

Brussels, 25 April 2001

OPINION
of the
Economic and Social Committee
on
**"EU enlargement: the challenge faced by candidate countries
of fulfilling the economic criteria for accession"**

On 11 July 2000 the Economic and Social Committee decided, under Rule 23 of its Rules of Procedure, to draw up an own-initiative opinion on

EU enlargement: the challenge faced by candidate countries of fulfilling the economic criteria for accession.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 13 March 2001. The rapporteur was **Mr Vever**.

At its 381st plenary session on 25 and 26 April 2001 (meeting of 25 April) the Economic and Social Committee adopted unanimously the following opinion.

1. Summary

1.1 In the course of this decade the European Union will be expanding on a large scale, making a reality of the new political ambition to unify the greater part of the European continent from west to east. The guidelines of the enlargement strategy, updated by the Commission in November 2000 and since approved by the Council, deem that the preconditions on the EU's side have now been met, on the financial level by the Berlin agreement on Agenda 2000, and on the institutional level by the Nice agreement reforming the Treaty. The new enlargements essentially depend on the "road maps" for each of the applicant countries, i.e. their progress in adopting the Community *acquis*, considered to be going well for the great majority of the applicants, and in concluding the accession negotiations, considered to be possible as of 2002 for the applicant countries which are in the best position. While subscribing to the main points of this assessment, the Committee would also stress that responsibilities will necessarily still have to be shared between the 15 EU Member States and the applicant countries for taking up the economic challenge of enlargement. This is a moving target and the stakes are threefold: effective adoption of the *acquis*, more effective support methods and preparation for new cohesion in an enlarged Union.

1.2 Taking on board the Community *acquis* effectively is very exacting because of the high level of integration which the Union has already achieved and will continue to work on. The issue is inevitably complicated by the high number of applicant countries, the gaps between them in terms of development and the diverse nature of their adjustment needs. The Commission's report of November 2000 set out the highly encouraging progress achieved in the applicant countries, demonstrated by increasing trade with the European Union. This progress opens up the prospect of accession for a large majority of these applicant countries in the near future. The remaining priorities vary from one country to another and must therefore be targeted. However, over and above the diverse nature of the work still to be done, the Committee underlines that one point in common is the need to involve civil society fully in this work in order to ensure its completion.

1.3 Success in the integration process requires more effective support methods. Community aid programmed in Agenda 2000 in Berlin will not in itself be enough to finance measures to ensure that the applicant countries catch up on the rest of the EU. The Committee would underline that Community

aid must above all help to create a favourable climate for attracting private investment which alone is able to pull in all the resources needed. This presupposes stepping up training measures in close cooperation with socio-occupational operators, with Community support. The Commission's evaluation reports must be supplemented by joint monitoring undertaken by the Ecofin Council with direct involvement of socio-occupational representatives from civil society who are well placed to assess what progress has really been made in the field. The Committee will contribute to this through its annual conferences and joint consultative committees. It would also be appropriate to involve the applicant countries as of now in some common policies (single market, intellectual property, customs, the environment, trade policy).

1.4 Lastly, it is important to start now on laying the foundations for new economic and social cohesion in an enlarged Europe; this is a complex issue which entails joint innovative action. The Committee would stress the need to undertake organisational reforms in the legislative, administrative, economic and social spheres. As regards legislation, a first priority is to simplify Community regulations by improving their quality and effectiveness while making implementation more disciplined. On an administrative level, applicant countries should be involved in stepping up checks in the single market, with all national administrations being made aware of their responsibilities. On the economic and social front, steps to further EMU should be continued by preparing the applicant countries which are to join the EMS2 exchange rate mechanism as of their accession. These countries should also be involved right now in the Lisbon mandate which urged all Member States to undertake structural adjustments to boost European competitiveness.

1.5 To achieve these three objectives the Committee is launching an appeal for a global multi-annual programme to be undertaken as from 2001 in preparation for enlargement, aimed at boosting the effectiveness of support methods for applicant countries while creating the right conditions amongst the 15 for preserving cohesion in an enlarged Europe. This programme will have to be completed before the end of the current Parliament and Commission mandates. It will have to help the applicant countries take up the economic challenge of accession by creating genuine synergy between these countries and the 15 current Member States. An interactive process of this type carried out in close cooperation with civil society will not only allow the European Union to expand without endangering its economic and social cohesion, but will also allow its competitiveness to be strengthened by optimising its underlying strengths and assets through unification.

2. Preliminary comments

2.1 Enlargement of the European Union on a grand scale represents the major challenge for this decade which will have a far-reaching impact on the Union. This will be more than a simple enlargement; what is at stake is unifying Europe and making this unification its asset in the 21st century, unlike the 20th century where division constituted its handicap. This is a global, complex challenge which affects the European Union's political aims, the changes to its institutional set-up, its internal organisation methods, its geographical and regional dimensions and its ability to compete world-wide. It is an interactive challenge because these various factors influence one another in a dynamic process which

needs to be planned and controlled. The economic and social challenge is clearly at the hub of this issue, in terms of both the opportunities created and the preconditions for such a process to succeed¹.

2.2 Enlargement will entail unheard-of new economic opportunities: the challenge is to create a large single market bringing together more than five hundred million Europeans, thereby helping to ensure that the economic changes which have taken place in the applicant countries cannot be reversed and to stabilise the European continent on the basis of the principles and disciplines of a market economy. This large market will make it possible to consolidate economic development and social progress in Europe, boost global competitiveness, and step up investment and trade by exploiting the potential synergies between the Member States' markets. It will increase the European Union's clout in world trade at both bilateral and multilateral levels at a time when new rules will have to be negotiated to provide a framework for economic globalisation.

2.3 The guidelines for the enlargement strategy, updated by the Commission in November 2000 and since approved by the Council, deem that the preconditions on the EU's side have now been met, on the financial level by the Berlin agreement of March 1999 on Agenda 2000 and on the institutional level by the Nice agreement of December 2000 on reforming the Treaty. New enlargements therefore now depend solely on the state of progress in the "road maps" associated with each of the applicant countries, i.e. progress in adopting the *acquis*, considered to be going well for the large majority of the applicants, and completion of the accession negotiations, considered to be possible as of 2002 for the best placed of these countries.

2.4 While subscribing to the main point of this evaluation and supporting the idea of seeing the first enlargements take place in the near future, the Committee would stress that the economic and social challenge still remains at the heart of the process today. The problems raised are matched only by the opportunities created. The number of applicant countries and the current development differences will create greater diversity which will raise, in new terms, the issue of the Union's cohesion.

2.5 Above all, for the applicant countries the objective of integrating their economies into the European economy is a moving target. In fact the European Union is still far from full economic and political maturity and far from having completed the social adjustments it has set for itself. The Economic and Monetary Union set up in 1999 between 11 Member States, and now enlarged to include 12, is only in its early stages and will considerably extend the integration process between national economies. In addition, the EU 15 agreed at the Lisbon European Council in March 2000 to speed up their structural reforms so as to adjust their economies to the new competitive challenges, and they confirmed this commitment at the Stockholm European Council of March 2001.

¹ See also the opinions of the Economic and Social Committee:
The employment and social situation in the CEEC, CES 533/2001
The EU's northern dimension, CES 237/2001
The impact of enlargement on the single market, OJ C 329 of 17.11.1999

2.6 The Committee has focused its thinking on three key issues directly linked to the preliminary comments set out above:

- the challenge of effectively taking on board the *acquis*;
- the challenge of more effective support measures;
- the challenge of preparing for new cohesion in an enlarged Union.

2.7 A hearing of socio-occupational representatives from the different applicant countries² allowed the Committee's analyses and recommendations to be discussed in greater depth; they therefore incorporate the assessments put forward by these representatives. A broad consensus was reached at this hearing on the main thrust of this opinion.

3. The challenge of effectively taking on board the *acquis*

3.1 The 1993 Copenhagen European Council had already established as a condition for accession that the applicant countries should be able to set up an effective market economy and cope with competition in the single market. The aim of the negotiations with each of the applicant countries is to ensure that the Community *acquis* is fully and effectively incorporated into national laws, keeping the scope and time lengths of any post-accession transitional arrangements to a strict minimum. Taking on board the *acquis* and implementing it effectively is a truly demanding challenge for the applicant countries. The European single market is in fact already highly integrated, based on a plethora of common rules (estimated at around 80,000 pages), often recently introduced. European coordination became much more exacting with the implementation of Economic and Monetary Union (EMU) in 1999. It was agreed that the new Member States should join the EMU without the possibility of politically opting out, as long as they met the economic criteria.

3.2 Measuring the challenge

3.2.1 Incorporating the *acquis* into national legislation will be complicated by the number of applicant countries, their geographical diversity, their different development levels and their social requirements.

3.2.1.1 The number of applicant countries is high: the European Union is today negotiating simultaneously with twelve applicant countries; in addition a thirteenth country, Turkey, was officially recognised as an applicant country at the Helsinki European Council in December 1999 (even if the launch of accession negotiations with this country remains subject to compliance with the political criteria set out in Copenhagen).

3.2.1.2 There is considerable geographical diversity amongst the candidate countries: there are pronounced differences in population size (from 400,000 inhabitants in Malta to 38.7 million in Poland and 64.3 million in Turkey). There is also regional diversity: ten applicant countries belong to central and

² Conference entitled "Towards a partnership for economic growth and social rights" held at the Economic and Social Committee from 14 to 17 November 2000.

eastern Europe (Poland, Hungary, the Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Slovenia, Romania and Bulgaria) and three to the Mediterranean area (Cyprus, Malta and Turkey).

3.2.1.3 There are major differences in development levels, with an average standard of living in the applicant countries of only about 40% of the Community average: although the total population of the thirteen applicant countries (170 million inhabitants) amounts to 45% of the population size of the Union of 15, their GDP is in statistical terms only 6.7% of the EU's GDP and the differences between the applicant countries themselves are very pronounced (a differential higher than 1:3 between the applicant countries).

3.2.1.4 Accession has implications for society: the economic integration of the applicants into the EU will entail radical changes within these countries, affecting fundamental aspects of the economy and economic management, economic agents (businesses, employees and consumers) and the administrative and judicial institutions. Although the current negotiations give the parties an opportunity to agree on the rules and the arrangements for applying them, they have a lesser impact on economic and social development and on the administrative, judicial and social changes ("institution building") necessary for adopting the *acquis* successfully. All elements of civil society must be involved in the reforms.

3.2.2 On the other hand, other factors ought to help facilitate the incorporation of the *acquis*:

3.2.2.1 For the most part, the applicant countries have markets of a limited size, which may make it easier for them to change.

3.2.2.2 Community investments in these countries have mushroomed, thus helping to export a common EU system of references and to disseminate this fairly widely (through sub-contracting, etc.).

3.2.2.3 Legal monitoring of the adoption of the Community *acquis* can at last be based on clear and measurable Community criteria, which makes it easier to assess the situation.

3.3 **Basing the approach on current progress**

3.3.1 A long adjustment process in the applicant countries' economies has already been unfolding since the launch of the pre-accession process agreed in Essen in 1994, with the Europe agreements, the partnerships for accession and the pre-accession instruments (Phare programmes - institutional capability and investment aid; ISPA - environmental and transport infrastructures; and SAPARD - agricultural and rural development), and the involvement of applicant countries in several Community programmes. The aim was to speed up the development of a market economy in these countries able to cope with competition in the single market and in the external trade of a European Union open to the rest of the world. Initially, converting the countries of central and eastern Europe to a market economy was done under conditions which revealed accumulated underdevelopment in the competitiveness of the state economies (as with the integration of the East German economy), creating in most of these countries strong inflationary pressures, sharp drops in productivity and an increase in unemployment.

3.3.1.1 However, these difficult beginnings were followed, particularly in those countries which speeded up the reform process and redirected their trade flows, by a clear upturn once the positive effects of restructuring and private investment had trickled through. One sensitive area in most of the applicant countries is still unemployment which has inevitably risen as a result of economic restructuring: one priority is to improve the labour market's response to growth-related developments, which will significantly help to keep unemployment down; this is already happening in those applicant countries which have advanced furthest down the road to reform such as Hungary and Slovenia.

3.3.2 The Commission's report published on 8 November 2000 instances several examples of progress in improving economic performance, productivity and employment in the private sector. According to this report Cyprus, Malta, Estonia, Hungary, Poland, the Czech Republic and Slovenia are today market economies which are ready to join the European Union in the near future, subject to a range of - generally positive - comments on the situation in each of these countries. Latvia, Lithuania and Slovakia are also deemed to be viable market economies and should be ready to join in the medium term, subject to the current reforms being extended. On the other hand, Bulgaria, Romania and Turkey still have to further develop or even launch reforms in order to meet the economic criteria for accession at some future, as yet unspecified, stage (there are prior political criteria for Turkey which will determine when negotiations start). Overall, the progress noted by the Commission means that for seven and perhaps ten applicant countries there is a prospect of accession in the near future, probably as of the year 2004 for the best placed amongst them.

3.3.3 In addition to economic growth, which was last year assessed overall at around 4% annually, progress was particularly clear in the increase in trade with the EU: this has grown at an annual rate of 20% since 1993 and has increased threefold; it currently averages 60% of the external trade of these countries (a percentage equivalent to that of the EU 15 in intra-Community trade). The applicant countries have become the second trading partner of the EU after the United States. This trade is still hallmarked today by a strong surplus for the EU, more than EUR 25 thousand million in 1999 i.e. nearly a quarter of all Community exports to these countries.

3.3.4 The following evaluations and recommendations by the Committee, mainly based on its hearings of socio-occupational representatives from the applicant countries, are grouped together according to the main points arising. They must of course be seen in the light of the diversity of situations in the applicant countries.

3.3.5 The Committee notes that progress in trade has been based on several positive developments in most of the applicant countries, inter alia:

- acceptance of the process of change and adjustment to the single market;
- stronger trade, trade union and consumers' organisations;
- a new business and management culture going hand in hand with productivity gains;
- a sharp increase in foreign investment;
- modernisation of infrastructures and the production apparatus;
- development of the services sector (banks, insurance, commerce, audiovisual);

- increased cooperation on technical standardisation.

3.4 Endeavouring to tackle the main problems

3.4.1 The Committee's questionnaires and auditions have meant that it is possible to highlight several instances of problems and delays in the applicant countries; these are set out below. The list in no way implies, however, that all these problems exist in each of the applicant countries. Given the progress already made or under way in the applicant countries, it is only those countries which are the furthest behind on the path to accession that are still experiencing the majority of these problems. This should be borne in mind when interpreting the data. The Committee's hearings have indicated that - over and above the general difficulties and costs associated with meeting standards - the principal problems are:

3.4.1.1 insufficient modernisation of structures (production apparatus, workforce training and qualifications, the financial system, distribution networks, administrative and judicial systems and transport and communications infrastructure);

3.4.1.2 delays in legislative adjustment (restrictions on capital movements, compatibility with technical and accounting standards, shortcomings in intellectual property and industrial property rules, environmental protection and problems caused by the expansion of the black economy).

3.4.2 The problems mentioned most often by the socio-economic players in the applicant countries are:

3.4.2.1 in general terms: inadequate competitiveness in the face of increased competition, the complexity of applying Community legislation, the limited level of Community aid, the difficulties businesses experience in expanding, particularly SMEs (lack of capital and access to credit);

3.4.2.2 in the trade sphere: deficits in trade with the EU and also restricted access to the EU markets for agricultural products despite the more open market;

3.4.2.3 in the social sphere: adjustments needed to the workforce, where there is often a surplus of labour in farming but not enough in other sectors; concerns that skilled labour might leave; and problems in establishing, adjusting and properly running social welfare systems.

3.4.3 The concerns mentioned most often by the socio-economic players in the European Union are much more pronounced amongst those exporting to the applicant countries than amongst those investing in these countries. They are:

3.4.3.1 in general terms: problems of legal uncertainty and the institutional capacity of the applicant countries' administrations (relating to bureaucratic procedures and the absence of legal remedies, competence and independence of supervisory authorities, recurrent customs protection, ineffectiveness of some regulatory, standardisation and certification bodies, mutual recognition difficulties, fraud and corruption);

3.4.3.2 in the economic sphere: the complexity and level of taxation; persistent non-tariff barriers and technical and administrative barriers to trade; a lack of transparency in privatisation programmes; a lack of predictability in the legal and fiscal framework; and partial, albeit limited, maintenance of price regulation;

3.4.3.3 in connection with competition policy: some restrictions on the freedom of establishment, restrictions on location (authorisation to set up businesses, branches); property purchase restrictions (although these can be overcome by setting up subsidiaries); the level of State aid in some sectors facing adjustment and competitiveness problems; failure to open up public procurement; abnormal competition (price dumping - which is still relatively limited however in view of the open procedures, non-compliance with environmental standards, illegal work).

3.5 Targeting the remaining adjustment priorities

3.5.1 The Committee's hearings indicate that priority areas for the applicant countries are:

3.5.1.1 in general terms: consolidation of progress already achieved (economic management, productivity, quality of goods and services, enterprise culture; consumer education), with the direct involvement of civil society;

3.5.1.2 in economic policy terms: consolidation of macro-economic stabilisation; abolition of barriers to trade in goods and services; continuing and speeding up privatisation; further price liberalisation; tax reforms to support the market economy; compliance with monetary discipline; a reliable system for the protection of intellectual and industrial property; support for SMEs; further transposition of European standards; certification and mutual recognition; and environmental protection;

3.5.1.3 in connection with public administration: bolstering the reform of the State, the administration, the judicial system and competition policy; acceptance of OECD and Council of Europe rules for combating corruption (civil and penal conventions);

3.5.1.4 in connection with economic structures: strengthening independent and representative trade bodies; modernisation of industrial, commercial, financial and agricultural structures (with new reciprocal trade concessions); adjustments to transport, energy and telecommunications infrastructures, particularly across borders between applicant countries and the EU;

3.5.1.5 in the social sphere: transposition of Community social legislation; steps to build up social dialogue; and combating the black economy.

4. The challenge of more effective support measures

4.1 Support for bringing applicant countries' economies up to standard will require efforts to adjust the approach, based on four key areas: refocusing Community aid, stepping up training action, improving evaluation reports, and advance involvement in some Community policies.

4.2 Optimising Community aid

4.2.1 Community aid programmes for the 2000-2006 period in Agenda 2000, adopted in Berlin in March 1999, still have a Community budgetary ceiling set at 1.27% of GNP. They have earmarked for this period around EUR 20 thousand million for pre-accession instruments and around EUR 50 thousand million for new member countries as of 2002. Whilst these are significant amounts, such aid will not be enough on its own to finance the development needs of the countries concerned and to enable them to catch up with the rest of the EU.

4.2.2 The European Union should not consider itself to have discharged its responsibilities for providing financial support to applicant countries merely because it has adopted Agenda 2000: to the Committee's mind, the main thing is to target Community intervention on support for an effective market economy, by priming and promoting private investment, which is the only factor capable of raising the resources needed. To achieve this, the Committee would highlight several requirements:

4.2.2.1 firstly, it is vital to step up partnership with socio-occupational operators in national programmes for adjusting to the *acquis* and for using Community aid, by ensuring consultation at all stages: planning, implementation, follow-up and evaluation;

4.2.2.2 there must be stricter monitoring of the impact of aid on economic development, especially by using this partnership with socio-occupational agents;

4.2.2.3 the business environment must be modernised, inter alia by speeding up the reform of public administrations and ensuring that the courts are qualified, effective and independent (warranting the development of twinning projects already launched between Member States' and applicant countries' national administrations);

4.2.2.4 support programmes should promote transnational aspects more, boosting regional cooperation amongst the applicant countries;

4.2.2.5 developing public/private partnerships would appear vital, in particular for trans-European infrastructure networks (cf. transport, energy, telecommunications and the environment);

4.2.2.6 in addition to checking that Community aid complies with competition rules, it is important to ensure that conditions are genuinely attached to Community aid, taking account of a) common rules, b) legal certainty in respect of people, goods, transactions and investment, and c) stronger mechanisms to combat irregularities, fraud, corruption and the black economy;

4.2.2.7 lastly, it is especially necessary to secure the development of a strong, closely monitored financial and banking system.

4.2.3 It would also be valuable to facilitate twinning between Community aid and national Member State aid to boost the impact of financing on some projects; this would be a way of offsetting

the limited level of Community aid and concentrating European aid, be it EU or national, more on certain priority projects.

4.2.4 Lastly, the Committee would stress the need to work out in the long term a way of reducing rather than increasing non-repayable aid, leading to an overall reduction in public aid for the European economy: such public aid should therefore be flanked by soft loans, preferential interest rates, loan guarantees and capital participation, with better coordination between aid from the Funds and loans from the European Investment Bank, banks and the finance sector.

4.3 **Stepping up training action**

4.3.1 Bringing the applicant countries up to scratch in this area will also require a major training effort, in which the Member States' socio-occupational operators will play a key role by developing cooperation and mutual assistance agreements with their counterparts in applicant countries, informing them of their rights and obligations vis-à-vis the *acquis* and providing them with back-up to adapt to their specific needs.

4.3.2 These training actions by socio-occupational players and the social partners, which have already begun with Community support, especially from the Phare programme, should be further expanded by sending experts on mission, training courses and exchanges. They should help incorporate all the adjustment factors, including:

- support for a legislative and judicial framework favourable to private initiative;
- dissemination of the same management yardsticks;
- learning how to turn European legal tools to good use, such as the European patent, the Community trademark and EC certification;
- the development of mutual recognition agreements;
- the promotion of social dialogue.

4.4 **Improving the evaluation reports**

4.4.1 The inventory of the Community *acquis* incorporated into national legislation is dealt with in the annual reports compiled by the European Commission after direct consultation with the governments of the applicant countries, the last one having been presented on 8 November 2000.

4.4.2 The ECOFIN Council agreed in November 2000 also to discuss some particularly important aspects of economic policy in the applicant countries, especially their economic programmes and finance policies to bring them ever closer to European Union practice (economic forecasts, notification of aggregates, stability of public finances, etc.). The Committee welcomes this initiative, which will also enable the applicant countries to be associated more closely with the Cardiff process on strengthening the economic fluidity of the single market and adapting the service and capital markets.

4.4.3 Moreover, the Committee underlines that its meetings with socio-occupational representatives in the applicant countries frequently elicit direct assessments of what is happening in the

field in these countries - quite different from the official reports, particularly on the following points: the stage reached in reforms and progress made, implementation of new legislation, delays in adopting the *acquis*, problems of competition, and possible obstacles to the single market. The debate on accession to the European Union - its progress, arrangements and conditions - must be carried to the heart of civil society by means of a permanent dialogue with its organised representatives. The Committee therefore recommends that henceforth the socio-occupational operators be directly involved in compiling these reports so that a better assessment can be made of the real situation in terms of the stage reached in reforms and progress made, actual implementation of new legislation, local obstacles, etc.

4.4.3.1 In the same spirit the European Commission should ensure that the evaluation reports incorporate the analyses and recommendations from the annual conferences organised by the Economic and Social Committee with the socio-occupational representatives from applicant countries and from the bilateral joint consultative committees (JCC) established with a number of these countries. Moreover, the public authorities in the applicant countries which have not yet proposed setting up a JCC should do so shortly.

4.5 **Involving the applicant countries as of now in certain common policies**

4.5.1 It would be valuable to speed up the operational preparations of the applicant countries by involving them from the pre-accession stage onwards in the implementation of common policies, seeking to ensure that some limited - but real - areas affected by accession function smoothly as of now. This would help speed up negotiations as well as the definition of target accession deadlines for each of the countries.

4.5.2 A good example of this approach is provided by the Commission's recent signature of mutual recognition agreements for industrial products (PECA - Protocol to the European agreement on Conformity assessment and acceptance of industrial products) with Hungary, the Czech Republic and Latvia. These agreements ought to be extended to other applicant countries.

4.5.3 Another case in point is the now agreed full involvement of applicant countries in the European research area, particularly in the 6th framework programme.

4.5.4 Moreover, the Committee supports the European Commission's proposal which it had itself formulated in a previous opinion on the impact of enlargement on the single market, namely to extend the coordination centres and "single market" contact points already established in each of the 15 Member States to the applicant countries, in order to help sort out on a bilateral basis any outstanding obstacles to mutual trade.

4.5.5 Such a cooperative approach could also apply to Community customs policy, since the majority of the new applicant countries will, when they enter the European Union, have a border with a non-member state.

4.5.6 The Committee also supports the proposals submitted by the Commission in January 2001 designed to allow the applicant countries to join the European Environment Agency as of 2001.

4.5.7 The Committee would also draw attention to the need to provide for the possibility of the applicant countries being associated with the Community patent as soon as it is adopted by the EU, even before these countries join the Union (without such involvement complicating the adoption of the Community patent by the 15 in any way). Going ahead with the Community patent with the applicant countries excluded from its benefits would prevent these countries being taken into account in any new patent issued. It would prove impossible to include them subsequently in Community patents issued before their accession because of the restrictive rules on intellectual and industrial property rights, which do not permit the subsequent addition of other countries to the list of those countries for which the patent was delivered in the first place. For a large number of Community patents such a situation would create a division within the single market at a time when it is in the process of enlarging; this would be quite a variance with the legitimately expected advantages of such patents.

4.5.8 Lastly, the Committee supports the applicant countries' involvement in the European Union's objectives in international trade negotiations; this warrants close cooperation between these countries and the Commission so as to boost the European Union's clout on the international scene.

5. **The challenge of preparing for new cohesion in an enlarged Europe**

5.1 Enlargement will noticeably change the European Union's internal cohesion at a time when it is committed to more far-reaching integration; this is at present far from being achieved. The quest for optimal cohesion will be complicated by delays and differences in development in the applicant countries, which most of them will only be able to partially make up by the time they actually join. Such problems will largely persist during the first few years, if not the first few decades following accession. An enlarged Union will therefore have to live with considerable differences in the economic levels of its Member States and regions and will have to find ways not only to adjust to this but also to gradually correct the imbalances. Neither the Agenda 2000 adopted in Berlin 1999 nor the Treaty reform resulting from the Nice agreement in December 2000 will be enough to reconcile enlargement with greater integration, unless it is part of a more overall framework of reorganisation. New action should therefore be undertaken, fully involving the applicant countries, to simplify Community regulations, coordinate national government action on joint tasks, consolidate EMU and strengthen Europe's competitiveness.

5.2 **Simplifying Community regulations**

5.2.1 The applicant countries' incorporation of the *acquis* into national legislation is complicated by the great complexity of Community rules and regulations. Although the European Union ought to lead to simpler regulations in Europe, nowadays it continues to introduce provisions which are too complicated for users, too uncoordinated - if not actually inconsistent - to form a genuinely coherent whole and too close to existing national laws to genuinely harmonise them.

5.2.2 For their part, Member States are not being strict enough in applying the common regulations, constantly accumulating delays in transposing legislation and increasingly entering into legal disputes with the Commission and the European Court of Justice. The 15 Member States are in this way now showing a bad example to the applicant countries.

5.2.3 Efforts therefore have to be made to tighten up on the effectiveness of Community intervention by improving the relevance and quality of regulations and being stricter in ensuring that they are applied. What is needed is to consolidate the long-term operation of the single market by making it easier for applicant countries to take on board the *acquis* and by minimising disputes.

5.2.4 In an opinion issued in October 2000³, the Committee issued its views on the need to undertake a multi-annual programme for simplifying rules, including codes of conduct for the institutions and Member States themselves - the Committee having shown the way by adopting its own code; such a programme should likewise include closer dialogue with representatives of users of the regulatory measures, independent assessment of the impact of Commission projects, and a systematic examination of possible alternatives to regulatory measures, through voluntary undertakings, contractual agreements, self-regulation and co-regulation between the professional partners concerned and effective follow-up methods (scoreboards and annual reports), by promoting comparative benchmarking of best practice.

5.2.5 The Committee would like the applicant countries to be involved in this programme for simplifying rules by themselves adopting codes of good conduct and promoting formal dialogue between the economic and social partners.

5.3 **Coordinating national administrations**

5.3.1 The Committee would stress that this simplification of legislation should be backed up by stricter checks and better transposition of EU regulations into national law, under conditions which allocate more responsibility to the Member States. The European Commission alone will not be able to manage an enlarged single market properly at a time when safety requirements and checks will have to be stepped up.

5.3.2 The Committee is therefore favourable to the direct involvement of the Member State governments in reinforcing the various on-the-spot checks, by adopting common methods which would have to be approved by the Commission. The applicant countries will have to be asked to become involved in these projects, which will be the best way of learning in preparation for their future accession. In this way synergies can be developed between national governments acting in accordance with single market interests, along the lines of Single Market Coordination Centres recently set up in each of the 15 Member States. This approach will have to be applied in such areas as competition policy, environmental protection, product and food safety, health and safety at work and measures to counter fiscal and commercial fraud.

5.3.3 The Commission would have to focus again on closely monitoring the proper operation of these decentralised checks. It would have to be empowered to intervene directly to offset any failings in national administrations in this connection. Faced with the prospect of a Union of 30 members, all with quite different national administrations, the need for the Commission to intervene could warrant the

³ "Simplifying rules in the single market", OJ C 14 of 16.1.2001, page 1.

establishment of Community inspections, particularly for monitoring and cracking down on Europe-wide fraud.

5.3.4 As regards customs, the Committee would draw attention to the need for identical procedures at the Union's external borders, following the abolition of intra-Community checks. This could warrant moving beyond the stage of closer cooperation between national administrations and aiming for genuine unification of European customs from enlargement onwards, under a single Community administration.

5.4 **Consolidating EMU**

5.4.1 Economic and Monetary Union, fully integrating the economies of Member States participating in the euro, is reaching the stage of being able to take up the challenge of consolidating economic and social cohesion in an enlarged Europe. It will have to bolster greater economic integration throughout the enlargement process and gradually - and inescapably - draw the new EU members in towards EMU.

5.4.2 The Committee stresses the need to strengthen economic coordination in the ECOFIN Council. The Eurogroup will be required to act as the driving force and will have to organise itself to meet this challenge. Over and above the ministers for economic and financial affairs, other Council meetings such as the Social Affairs Council will also have to incorporate all the new consequences of the euro into their debates and decision-making.

5.4.3 The ECOFIN Council should encourage the applicant countries to lay down the legal and economic basis for their future participation in EMU, particularly by undertaking structural reforms to this end (such as the independence of central banks, which has already made considerable progress). The Committee recommends that the applicant countries undertake - as of their accession - to join the European Exchange Rate Mechanism (ERM2), which succeeded the EMS and which will provide a solid basis for trade stability within an enlarged single market and will constitute a first - and incidentally mandatory - step towards their subsequent participation in EMU.

5.5 **Working together to boost Europe's competitiveness**

5.5.1 A brief was agreed on at the Lisbon European Council in March 2000 to boost Europe's competitiveness by securing major structural adjustments in the Member States. This brief should be implemented with all the necessary determination so as to boost the competitive capacity of businesses, encourage innovation, keep collective costs and public expenditure in check, improve the operation of the labour market, boost employment levels and guarantee the sustainability of social welfare schemes.

5.5.2 The Committee recommends that the applicant countries be involved in the objectives laid down in Lisbon and in the annual evaluation reports issued at the spring European Council meetings, for:

- boosting the competitive capacity of businesses, encouraging innovation, keeping collective costs and public expenditure in check, improving the operation of the labour market, boosting employment levels and securing the modernisation of social welfare schemes;
- promoting comparative benchmarking of best practices.

The Committee welcomes the fact that the March 2001 Stockholm European Council explicitly expressed an interest in this type of involvement.

5.5.3 Such involvement will encourage these countries to speed up their reforms and will create a certain synergy, not only amongst themselves, but also between them and the 15 current Member States. Each applicant state will then have the opportunity, above all in areas where it has undertaken new reforms with new resources and a strong will to succeed, such as opening up the economy and innovation, to keep up with the 15 current Member States in adjusting competitiveness, and even to match the best amongst them.

6. Conclusions

6.1 Basing its approach on the discussions it has carried out with the socio-occupational representatives from the candidate countries, the Committee, in the run up to enlargement, stresses the need to (i) bolster these countries' efforts to incorporate the Community *acquis* effectively into their national legislation, (ii) make the European Union's support measures more effective and (iii) step up preparations for new economic cohesion in an enlarged Union.

6.2 The Committee notes that the Member States and the applicant countries will henceforth be part of the same community. This warrants permanent, effective support from the European Union and its socio-occupational players for the efforts which the applicant countries will have to undertake and step up in every area to comply with the necessarily strict accession conditions required to reach the - albeit still incomplete - level of integration attained by the Union.

6.3 The Committee also notes that it would be quite wrong to think that, following the preliminary decisions of the European Union regarding Agenda 2000 and then the Treaty reform, these adjustments are only a matter for the applicant countries. Preparations for the enlarged Europe will, on the contrary, require in-depth adjustments by the European Union, over and above the agreed budgetary and institutional reforms, to adapt to the new effects of such an enlargement.

6.4 The Committee feels that this double challenge for both applicant countries and Member States must be seen as a unique opportunity to launch an in-depth renewal of European Union where all parties will benefit, in that as they will secure the economic competitiveness and social progress of a bigger and stronger Europe.

6.5 For this reason, the Committee is launching an appeal for the European Union to undertake an ambitious and coherent multiannual programme as of 2001 in preparation for enlargement in order to increase the effectiveness of the support methods for the applicant countries, while already

establishing the right conditions amongst the 15 for preserving cohesion in an enlarged Europe. Such a programme should involve the Member States and the applicant countries and entail front-line involvement for the economic and social players in civil society. The target should be to complete the programme before the end of the current Parliament and Commission mandates.

Brussels, 25 April 2001.

The President
of the
Economic and Social Committee

The Secretary-General
of the
Economic and Social Committee

Göke Frerichs

Patrick Venturini

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N.B. Appendix overleaf: Main economic indicators in the applicant countries

Appendix

EU/Applicant countries - statistics (source: Eurostat)

Macroeconomic indicators 1999

	Population (millions)	GDP (thousand million euros) (in terms of purchasing power parity)	GDP per capita (euros) (in terms of purchasing power parity)	GDP per capita (% of EU average) (in terms of purchasing power parity)	GDP growth	Inflation rate (%) as annual average for 1998
Bulgaria	8.3	38.5	4,700	22	2.4	22.3
Czech Rep.	10.3	128.7	12,500	59	-0.2	10.7
Estonia	1.4	10.8	7,800	36	-1.1	8.2
Hungary	10.1	108.1	10,700	51	4.5	14.3
Latvia	2.4	13.9	5,800	27	0.1	4.7
Lithuania	3.7	22.9	6,200	29	-4.1	5.1
Poland	38.7	301.9	7,800	37	4.2	11.8
Romania	22.5	128.2	5,700	27	-3.2	59.1
Slovak Rep.	5.4	55.6	10,300	49	1.9	6.7
Slovenia	2.0	30	15,000	71	4.9	7.9
Cyprus	0.7	12	17,100	81	4.5	2.2
Malta	0.4	n.d.	n.d.	n.d.	4.2	2.4
Turkey	64.3	379.4	5,900	28	-5	84.6
	169.3					

EU/Applicant countries - exports and imports for 1998 in EUR millions

	EU exports to applicant countries	%	EU imports from applicant countries	%
Bulgaria	2,426	2%	2,230	3%
Czech Rep.	17,112	15%	14,662	18%
Estonia	2,684	2%	1,756	2%
Hungary	16,747	14%	14,464	18%
Latvia	1,806	2%	1,385	2%
Lithuania	2,375	2%	1,409	2%
Poland	28,063	24%	16,107	19%
Romania	6,275	5%	5,122	6%
Slovak Rep.	5,673	5%	5,361	6%
Slovenia	6,726	6%	5,224	6%
Cyprus	2,118	2%	428	1%
Malta	1,970	2%	763	1%
Turkey	22,063	19%	13,589	16%
Total applicant countries	116,038	100%	82,500	100%

Share of EU/applicant countries' trade in EU/world total, in EUR millions

Total EU exports: non-member states and intra-EU	1,988,681
EU exports to non-member states	733,290
EU exports to applicant countries	116,038
% of applicant countries' exports/EU total	5.83%
% of applicant countries' exports/EU total to non-member states	15.8%
Total EU imports: non-member states and intra-EU	1,914,986
EU imports from non-member states	710,543
EU imports from applicant countries	82,500
% of applicant countries' imports/EU total	4.3%
% of applicant countries' imports/EU total from non-member states	11.6%

Foreign direct investment (FDI) per country - 1989/1998

	Total FDI 1989/1998 in million euros	Total FDI 1989/1998 per capita euros	EU share of total FDI as a %	FDI in 1998 (million euros)	Per capita FDI in 1998 (euros)
Bulgaria	1,180	142	63%	358	43
Czech Rep.	8,882	863	82%	2,217	215
Estonia	1,233	850	77%	513	353
Hungary	14,682	1,451	72%	1,296	128
Latvia	1,431	573	53%	196	79
Lithuania	1,368	370	57%	822	222
Poland	13,440	347	77%	5,888	153
Romania	4,023	178	60%	1,820	80
Slovak Rep.	1,572	291	71%	453	84
Slovenia	1,063	532	75%	137	69
Cyprus	2,004	2,864	n.d.	178	255
Malta	1,388	3,470	n.d.	116	290
Turkey	6,634	104	61%	720	12

EU Member States' market share in all the applicant countries 1999

COUNTRY	%
Germany	27.2
Italy	9.2
France	6
Austria	4.7
United Kingdom	4
The Netherlands	3.1
Belgium and Luxembourg	2.4
Sweden	2.4
Finland	2.2
Spain	1.3
Denmark	1.3
Greece	0.7
Ireland	0.5
Portugal	0.2
Total EU market share in the applicant countries	65.4