dollars, while our exports, amounting to 11.477 billion dollars, rose by only 3.6%. The EU preserved its place as our biggest trading partner with a 52.9% share in our imports and 49.5% in our exports. This trend continued in 1997 and 1998. Turkey's exports to the EU rose from 12.2 billion dollars in 1997 to 13.4 billion dollars in 1998 and imports from the EU increased from 24 billion dollars in 1997 to 24.8 billion dollars in 1998. In 1997, the share of Turkish imports from EU in total imports increased further reaching 51.1% and in 1998 52.5%, also the share of EU exports in total exports increased from 46.6% in 1997 to 50% in 1998.

According to 1997 figures, Turkey's share in total EU exports is 3.1% representing the significance of Turkey's potential as a growing market for the EU while Turkey's share in total EU imports is 1.8%.

Since the EU had already abolished its tariffs for imports from Turkey before the Customs Union, the only trade barriers being quotas for textiles that could not be filled by Turkey, the Customs Union did not bring about a significant liberalization for our exports to the EU. Since 66% of our exports to the EU consist of consumer goods, they are sensitive to changes in European demand. The slow growth rate recorded in Germany, our biggest trading partner within the EU, impeded the growth of our exports to that country in 1996. Our exports to the EU are expected to rise with a return to higher growth rates in the Union. Our industry has also adapted itself very well to the new competitive environment, and not a single sector suffered from important problems.

Turkey's efforts to align itself to the EU's commercial policy towards third countries produced the Free Trade Agreements with EFTA, Israel, Romania, the Czech and Slovak Republics, Hungary, Slovenia, Estonia, Lithuania, Latvia and Bulgaria. Negotiations with Poland have been successfully completed and the agreement will be signed in the near future. The Agreement with Macedonia has been initialed, and the negotiation processes have been launched with Tunisia, Morocco, Egypt and the Palestinian National Authority. Preparations for alignment to the EU's GSP are also underway. Agreement has been reached with the EU to further liberalize trade in agricultural products and a Free Trade Agreement with the ECSC (European Coal and Steel Community) entered into force on 1 August 1996. The Customs Union constitutes a very important step towards Turkey's full integration with the EU. It has also demonstrated that, despite prediction to the contrary, the Turkish economy was able to withstand EU competition.

The European Union's Enlargement Process and Turkey

Turkey attached particular importance to the EU's current enlargement process for two main reasons. Firstly, having played an active role in the demise of the Soviet bloc, it was only natural for Turkey to aspire for inclusion in the new European architecture which it helped to build. Second, the Association between Turkey and the EU aims at Turkey's full

membership in the EU, as underlined once again with the Customs Union whose dynamics aim at bringing about further integration between the two Parties. This is why Turkey kept the question of inclusion in the EU's enlargement process on the agenda of Turkey-EU relations. At the last Association Council of 29 April 1997, the EU reconfirmed Turkey's eligibility for membership and asked the Commission to prepare recommendations to deepen Turkey-EU relations, while claiming that the development of this relationship depended on a number of factors relating to Greece, Cyprus and human rights.

The Commission, however, excluded Turkey from the enlargement process in its report entitled "*Agenda 2000*" which it disclosed on 16 July 1997. While the report conceded that the Customs Union was functioning satisfactorily and that it had demonstrated Turkey's ability to adapt to the EU norms in many areas, it repeated the same political and economic arguments against Turkey and made no reference to Turkey's full membership objective. The Commission unveiled on the same day as *Agenda 2000*, the "Communication" to enhance relations with Turkey, where it reconfirmed Turkey's eligibility and brought a number of recommendations ranging from liberalization of trade in services to consumer protection, that aimed at taking Turkey-EU relations beyond the Customs Union, but cited a number of political issues as pre-conditions for moving our relations forward.

That the EU confirmed Turkey's eligibility for membership but excluded it from the enlargement process has been seen as a contradiction. The Commission opted to propose measures that would reinforce the relationship within their current framework and complemented these measures with the idea of inviting Turkey to the European Conference. In the light of the EU's claims that all candidates would be judged according to the same objective criteria and that there would be no prejudice in their evaluation, Turkey found the Commission's approach unjust and discriminatory.

As a result, even though the Commission argued that the same criteria were applied to Turkey and the other candidates, they produced logically diverging conclusions.

From Luxembourg to the Helsinki Summit

Although the decisions of the Luxembourg Summit reflected by and large the contents of the Commission's "*Agenda 2000*", the following points related to Turkey need to be highlighted:

- ❑ Turkey's eligibility was reconfirmed.
- ❑ The EU decided to set up a strategy to prepare Turkey for accession and to create a special procedure to review the developments to be made.
- ❑ Turkey was invited to the European Conference, but a number of unacceptable pre-conditions were put forward.
- ❑ The development of Turkey-EU relations was made conditional on certain economic, political and foreign policy questions.
- ❑ The Commission was asked to submit suitable proposals to enhance Turkey-EU relations.

In a statement issued the day after the Summit, the Turkish Government criticized the EU's attitude, stated that Turkey's goal of full membership and Association would nevertheless be maintained, but that the development of bilateral relations depended on the EU's honouring its commitments, and that it would not discuss with the EU issues remaining outside the contractual context of the bilateral relations as long as the EU did not change its attitude. In line with this statement Turkey did not participate in the inaugural meeting of the European Conference held in London on 12 March 1998. Turkey has thus made it clear that the way out of this difficult situation in the bilateral relations depended on the political will to be displayed by the EU.

The Commission published its recommendations for a "European Strategy" on 4 March 1998. Its contents were more-or-less similar to former packages which the EU promised but failed to deliver in the past. Moreover, the ambiguity over how this package would be financed prevented Turkey from being optimistic about its chances of being put into effect soon. The Commission itself conceded that the implementation of this package would require considerable financial resources.

The summit meeting held in Cardiff on 15-16 June 1998 offered a good opportunity to rectify the unwarranted difficult period which Turkey-EU relations entered into following the Luxembourg Summit. Although certain positive developments were achieved with regard to the language used for Turkey in the Presidency Conclusions of the Summit, they were not sufficient for Turkey to modify its policy outlined after the Luxembourg Summit. An important result of the Cardiff Summit for Turkey-EU relations was the EU leaders' endorsement of the Commission's "European Strategy" for Turkey and the request made to the Commission to find solutions with a view to making available the financial resources required for the implementation of the "European Strategy".

In the Statement issued by the Ministry of Foreign Affairs following the Cardiff Summit, the positive developments mentioned above were noted and the EU's quest for finding the financial resources required by the "European Strategy" was interpreted as an indication of the EU's awareness of the need for fulfilling its obligations towards Turkey with due emphasis on the importance of concrete steps in this area. The Statement nevertheless underlined the contrast between the pre-accession strategy devised for the other candidates and the "European Strategy" for Turkey, which consisted simply of a set of ideas whose financing remained uncertain. It also stressed the fact that Turkey would not accept the subjection of its candidacy to additional political pre-conditions, that the parameters put forward in the Government Statement of 14 December 1997 remained valid, and that Greece's persistent obstructions would continue to have negative effects on Turkish-Greek relations.

In fact, the Strategy does not contain new elements. Most of the proposals made in it reiterate commitments contained in earlier agreements which have not been fulfilled over the years. Although four rounds of talks were completed, there has not been sufficient progress in the implementation of the Strategy which was proposed by the EU as a basis for the development of Turkey's relations with the EU. The lack of financial resources and a proper perspective for Turkey's accession are, in fact, the main obstacles which impede the proper implementation of the Strategy. Consequently, the Strategy has been insufficient in bringing Turkey's relations to the desired level.

At the Cologne European Council held on 3-4 June 1999, the initiative was taken by the German Presidency with a view to ensuring the recognition of Turkey's candidate status on an equal footing with the others. Compared to the previous Government in Germany, the new Coalition Government which came to power in October 1998 seemed to have taken a more positive line regarding Turkey's quest for EU membership. However, the objections of some EU Member States prevented this initiative from being realized. As a consequence, the EU refrained from taking a decision to include Turkey in the accession process. This constituted yet another failure of the EU to recognize Turkey's candidate status clearly and unambiguously. Therefore, in the statement made by the Deputy-Spokesman of the Ministry of Foreign Affairs on 4 June 1999, Turkey's appreciation of the initiative taken by the German Presidency was expressed, but it was also declared that since the discriminatory approach towards Turkey remained unchanged at the Cologne Summit concerning the recognition of its candidate status, the decision adopted by the Turkish Government on 14 December 1997 following the Luxembourg Summit, pertaining to the conduct of its relations with the EU would remain valid.

The EU Foreign Ministers, at their Gymnich-type meeting on 4 and 5 September in Saariselka, in Finland, had discussions on aid to Turkey following the earthquake in north-western Turkey in August 1999 and on future relations between Turkey and the Union. However, no agreement was reached at the meeting on Turkey's candidate status.

On the other hand, EU Council President, Finnish Foreign Minister Tarja Halonen invited Turkish Foreign Minister İsmail Cem to attend a working lunch after the General Affairs Council meeting 13 September 1999 in Brussels. This provided an opportunity to express the Turkish views concerning the need for reconstruction after the earthquake, as well as the current Turkish-EU relations.

In addition to the two emergency humanitarian aid packages of 2 million euros each granted to Turkey in the week following the earthquake, a consensus had been reached at the meeting for another humanitarian aid package of 30 million Euros for reconstruction.

It was understood that 150 million Euros, foreseen for the 3-year period, could now be released. In fact, this amount which is divided into 15 and 135 million Euros, had already been anticipated within the framework of the “European Strategy for Turkey”. The “unanimity rule” was required only for the 15 million Euros, whereas the other part of the said amount was subject to consensus.

The European Investment Bank has decided to launch a loan of 500-600 million Euros to help Turkey tackle the consequences of the earthquake. The allocation to Turkey of a “substantial part” of the resources of the MEDA II program for 2000-2007 period has also been foreseen.

However, Greece has not lifted its veto on the 375 million Euros from budgetary resources or from the 750 million Euros of the European Investment Bank, earmarked for Turkey as envisaged in 1995 when the Customs Union between Turkey and EU was realized.

In preparation for the European Council to be held in Helsinki in 10-11 December 1999, the Commission issued its second regular Report on the progress which Turkey made towards accession on 13 October 1999. In the Composite Paper which was also presented together with the Progress Report, the Commission took important steps by proposing that Turkey be considered as a candidate and backed this with concrete actions similar to those provided for the other candidates. Turkey welcomed these proposals that would prepare her for full membership to the EU. In the Statement made by the Foreign Ministry of Turkey, it was stated that the endorsement of all these EU Commission proposals at the Helsinki European Council, in other words, Turkey’s recognition as an official candidate with all its inherent modalities, would initiate a new phase in Turkey-EU relations.

After the Organisation for Security and Co-operation in Europe (OSCE) Summit held in İstanbul, Foreign Minister Cem gave a lunch to his EU counterparts. At this meeting, Turkish candidacy at the European Council in Helsinki was discussed at length and Turkey was able to present the latest developments regarding membership.

The Helsinki European Council held on 10-11 December 1999 produced a breakthrough in Turkey-EU relations. At Helsinki, Turkey was officially recognized without any precondition as a candidate state on an equal footing with the other candidate states. Recognising Turkey's candidate status, the Presidency Conclusions of the Helsinki European Council endorsed the proposals of the Commission made on 13 October 1999.

The European Council which met in Helsinki on 10 and 11 December 1999 largely endorsed the Commission's Regular Report on Turkey as well as its recommendations of the composite paper (Reports on progress towards accession by each of the candidate countries). In particular the Helsinki conclusions stated that

“Turkey is a candidate State destined to join the Union on the basis of the same criteria as applied to the other candidates; Building on the existing European strategy, Turkey ... will benefit from a pre-accession strategy This will include enhanced political dialogue, with emphasis on progressing towards fulfilling the political criteria for accession with particular reference to the issue of human rights as well as border disputes and Cyprus; Turkey will also have the opportunity to participate in Community programs and agencies and in meetings between candidate States and the Union in the context of the accession process”

A process of analytical examination of the *acquis* will be prepared by the Commission, inter alia via sub-committees established under the Association Agreement.

A single framework for co-ordinating all sources of EU financial assistance for pre-accession has been adopted by the Commission on 26 July 2000. This proposal from the Commission (COM(2000)502 final) establishes the legal base to draw up an Accession partnership for Turkey and defines a single framework for co-ordinating all sources of EU financial assistance to Turkey for pre-accession. It is still under consideration by the other Institutions (legal base art. 308 TEU).

The Accession- Partnership (AP) identifies short and medium term priorities, intermediate objectives and conditions on which accession preparations must concentrate in the light of

the political and economic criteria and the obligations of a Member State to adopt, to implement and enforce the Community *acquis*. Equally, appropriate monitoring mechanisms will be established. For that purpose, in total eight subcommittees under the Association Committee have been created.

Accession Partnership Document

As foreseen in the Helsinki Summit the Turkish Accession Partnership Document was drawn up by the EU commission and released on the 8th of November 2000. This Document will be submitted to the European Council for approval, thus leading to the accession negotiations process.

a. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's 2000 Regular Report on the progress made by Turkey towards membership of the European Union, the financial means available to help Turkey implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides the basis for a number of policy instruments, which will be used to help the candidate States in their preparations for membership. It is expected that Turkey on the basis of this Accession Partnership adopts before the end of the year a National Program for the Adoption of the *Acquis*. This is not an integral part of this Partnership but the priorities they contain should be compatible with it.

b. Principles

The main priority areas identified for each candidate State relate to its ability to take on the obligations of meeting the Copenhagen criteria which state that membership requires:

- that the candidate State has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union;

At its meeting in Madrid, the European Council stressed the need for the candidate States to adjust their administrative structures to ensure the harmonious operation of Community policies after accession. At Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

At its meeting in Helsinki, the European Council reaffirmed the inclusive nature of the accession process comprising 13 candidate States within a single framework. The candidate States are participating in the accession process on an equal footing. The European Council stated that they must share the values and objectives of the European Union as set out in the Treaties. In this respect the European Council stressed the principle of peaceful settlement of disputes in accordance with the United Nations Charter and urged candidate States to make every effort to resolve any outstanding border disputes and other related issues. Failing this they should within a reasonable time bring the dispute to the International Court of Justice.

The European Council also concluded that it will review the situation relating to any outstanding disputes, in particular concerning the repercussions on the accession process and in order to promote their settlement through the International Court of Justice, at the latest by the end of 2004.

The priorities and intermediate objectives of the Accession Partnership are given in the Annex.

An important stage has thus been reached in the accession process of Turkey to the European Union. After the approval of the Accession Partnership by the European Council, Turkey will continue to advance in the accession negotiations process. On the basis of this accession partnership it is expected that Turkey adopts a National Program before the end of the year for adoption of the "*acquis*" (accepted rules and regulations) of the EU.

While Turkey may favourably consider all these priorities and objectives in general some immediate specific Turkish views concerning the Accession Partnership are as follows:

Accession Partnerships, prepared for each candidate state, encompass the priorities and objectives which are expected to be fulfilled in the accession process. These priorities and objectives are defined within the context of the principles, laws and the “Copenhagen Criteria” of the EU. In this connection, the Turkish Accession Partnership is based on the related sections of the 1999 Helsinki conclusions, which define the Turkish candidacy.

Turkey will naturally give due consideration to the views and evaluations of the EU while preparing its National Program. However, as has been underlined by our side during the consultations of the preparation of the Accession Partnership, the main framework of Turkey’s endeavours for harmonization with the Copenhagen political criteria is contained in the points listed below:

- a)** Harmonization will take place on the basis of the Turkish Constitution’s section on individual rights and freedoms. It is therefore clear that our approach is defined by the understanding of “individuality of rights and freedoms”, the principle of “equality of citizens” in the Republic and the secular and unitary nature of our State, as laid down by the Turkish constitutional system.
- b)** These efforts will be made in the light of our Government’s declaration of 21 September 2000 on “Priorities in the Democratisation Process”, as well as the international agreements to which Turkey is a party.
- c)** In the work to be done so that the accession negotiations can start, we will naturally base ourselves on methods most appropriate for our priorities. Above all, most important for both Turkey and EU, is to share the same goal and to work together towards that goal.

The Accession Partnership is composed of the introductory section on “objectives and principles” and sections listing political and economic priorities to be reached in the “short” and “medium term”.

The “objectives and principles” are based on the related parts of the 1999 Helsinki conclusions defining the Turkish candidacy. In this connection, components of previous political dialogue are reaffirmed in accordance with paragraphs 4 and 9 (a) of the Helsinki

Summit conclusions. It is obvious that the sections relating to the “short” and “medium term” priorities, as well as the contents of the European Commission’s annual Regular Report , the last one having been published on 8th of November 2000, are valid only on the basis of the Helsinki Conclusions.

During the Accession Partnership consultations, it has been clearly mentioned to our counterparts that the whole context of the Accession Partnership should be evaluated within the following framework:

- a) The press conference of our Prime Minister on 10 December 1999
- b) The letter dated 10 December 1999, being an integral part of the EU *acquis*, addressed to our Prime Minister by the Prime Minister of Finland, Mr. Lipponen, in his capacity as President of the European Council.
- c) The statement made at the European Parliament by Mr. Solana and Mr. Verheugen on 9 December 1999 in Ankara.

Our Prime Minister, in his written reply to Mr. Lipponen and in his press conference of 10 December 1999, had already pointed out that Turkey adheres to the Helsinki conclusions in the light of Mr. Lipponen’s letter and statement, as well as the clarifications of Mr. Solana and Mr. Verheugen made in Ankara.

Turkey has never accepted any linkage between the efforts to find a solution to the Cyprus issue and its candidacy to the EU. The Cyprus issue is a subject between the Turkish Republic of Northern Cyprus and the Greek Cypriot Administration of Southern Cyprus on the Island. The observations contained in the Accession Partnership document concerning the Cyprus issue will be taken into account by Turkey to the extent that they are compatible with this basic attitude. Turkey, in this context, will continue to consider itself to be committed only to the Helsinki European Council Conclusions and the relevant correspondence and discussions between Turkey and the EU concerning the acceptance of these Conclusions.

Statement by the Turkish Government:

In view of the foregoing considerations the Turkish Government has issued the following official statement on the Accession Partnership Document for Turkey on 9 November 2000:

“As is known, Turkey was recognized as a candidate country on an equal footing with the other candidate countries to the European Union at the Helsinki Summit in December 1999. The Accession Partnership Document for Turkey was made public yesterday by the European Commission, as it was done for all other candidate countries. The Document defines a strategy outlining what Turkey is required to fulfil as medium and short-term priorities in each respective domain for the adoption of the *acquis* in the accession process.”

As is the case for the other candidate countries, the Accession Partnership Document for Turkey is a document prepared unilaterally by the EU Commission. Accession Partnership Documents are in fact not negotiated with candidate countries. Nevertheless, Commission officials have contacted our Government on various occasions and during these contacts, Turkey’s views and sensitivities concerning the issues likely to be covered in the Accession Partnership were, each and every time, conveyed to them. It is observed that the wording and the style used in the Helsinki European Council Conclusions for many issues have been preserved in the Accession Partnership Document. Hence, the Document reaffirms components of the political dialogue in accordance with paragraphs 4 and 9a of the Helsinki European Council Conclusions.

The Cyprus issue figuring as among the priorities in the Accession Partnership concerns primarily the two sides on the Island. Turkey will continue to uphold the provisions of the Helsinki European Council Conclusions on the Cyprus issue and the common understanding reached in this regard with the EU on the basis of the relevant correspondence. Turkey, which has always kept the Cyprus issue separate from EU candidacy, will evaluate the Accession Partnership which was made public yesterday in light of the above mentioned principles.

Aiming at meeting the requirements and upgrading the living standards of the Turkish people, our Government will continue the comprehensive reforms initiated in the political, economic and social spheres to that end. Turkey is fulfilling its obligations within the framework of international agreements related to human rights. In that respect, the essential is the principle of non-discrimination among citizens. Fundamental rights and freedoms of citizens in Turkey are guaranteed by the Constitution and laws. It is observed that the points touched upon in the Accession Partnership Document concerning democratization and further improvement of human rights in Turkey are, to a large extent, in tandem with the Report prepared by the Human Rights Supervisory Board which has been adopted as a reference and working document by the Government. Turkey will pursue its work to this end within the context of the preparation of its National Program.

Differences in opinion, evaluation and priorities on various issues may emerge between Turkey and the EU in the accession process. Notwithstanding such differences, what is important is the continuation of harmony between Turkey and the EU, on the main goal and principles, the prevention of differences from turning into "problems" and the objective appraisal by the EU of Turkey's present and future progress. We expect the EU to exert efforts for the further development of our relations. Maintenance of mutual trust, dialogue, goodwill and the fulfillment of commitments by both sides are of utmost importance. Responsibility, in this regard, falls on both parties.

In this process, we expect the EU to fulfill its own commitments for the implementation of the Accession Partnership promptly and accordingly, the adoption by the EU Council of the Framework Regulation prepared by the EU Commission.

Turkey, within the framework of the territorial integrity of the country and the fundamental principles of the Republic, is determined to deploy the efforts required to reach its goal of full membership to the EU as speedily and swiftly as possible. We hope that this new and important phase in our accession process to the EU will be to the benefit of our Nation."