

**UNICE POSITION PAPER ON  
ENLARGEMENT**

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## **UNICE position paper on enlargement**

### **EXECUTIVE SUMMARY**

- 1) European business strongly supports enlargement of the European Union. It is mutually beneficial to EU Member States and candidate countries and will make the European economy more competitive globally and enhance political and economic stability in candidate countries and the whole of Europe. The single market will increase significantly. Structural reforms are needed in Member States and candidate countries.
  - 2) At the time of accession, the EU must have achieved its internal reform and put in place the financial framework required for enlargement. Candidate countries for their part must have adopted, fully implemented, and have the will and capacity to enforce the *acquis* relating to the single market and flanking policies, as well as the external commercial policy of the Union.
  - 3) Transition periods may need to be accepted in certain cases. If so, they should be limited in scope and in time and combined with strict conditions for full application of the *acquis*.
  - 4) The enlargement process should not lose momentum, whereas the quality and results of negotiations must ultimately determine the schedule for accession. The principle of differentiation and the monitoring of progress must be applied strictly both for the closing of negotiating chapters and for the opening of new ones.
  - 5) Business in the EU and candidate countries has an important role to play in the enlargement process. Companies have experience from business operations in candidate countries and will have to apply much of the *acquis*. Therefore Community, Member State and candidate country authorities should consult with business on all company-related enlargement matters.
  - 6) General knowledge of and support for enlargement is too low, in both candidate countries and the EU. UNICE therefore welcomes the Commission's new communications strategy. It should aim at reducing concerns expressed, and make the benefits and obligations of membership better known and visible.
  - 7) Fulfilment of obligations under the Europe Agreements by candidate countries is one of the pre-conditions for entry to the EU, and should be applied strictly. Business can give useful input as regards breaches of Europe Agreement provisions.
  - 8) The pre-accession assistance should focus on initiatives needed to ensure compliance with, and implementation of, the *acquis*, and to cope with single market pressures. To that end, special attention/support should be given to representative business organisations in candidate countries, to enable them to play their role to the full in this process. UNICE, as the inter-sectoral European business organisation, is prepared to share its experience in this area.
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## **I. INTRODUCTION**

Enlargement of the European Union to include eastern and southern candidate countries is one of the most important and complex tasks the Union has ever faced. The process must be seen in the light of global economic integration through opening of markets and developments in communication technologies. For European business, enlargement is of vital importance, affecting companies in the EU and in candidate countries in numerous ways. UNICE would therefore like to express its views on the issue. This position complements the UNICE statement on enlargement<sup>1</sup>, published 3 December 1999.

As stated in December 1999, European business strongly supports enlargement of the European Union. It is convinced that enlargement will:

- \* be mutually beneficial to Member States and candidate countries;
- \* make the European economy more competitive globally;
- \* enhance political and economic stability in the candidate countries and the whole of Europe.

However, it is a condition, that at the time of entry into the European Union:

- \* the candidate countries meet the Copenhagen criteria and in particular have adopted and implemented the *acquis communautaire* relating to the single market;
- \* the EU has achieved its internal reform and put in place the financial framework required by enlargement.

Attached to this position paper are notes on candidate countries' progress towards EU accession, prepared by the UNICE Task Force on Enlargement.

## **II. MAINTAIN THE MOMENTUM CREATED IN HELSINKI - PROPER PREPARATION ON BOTH SIDES AND REALISTIC PERSPECTIVES ARE NECESSARY**

UNICE fully supports the decisions taken by the Helsinki European Council in December 1999 to:

- \* open accession negotiations with six new countries;
- \* apply the principle of differentiation;
- \* emphasise implementation and enforcement of adopted *acquis* and of the EU's international agreements in candidate countries; and
- \* grant Turkey candidate status.

It is important that the momentum created in Helsinki is not lost, and that the enlargement process does not lose speed. Public opinion in candidate countries in favour of EU accession weakens the longer the process drags on. Lack of administrative resources must not be allowed to slow down the process. It is possible to combine speed and quality.

Enlargement without proper preparation on both sides and without realistic expectations must be avoided. In this context, candidate countries' adaptation to single market rules, and monitoring of the implementation and enforcement of these rules, as well as EU institutional and financial reform, are fundamental.

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<sup>1</sup> The UNICE statement on enlargement is accessible, together with other official UNICE documents and useful information, on the UNICE website: [www.unice.org](http://www.unice.org).

**UNICE therefore calls on:**

**1) the EU to:**

- **present substantive negotiating positions on all chapters for the Luxembourg six;**
- **apply the principle of differentiation in practice. Each candidate country should be judged on its own merits, both as regards opening and closing of negotiating chapters and actual accession;**
- **ensure that candidate countries' alignment of national legislation with Community law is sufficiently monitored, in particular as regards implementation and enforcement;**
- **ensure that the EU can function efficiently with a greatly expanded membership. The IGC should be concluded by the end of 2000, and the agreed reforms should be in place by 2002, to allow the enlargement process to move forward without delay.**

**2) candidate countries to:**

- **enhance work on harmonising national legislation with the *acquis communautaire*; and**
- **further build up administrative structures and capacities for implementation and consistent enforcement of EU law.**

**Turkey** is an important economic actor in the European context. The country accounts for 2.5% of all extra-EU trade (1998) (among candidate countries only exceeded by Poland at 3.1%) and holds EU FDI stocks worth about 3.5 billion Euros (end-1997). In addition, Turkey is a gateway to, and a source of stability for, the Caucasus, Central Asia and the Middle East. Against that background, UNICE welcomes the:

- \* Feira European Council's invitation to the Commission to:
  - report on progress in preparing the process of analytical examination of the *acquis* with Turkey; and
  - present as soon as possible proposals for the single financial framework for assistance to Turkey as well as for the Accession Partnership, in accordance with the conclusions of the Helsinki European Council;
- \* agreement between the EU and Turkey on necessary structures and mechanisms for monitoring progress in the field of legal approximation and for observing implementation of the priorities of the Accession Partnership.

As other candidate countries, Turkey must fulfil all political and economic criteria for accession. Furthermore, the remaining problems for business in the customs union must be resolved.

UNICE believes that it is politically and economically important that countries of **South-East Europe** which are not yet accession candidates should be progressively linked to the EU. This process should not be confused with the enlargement process, which should be neither accelerated nor disturbed by it.

### **III. THE ECONOMIC IMPACT OF ENLARGEMENT**

The economic size of the candidate countries (CCs, including Cyprus, Malta and Turkey) is modest in comparison to that of the EU. Their combined GDP is 6.7% of the combined GDP of present Member States (1999). However, with the exception of 1998, the aggregate growth rate of CC-11 (candidate countries except Turkey and Malta) has been higher than that of the EU. The forecasts for 2000 predict a recovery that will allow CCs to start catching up with the EU economy again. With populations of about

170 million (corresponding to 45% of the present EU), CCs are thus likely to enlarge the Internal Market considerably in the long term.

Successful enlargement will strengthen the European economy. The economies of present EU and candidate countries are to a large extent complementary in their production and the improvement and optimisation of production capacities at lower cost will give an increase in productivity.

Economic integration between the EU and candidate countries has already been significantly strengthened, through the restructuring of the economies of the candidate countries and the free-trade provisions included in the Europe Agreements. Since 1993, trade between the European Union and Central and Eastern Europe has increased significantly (at an average annual rate of about 20%). In 1998 EU exports to CC-12 (Turkey not included) amounted to 94 billion Euros, whereas CC-11 exports to the EU amounted to 69 billion Euros, an EU surplus of 25 billion Euros. Trade with CEECs represented in 1998 11% of all extra-EU trade. Poland alone is now EU's 4<sup>th</sup> biggest export market. As stipulated in the Europe Agreements, free trade in manufactured goods with CEECs is to be fully realised by the end of 2001. As regards agricultural goods, a gradual opening of free trade has been concluded with all CEE candidate countries except Poland.

Candidate countries have, since transition started and the accession process got underway, received less EU Foreign Direct Investment (FDI) than was expected. Yet, at the end of 1997 CCs held EU FDI stocks to a value of about 31 billion Euros, corresponding to 5% of all extra-EU FDI.

Even though the EU and CCs are already economically integrated, important additional effects of full membership on business, especially direct foreign and domestic investment, are to be expected. These include:

- \* implementation of the customs union will abolish border controls;
- \* the Internal Market legislation will be fully applied;
- \* trade in agricultural products will be fully liberalised; and
- \* the investment climate will gain greater stability through the common legal framework offered by the Union.

#### **IV. IMPLEMENTATION AND ENFORCEMENT OF THE ACQUIS - KEY TO SUCCESS**

The capacity and will of candidate countries to apply the acquis effectively, in particular that of the Internal Market, on a practical level is of fundamental importance for business. Even if relevant legislation has been adopted, this is of little help to enterprises and to private citizens if the capacity and implementation practice of the courts, the police and various administrative agencies such as customs and tax administrations, competition authorities, patent offices, certification bodies, etc., are insufficient to ensure prompt and correct application of EU laws and regulations. The current capacity deficiencies must be remedied before accession. Improving candidate country administrations is of major importance in this respect.

UNICE therefore welcomes the increased emphasis on this aspect of the accession process, as outlined in the conclusions of the Helsinki European Council: "Progress in negotiations must go hand in hand with progress in incorporating the acquis into legislation and actually implementing and enforcing it".

It is important for the accession process as a whole that the above statement is followed by measures to ensure its realisation. UNICE fully supports the Commission's and Member States' commitments to being rigorous in application of the accession criteria and in evaluation of candidate countries' real degree of preparedness. The Accession Partnerships and the National Programmes for the Adoption of the Acquis are useful tools for the realisation of this objective. However, the Commission's process for monitoring of the implementation and enforcement of the acquis in candidate countries in the pre-accession phase needs to be better explained and open for comments.

## **V. CONSULTATION WITH BUSINESS IMPORTANT**

Business in the EU and in the candidate countries has an important role to play in the enlargement process. With experience from business operations in candidate countries, companies can contribute to assessment of the real situations in these countries. UNICE, with 13 members or observers from candidate countries, representing the companies that are going to apply much of the acquis, is particularly well suited to carry out this evaluation.

Considering the importance of the adoption and implementation of the acquis communautaire and the crucial role of business in this process, communication between candidate country authorities and business should be improved. It is of particular importance to encourage authorities of those candidate countries which have not already done so, to set up structures during the pre-accession phase to inform the private sector of the essential elements of the acquis which companies must observe from the first day of membership and to discuss appropriate ways to implement them. Such structures would not only encourage implementation of the acquis at company level but also facilitate taking account of the interest of candidate countries business in the process.

To contribute to this effort, UNICE welcomes and supports the Industrial Forum on Enlargement (IFE), co-ordinated by MEDEF (Mouvement des Entreprises de France) in co-operation with DG Enterprise of the European Commission. The objectives of IFE are to support a constructive dialogue between EU and candidate country actors and to:

- \* exchange information and identify current problems related to the enterprise aspects of the pre-accession strategy;
- \* make concrete proposals to national and EU authorities for solutions to these problems;
- \* ensure that recommendations adopted are transmitted to the relevant actors, and that mechanisms are put in place that lead to practical implementation.

The yearly Round Tables of candidate country and member state employers on social aspects of enlargement, initiated by Confindustria and organised each year successively by SPCR (Czech Republic), SAF (Sweden) and OEB (Cyprus), the next one being hosted by BDA (Germany), are another useful tool in this context.

## **VI. ENLARGEMENT NEEDS SUPPORT OF PUBLIC OPINION**

Knowledge of the EU and of the effects of EU membership is generally low in the candidate countries, among the general public as well as among entrepreneurs, especially SMEs. Furthermore, public opinion in favour of enlargement is weak, both in the candidate countries and in the Union.



UNICE fully supports the Commission's new communications strategy on enlargement. It should aim at reducing concerns in both Member States and candidate countries, and should make the benefits and obligations of enlargement better known and visible to both sides. UNICE welcomes the plans to involve the business community and social partners, and will participate actively in this process.

Voices have claimed that integration of candidate countries into the EU and the increase of EU FDI in CCs risk causing loss of jobs in the EU, especially in labour-intensive manufacturing, through relocation of production from the EU to CCs.

True, dynamic effects of integration have to be expected. It cannot be excluded that elements of production will be relocated to the CCs, and that employment in some sectors could be affected in the short term. However, the main bulk of EU FDI (60% in 1998) goes to the US and not to low-cost countries, contrary to what is often argued. As indicated above in section III, only 5% of extra-EU FDI goes to candidate countries.

Moreover, the overall effect of enlargement on the EU economy is expected to secure existing, and create new, jobs in present Member States. The large EU trade surplus with candidate countries indicates that CC-EU economic integration has already led to job creation in the EU. In the long term, furthermore, as the markets of new Member States develop, the "old" Member States will further benefit from the widening of the Internal Market.

Finally, there is no long-term correlation between unemployment in the EU and FDI in candidate countries. In the long-term, unemployment in the EU is not caused by FDI but by malfunctioning of labour markets.

## **VII. THE EUROPE AGREEMENTS MUST BE COMPLIED WITH**

The Europe Agreements remain the basis for bilateral relations between the EU and the candidate countries from Central and Eastern Europe (the Association Agreements with Cyprus, Malta and Turkey are slightly different). The fulfilment of obligations under the Europe Agreements by candidate countries is one of the preconditions for entry to the EU, and should be applied strictly.

Business has on-the-ground experience from commercial operations in and with candidate countries. It can give useful input as regards breaches of Europe Agreement provisions, to be taken into consideration in the Commission's regular reports and in the meetings of the Association Councils, Committees and Sub-committees. But in order for such input to be useful, both as regards timing and content, business should be consulted on appropriate ways of solving problems as part of the Commission's process for monitoring the candidate countries' fulfilment of their obligations.

State aid is one of the key areas that need to be closely monitored before accession. The state aid provisions in the Europe Agreements were designed to maintain pressure on the applicant countries to adapt to EU standards in the pre-accession phase and are binding for these countries. Exceptions to EU state aid rules must be temporary, and should only be allowed if at the same time clear requirements are imposed on the companies concerned to adapt to market conditions, with a commitment to phase out exceptions over time.

In general, UNICE notes that the visibility of state aid practices in the CEECs is generally insufficient, in spite of the Commission's commitment to transparency in this field, and urges the Commission to improve this situation. In particular, it is necessary to ensure compliance by CEECs with the obligation set out in the Europe Agreements to notify the granting of state aid to the Commission.

Another area where improvements are needed is the practice by candidate countries of one-sided certification requirements. These and other barriers to trade must be removed as soon as possible.

## **VIII. PRE-ACCESSION ASSISTANCE SHOULD FOCUS ON ACQUIS COMPLIANCE**

The pre-accession assistance should focus on initiatives to ensure compliance with the acquis and to cope with single market pressures as well as on support for organisations representing business in CCs. UNICE is prepared to share its experience as the inter-sectoral European business organisation.

Increased support for institution-building through twinning will enhance the capacities of public administrations and facilitate implementation and enforcement of the acquis communautaire. Twinning should focus on administration in the areas of:

- taxes;
- customs;
- standardisation, accreditation and conformity;
- competition policy, including merger control, as well as state aid inventory and control;
- intellectual and industrial property;
- sanitary and phytosanitary control;
- protection of health and safety at work;
- law enforcement.

The two new pre-accession aid instruments - ISPA (Instrument for Structural policies for Pre-Accession) and SAPARD (Special Accession Programme for Agriculture and Rural Development) - should be made fully operational as soon as possible in all candidate countries. UNICE welcomes the more decentralised approach towards implementation of the programmes, and urges the Commission to ensure that the funds are used efficiently and effectively, while responding to the needs of particular countries and regions. Cyprus, Malta and Turkey should be given access to the ISPA and SAPARD programmes.

## **IX. COMMENTS ON NEGOTIATING CHAPTERS OF INTEREST TO BUSINESS**

For European business, the most important aspect of the accession negotiations is that the Internal Market and flanking policies are not distorted. However, transition periods may need to be accepted in certain cases. If so, they should be limited in scope and in time and combined with strict conditions for full application of the acquis. At the moment of entry, EU law is not only to be transposed into national law but also to be implemented and consistently enforced in candidate countries as required by the Copenhagen criteria.

### **IX.1. Free movement of goods**

No exemptions as regards free movement of goods should be accepted. This could easily be used as a precedent. Before accession to the EU, candidate countries should as a minimum implement all European standards referred to in "New Approach" Internal Market directives. Preferably, all candidate countries should also reach the CEN membership requirement level of 80 percent implementation of European standards. The applicant countries should eliminate certification and registration requirements for consumer products, both food and non-food (such as cosmetics and detergents) which are not subject to certification or registration in the EU. The principle of mutual recognition of divergent but equivalent standards in areas not covered by EU directives ("Cassis de Dijon") should be applied to the same extent as in present Member States. Speedy and full adoption and implementation of the Community legislation on public procurement is necessary, as well as the setting-up of authorities in this field.

All Europe Agreement obligations regarding free movement of goods have to be fulfilled before the accession negotiations are completed.

### **IX.2. Freedom to provide services**

Smoothly functioning cross-border services in finance, transportation, telecommunications, etc., are essential to the efficient functioning of the Internal Market. Substantial legal changes are needed in many candidate countries to allow for the necessary free right of establishment and national treatment of EU service providers. Speedy implementation of the EU financial directives is necessary. Mutual recognition of diplomas and the establishment of transparency of professional qualifications, which are key to the freedom of provision of services, should be developed.

Candidate countries should have the freedom to provide services in the EU, under the condition that in the country in question, the *acquis* is implemented and enforced.

### **IX.3. Free movement of capital**

Further progress needs to be made towards the abolition of remaining restrictions to the free movement of capital. There must be no restrictions in this field after entry. Direct investment from other Member States should be given national treatment in accordance with the *acquis*. Exceptions such as some countries have demanded in the case of the acquisition of land and real estate obstruct the flow of capital and free investment decisions. The EU should not concede such requests unless with very strict conditions. Furthermore, clear and easily available documentation on land ownership is essential for both investment and for mortgage lending. Such registration must be available in all candidate countries at the date of accession.

#### IX.4. Freedom of movement for persons and employment

The free movement of persons is one of the key elements of the Internal Market. At the same time it is a very sensitive issue. Differences in wages and standards of living between candidate countries and Member States and the relatively high level of unemployment in candidate countries can be incentives for migration, especially in border regions. However, the concerns expressed by some member-state governments and some parts of public opinion regarding large flows of migrants from new Member States seem exaggerated.

A study<sup>2</sup> carried out on behalf of the European Commission estimates that around 335,000 people p.a. from CEECs would move to present Member States immediately after the introduction of free movement of persons. 35% of these would be employees. After thirty years, CEEC migrants will constitute only 1.1% of the population of present Member States. Similar projections of limited migration are made by another study<sup>3</sup>. The view of limited migration is further supported by the fact that similar fears about large levels of migration which were voiced when Greece, Spain and Portugal applied for EU membership have since been shown to be largely unfounded.

Furthermore, since an EU job-seeker cannot stay for more than a short period in another Member State without finding a job, migration is limited in time even in a situation of free movement. When it comes to unskilled workers, fears of competition from nationals of new Member States leading to lowering of wages do not take into account the highly regulated nature of labour markets in Member States. As regards qualified workers, the EU could benefit from an increased supply of well-educated workforce, especially in the engineering and IT industries. This does not reduce the need for training in the EU to address this skills gap. With regard to the challenges of enlargement and free movement of persons UNICE supports the recommendations pointed out in the aforementioned study<sup>4</sup> carried out on behalf of the European Commission, that structural reforms and more flexible labour markets are necessary also in present member states.

As a key element of the Internal Market, free movement of persons should be granted to CCs as soon as they have fully implemented the *acquis communautaire*. Until then, appropriate and flexible solutions must be found. Transition periods have to be as short as possible.

In implementation of the *acquis*, the field of health and safety at work should be given first priority given its particular importance. Minimum standards set up by European Directives in this field will have to be applied in CCs once they have become members. However, European directives on safety and health at work contain provisions of a more institutional or organisational nature (which do not have a direct impact on the single market), for which transposition into national legislation in the CCs could benefit from transition periods, allowing proper time to be successfully integrated in the different legal systems.

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<sup>2</sup> *The Impact of Eastern Enlargement on Employment and Labour Markets in the EU Member States*, European Integration Consortium: DIW, CEPR, FIEF, IAS, IGIER, Berlin and Milano 2000.

<sup>3</sup> *In Assessment of possible migration pressure and its labour market impact following EU enlargement to central and eastern Europe: Part 1* by John Salt, James Clarke, Sandra Schmidt, Jennifer Hogarth, Paul Densham and Paul Compton (Migration Research Unit, Department of Geography, UCL; School of Library, Archive and Information Studies, UCL), London 1999, the authors suggest that from the five Central and Eastern European countries of the Luxembourg group, between 55,000 and 278,000 persons might migrate per year.

<sup>4</sup> *The Impact of Eastern Enlargement on Employment and Labour Markets in the EU Member States*, European Integration Consortium: DIW, CEPR, FIEF, IAS, IGIER, Berlin and Milano 2000.

It is necessary that future European Social Policy standards do not impose obligations that are unsustainable and cannot be effectively implemented by new Member States. Candidate countries should be in a position to respect them without hampering their economic development.

#### **IX.5 (a) Company law**

Rules on disclosure, protection of creditors and other regulations essential to ensure enforcement of contractual obligations must be enacted. Candidate countries should therefore fully implement the existing body of Community legislation in the areas of financial information and company law.

However, in order to apply company law effectively, it is also necessary to set up public registers of all incorporated companies, which contain essential financial and organisational information, and to require qualified independent auditors to audit the accounts of all large or publicly traded companies.

In addition, since the areas of financial information and company law are going to be thoroughly reviewed based on the Commission's action plan for financial services, UNICE would suggest that candidate countries be informed and consulted on the work in progress, in order to prepare and accelerate further implementation.

#### **IX.5 (b) Intellectual and industrial property**

##### **(i) General**

Effective protection of intellectual property is of special importance to encourage high-tech trade and investment links with the candidate countries. It is important that the legal and technical structures in place to ensure full compliance with European and international regulations in this area are completed and fully implemented.

It is essential that intellectual property laws and standards of enforcement in the candidate countries are equivalent by the time of accession. Existing obligations on candidates to provide similar levels of intellectual property protection are provided in the Europe Agreements and under TRIPs, and have yet to be fully complied with by all candidate countries.

Ensuring that products enjoy the same protection in the candidate countries as in the EU is a key objective. Where differences exist at accession, in law or practice, appropriate steps will need to be taken to protect the interests of rights holders.

##### **(ii) Trademarks**

As far as trademarks are concerned, UNICE estimates that when accession negotiations are completed, there will be over one hundred thousand Community trademark (CTM) registrations. Enlargement will raise questions of a legal and an administrative nature.

In this context, UNICE considers it necessary that:

- \* existing CTM and CTM applications are automatically extended to the new Member States;
- \* the unitary character of the CTM is not affected by enlargement;
- \* the CTM language regime remains unchanged;
- \* adequate mechanisms are found to resolve conflicting rights.

UNICE is concerned about deliberate filing of known CTMs in candidate countries with a view to selling the resulting registration back to its true owner when enlargement is completed. UNICE believes that the owner of a national trademark identical to a CTM with an earlier filing, publication or registration date should have no rights against the CTM unless it has been genuinely used in the country concerned before that date.

### (iii) Patents

As regards patent protection, European business considers it important that holders of patent rights have the right to oppose parallel imports from new member states in those cases where patent protection is lacking. This is the case where in the past no patent protection was available but products were already on the market.

In addition, it is necessary to protect the existing benefits provided by the *acquis* in relation to protection of regulatory data and supplementary protection certificates. A smooth transition to EU standards must be ensured and it should be made clear to the candidate countries and their business communities that any national rights acquired pending adoption of the *acquis* will be overridden by the *acquis* where inconsistencies exist.

Finally, UNICE would like to point out that it has consistently stressed the need for a unitary patent system for the Community and it has welcomed the proposals recently presented by the Commission. The perspective of enlargement only underscores the need to endow the Community with such a system and, as with the CTM, steps will have to be taken to ensure a smooth transposition of the *acquis*.

## **IX.6. Competition policy**

Speedy and full adoption and implementation of the common competition rules and Community rules on state aid control are of fundamental importance to avoid watering down of the Internal Market in an enlarged Union. Derogations from EU state aid rules, as requested by some candidate countries, should not be accepted: as indicated under VII. above, any exceptions should only be temporary, and granted under strict conditions.

Special attention should be paid to the creation of credible and independent authorities in these fields, in order to ensure effective monitoring and enforcement of relevant decisions in new Member States.

Special economic zones that exist in some candidate countries are not compatible with Community state aid rules (non-equal treatment of companies). Transition periods in this field should be few and limited and there must be a standstill on the creation of new zones.

## **IX.7. Transport policy**

It is important to ensure equal opportunity on the transport market and avoid distortion of competition. Transition periods clearly requested for reasons of protection of domestic operators must not be allowed. Furthermore, transition periods as regards social, safety and environmental acquis in the transport sector could increase the exposure of the environment, workers, passengers and other traffic to risks. On the other hand, during the pre-accession period the road transport market between a candidate country and the EU could be opened gradually by mutual agreement in accordance with the level of adaptation of the candidate country involved to present EU road transport legislation (acquis communautaire).

## **IX.8. Taxation**

As stated above, the free movement of goods and services is essential to the Internal Market. In that context, VAT is to be as small an obstacle as possible. Therefore, any new Member State will have to accept the VAT directives in full (subject to the simplification work underway). The new Member States would also benefit from that since it would make it easier to participate in the Internal Market and to exploit it.

## **IX.9. Economic and monetary union**

In order for new Member States to fully take part in the economic and monetary union when qualified, it is necessary that, apart from fulfilling the Economic Copenhagen criteria, they fulfil all requirements stated by the Maastricht Treaty and relevant protocols. Special attention should be paid to the full independence of their central banks.

## **IX.10. Regional policy and co-ordination of structural instruments**

The principles that govern regional policy in the EU should be extended to the candidate countries. Actions under the structural funds should be able to guarantee an equitable distribution of resources to the benefit of all disadvantaged regions in the EU and in candidate countries. Procedures should be as simple and transparent as possible. The limited absorption capacity of the candidate countries must be taken into account, and expenditure should therefore be targeted towards strategic priorities. Measures that improve the business environment and maximise the gearing effect of investment should be encouraged. Strategic priorities should include building up an internal capacity to make the best use of available pre-accession funds and upgrade the infrastructure, whether in the case of transport, environment, agriculture or standards/certification, etc.

Consultation and partnership with business at all stages of project design and implementation will also assist regional economic development in the long term.

Trans-national and interregional co-operation in the framework of enlargement could be an effective means for supporting co-ordination between Member States and candidate countries, through development of, for example, trans-national town and country planning projects in the widest sense: new Information and Communication Technologies (ICT) networks, transport infrastructures, energy networks. The cross-border aspects of Community programmes will be an important method of fostering links and facilitating transfer of know-how, particularly through creation of cross-border infrastructure.

The Interreg III Community Initiative has an emphasis on external EU borders, and its joint project structures will encourage co-operation, although it can be complex for the partners involved.

Human resource development is also essential for effective use of available funds. Technical assistance to improve project management skills among local partners should therefore be foreseen.

### **IX.11.Environment/Health and Safety standards**

It is essential that the new Member States apply EU environmental, safety and health standards for products from the date of accession. If this is not the case, distortions will occur in the Internal Market, which could impair the free flow of goods and distort competition.

Environmental requirements on production plants and processes should be harmonised with those of the existing Member States. Permanent derogations for environmental standards in production plants and processes will distort competition and may lead to environmental dumping.

It is important not only to define clearly the environmental obligations to be met by future EU members but also to specify the arrangements (e.g. creation of a monitoring system) which need to be put in place to verify effective application of the provisions agreed in the accession treaties by operators in the new member countries.

It is often argued that the costs for implementing the environmental acquis would be so high (120 billion Euros) that in reality it would make speedy enlargement impossible, and that therefore transition periods are necessary. However, a report<sup>5</sup> from CEPS (Centre for European Policy Studies) argues that the estimates of costs for upgrading environmental standards in candidate countries are exaggerated, mainly due to two reasons: 1) The existing capital stock of the private sector will have been largely replaced by the time of accession in the interests of modern quality, productivity and energy efficiency standards; 2) The costs for implementing the acquis in the area of utilities could be largely reduced through transfer of the investment burden to private utilities and through cost-recovery pricing.

### **IX.12. Customs union**

For economic reasons, it is desirable that customs controls between the new and the old Member States can be abolished as early as the date of accession. This can be achieved only if new Member States apply the Internal Market acquis, participate in the Common Agricultural Policy and adopt and implement common EU customs procedures from that date at the external borders with the same degree of efficiency as present Member States. Furthermore, efficient and reliable customs administrations are required in order to prevent parallel imports into the EU.

In this context, UNICE welcomes resources devoted to training of candidate country customs officials, notably in the framework of the Mattheus programme.

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<sup>5</sup> *The Environment in European Enlargement*, Centre for European Policy Studies, June 2000.



### **IX.13.External relations**

Due to the different structure of their industry, candidate countries are more likely to be exposed to competition from third countries. There is thus a risk that they would defend more protectionist standpoints in international trade negotiations. Integration of candidate countries must not be allowed to have a negative effect on international negotiations to liberalise trade in goods, services and intellectual property on a global scale. Indeed, it is essential that new Member States fully apply all parts of the EU acquis pertaining to bilateral and international agreements, so that the position of the Union vis-à-vis third countries is in no way impaired by enlargement. This policy area is of such fundamental importance to the Union and in particular to the functioning of the Internal Market that no derogations except minor transitional ones should be allowed.

UNICE welcomes the DG Trade initiative to inform and consult candidate countries regarding WTO issues with a view to bring negotiating positions closer together.

The anti-dumping instrument should remain effective up until accession and the preferential adoption of price undertakings should only be applied when appropriate.

### **IX.14. Agriculture**

In candidate countries, agriculture is generally more important than in the present Member States, at the current state of their economic development with regard to both GDP and to the proportion of the population employed in agriculture. On average, in these countries over 20% of the persons in gainful employment are still in agriculture.

Against this background, and considering the fact that all candidate countries presently negotiating the agriculture chapter have demanded to take part in the Common Agricultural Policy (CAP) directly upon accession (at the same time as they request special treatment for their producers), including benefiting from direct payments, the planned expenditures on CAP have to undergo a careful evaluation. The new momentum for CAP reform, created by EU enlargement and negotiations in the framework of WTO, must be pursued with great priority. Without reforms, the ceiling for the EU budget will probably not be kept at 1.27% of GDP. Further tax burdens for business to finance the costly CAP cannot be accepted. It is a condition that a financial framework is put in place, prior to accession of new members, that is sustainable in a Union of 28 Member States or more.

For European industry it is of great importance that the agricultural sanitary and phytosanitary standards of the EU are adopted completely in candidate countries.

## **X. CONCLUSIONS**

UNICE will continue to monitor closely and support the enlargement process actively. It is looking forward to increasing co-operation with European institutions and candidate-country officials and business on this matter, which is of vital importance to Europe and its companies.

Attached to this position paper are notes on candidate countries' progress towards EU accession, prepared by the UNICE Task Force on Enlargement.

## **UNICE TASK FORCE ON ENLARGEMENT**

### **NOTES ON CANDIDATE COUNTRIES' PROGRESS TOWARDS EU ACCESSION**

In order to give business input to the enlargement process, UNICE has set up a Task Force on Enlargement, with a rapporteur for each candidate country. These rapporteurs are business representatives using their experience from and network of business operators in the country in question to express the views of European and domestic business on the countries' progress towards EU accession. The notes attached are not comprehensive country overviews. Rather, they identify problems encountered by companies, in particular as regards adoption, implementation and enforcement of the *acquis communautaire*, and gives recommendations, from a business point of view, aimed at helping the countries meet the Copenhagen criteria.

## **BULGARIA'S PROGRESS TOWARDS EU ACCESSION**

Note compiled by M J Carbine, for UNICE Task Force on Enlargement  
June 2000

### **Introduction**

European business supports the accession of Bulgaria to the European Union and welcomes the opening of accession negotiations with the country. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Bulgaria's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### **General assessment of the situation**

Bulgaria has made good progress in achieving macroeconomic stability, which improves the business climate in the country. The Bulgarian government, however, needs to translate its political will into actions that can accelerate the further transformation of the economy and the official structures. There is general inability of Bulgarian governmental structures to deliver EU-compatible laws in a consistent, non-corrupt way. There is a task to produce a public service at central, regional and local level that is able to enforce laws. This means institution-building in all areas, together with intensive training programmes and critical, but honest, assessment by the EU negotiators of whether progress is being achieved. The recent move by the Bulgarian government to consult more closely with business is welcomed.

### **Problems encountered/recommendations**

- \* Widespread corruption needs to be tackled;
- \* The Privatisation Agency needs to be more transparent and treat foreign and domestic bidders equally;
- \* The global approach in standards should be adopted, the technical inspectorate needs to be strengthened and the certification system should accept EU standards as well as speed up its procedures;
- \* A well-trained regulatory body for the insurance sector needs to be established;
- \* International standards in the accountancy sector should be adopted;
- \* The government should be encouraged to open a dialogue with business on the need for vocational training, in particular in the IT industry;
- \* More efforts are needed to apply the protection of Intellectual Property Rights;
- \* The problems with tax collection and tax discrimination against foreign companies need to be tackled. Training in this area is urgently needed;
- \* True costing and billing should be introduced in the energy sector;
- \* Customs organisations need further strengthening and training to be able to service an open trade policy;
- \* Progress on completion of the land register and land title system must be accelerated.

UNICE is prepared, where appropriate, to organise direct contacts between Commission negotiators and specific companies, in particular as regards customs and taxation.

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## **CYPRUS' PROGRESS TOWARDS EU ACCESSION**

Note compiled by E. Nicolaidou, for UNICE Task Force on Enlargement  
June 2000

### **Introduction**

European business supports the accession of Cyprus to the European Union. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on the progress made by Cyprus towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### **General assessment of the situation**

Cyprus has achieved stability of institutions guaranteeing democracy and the rule of law. The country continues to respect human rights and freedoms. Cyprus fulfils the Copenhagen political criteria. The decision of the Helsinki summit not to consider the solution of the Cyprus problem a condition for its accession has had a positive impact on business confidence. Cyprus is a functioning market economy. It should be able to cope with the competitive pressures and market forces within the Union. However, Cyprus has not made the anticipated progress in further alignment with the internal market acquis.

### **Problems encountered/recommendations**

- \* Cumbersome bureaucratic procedures in various public authorities put a burden on business;
- \* Public sector deficit needs to be cut, through reduction of public services, privatisation of public sector companies and financing of public projects with the Build-Operate-Transfer (BOT) method;
- \* The preferential treatment of domestic industry in public tenders should be abolished as soon as possible;
- \* The business sector of Cyprus needs to be more involved in the accession strategy;
- \* Necessary dispositions in the fields of standardisation, certification and accreditation should be taken, e.g., The Organisation for Standards and Control of Quality should be transformed into an independent organisation;
- \* Despite progress in the field of protection of intellectual and industrial property rights, further progress is needed, in particular as regards enforcement;
- \* Administrative procedures of the VAT system for certain products are not harmonised with the current EU system;
- \* Liberalisation of trade in goods not covered by the customs union should take place as soon as possible;
- \* Tariffs on various agri-food, cosmetic and other products create problems for companies;
- \* Liberalisation in the area of transport is imperative, not least in view of the efforts of the Government to make Cyprus a regional centre for services;
- \* The integrated tariff of the European Community TARIC has not been implemented yet;
- \* The system of tariff drawbacks and reliefs which applies for certain raw materials and other imported products is still implemented. Cyprus should align with the acquis in this area as soon as possible.
- \* The financial sector needs liberalisation;
- \* Further progress needs to be made towards the gradual abolition of all remaining restrictions regarding free capital movement.

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## **THE CZECH REPUBLIC'S PROGRESS TOWARDS EU ACCESSION**

Note compiled by L. Neville-Rolfe, for UNICE Task Force on Enlargement  
June 2000

### **Introduction**

European business supports the accession of the Czech Republic to the European Union. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on the Czech Republic's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### **General assessment of the situation**

The Czech Republic fulfils the political Copenhagen criteria. The country can be regarded as a functioning market economy and it should be able to cope with the competitive pressure and market forces within the Union. However, further restructuring of the economy is necessary. Even though the speed of legislation has seen an improvement over the last year, lack of cohesive government and weak and corrupt administrative structures are obstacles to Czech accession to the EU. The widespread expectation of extra-legal payments inside and outside Government ("corruption") is an issue that must be addressed.

### **Problems encountered/recommendations**

- \* Public administration needs to be more efficient, in particular in the customs area;
- \* Co-operation with business and business organisations should be enhanced;
- \* The system of commercial courts is severely underdeveloped and the court system lacks resources;
- \* Despite progress on intellectual property rights, further reforms are needed and registration procedures need to be improved;
- \* Tax collection is still less well developed than in EU Member States;
- \* Restructuring and privatisation should be speeded up. The process would be supported by:
  - legal reform in the area of banks and investment funds;
  - overhauled bankruptcy legislation.
- \* Price liberalisation should continue. Discriminatory treatment of foreign companies, notably in the pharmaceutical industry, must cease;
- \* The telecommunications market should be fully liberalised as soon as possible. The regulatory body needs to be truly independent with the capacity to enforce law;
- \* Transport restructuring plans, particularly in relation to road and rail transport, need to be implemented;
- \* Tax incentives for training employees should be considered;
- \* Ethical standards need to be supported through the education system, and the primacy of contract established;
- \* The pension system needs to be reformed;
- \* Health and Safety standards and consumer protection should be improved.
- \* The Government must work with business on implementing the acquis so that bureaucracy is reduced and regulation simplified – not the reverse.

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## **ESTONIA'S PROGRESS TOWARDS EU ACCESSION**

Note compiled by T. Laukkanen, for UNICE Task Force on Enlargement  
June 2000

### **Introduction**

European business supports the accession of Estonia to the European Union. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Estonia's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### **General assessment of the situation**

There is a strong political consensus in Estonia to accede to the European Union. The government is determined to make Estonia ready for EU membership in 2003 so that the country could be among the first candidate countries to join the Union. Estonia fulfils the Copenhagen political criteria, but institution-building should be continued and strengthened in order to improve the efficiency of the administration in enforcement of the EU harmonised legislation. Estonia has a well functioning and open market economy subject to competitive pressure. The repercussions of the Russian crisis are gradually being overcome.

### **Problems encountered/recommendations**

- \* The capacity of the administration in the preparation of laws needs to be enhanced to further accelerate introduction of new legislation;
- \* Consultation with the interest groups on all matters related to EU accession has become a practice but intensified consultation and information of interest groups is important to guarantee broad support for EU membership and successful adaptation to the EU legislative environment;
- \* The fight against corruption in police and customs as well as in other organisations and institutions of central and local administration must be continued and strengthened;
- \* There is a great need for training of the judges, prosecutors and barristers. Co-operation between the judiciary, prosecution, police and customs should be strengthened;
- \* Legislation on free movement of goods does not hamper trade and investments but enforcement of the TRIPS agreement and especially the fight against piracy should be strengthened;
- \* Unfinished land reform and restitution of land and houses to previous owners and their heirs have created cases of unclear ownership;
- \* Privatisation of the energy sector has suffered from inadequate transparency;
- \* Information campaigns on EU environmental standards and their implementation are needed for municipalities and companies;
- \* Border control as well as food and technical safety laboratories require substantial investments to guarantee fulfilment of EU standards.

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## HUNGARY'S PROGRESS TOWARDS EU ACCESSION

Note compiled by W.J. Laan, for UNICE Task Force on Enlargement  
June 2000

### Introduction

European business supports the accession of Hungary to the European Union. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Hungary's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### General assessment of the situation

Democratic institutions are functioning well in Hungary. Thanks to its governments' strong and consistent commitment to EU accession, Hungary has already reached a high level adoption of the *acquis*, but the progress in approving legislation should now be followed by implementation and legal enforcement. Mainly due to investments of European companies, the Hungarian economy is already – to a large extent – well integrated in the EU economy. The country has a functioning market economy that has all pre-conditions to cope with the competitive pressure and market forces within the Union. Currently Hungary has a stable macro-economic framework and a predictable economic environment.

### Problems encountered/recommendations

- \* Improvements of public administration should focus on:
  - service culture among civil servants;
  - consistency in application of regulations at different levels of state authorities and in different areas of the country;
  - further transparency, in particular with regard to local authorities;
- \* The judiciary requires further resources and competence in order to deal with EU law interpretation;
- \* Despite improvements in customs procedures, non-uniform application still remains a problem and the handling capacity at border crossings needs to be increased;
- \* Government-business communication functions well but could be strengthened. Furthermore the various organisations representing business should enhance their co-operation in order to strengthen their position;
- \* An autonomous social dialogue between representative social partners should be established by the social partners so that Hungary can play its role in the European Social Dialogue after accession;
- \* An increased infrastructure development in less developed Eastern regions is required to tackle regional disparities as regards FDI;
- \* The black and grey economy needs to be downsized;
- \* True pricing in the energy and public utility should be introduced;
- \* Small and medium-sized enterprises need to be further integrated into the EU economy, notably in the framework of the so-called "suppliers' charter". State aid programmes for SMEs should assist also the service sector;
- \* Procedures for assessment of individual projects as regards pre-accession funds in further developing infrastructure should be organised more efficiently, *inter alia* through further development of management skills of civil servants and the use of existing EU experience.

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## **LATVIA'S PROGRESS TOWARDS EU ACCESSION**

Note compiled by P.M. Wijkman, for UNICE Task Force on Enlargement  
June 2000

### **Introduction**

European business supports the accession of Latvia to the European Union and welcomes the opening of accession negotiations with the country. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Latvia's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### **General assessment of the situation**

Strong political determination and improved administrative capacity have generated significant progress in Latvia in the past three years. Latvia fulfils the political Copenhagen criteria but backsliding remains a risk. Corruption is a serious threat to the rule of law as well as a serious concern for foreign traders and investors. Latvia has made a successful transition to a market economy but large-scale privatisation lags seriously behind schedule. The ability of public administrations is generally low and excessive bureaucracy is a serious problem for traders and foreign direct investors. Weaknesses concern implementation and enforcement rather than transposition of laws. Hence, the country's growth potential remains largely unrealised.

### **Problems encountered/recommendations**

- \* In order to tackle corruption, Latvia should:
  - sign the OECD convention on combating bribery of foreign public officials;
  - ratify the Council of Europe Criminal law concerning corruption; and
  - amend the corruption law;
- \* The problems of unclear, cumbersome and even contradictory administration in the areas of customs, immigration and real estate acquisition need to be tackled urgently; procedures for foreign acquisitions of land need to be simplified;
- \* Transposition of the acquis should be speeded up, in particular in the fields of:
  - accounting and auditing laws;
  - free movement of persons and the right of establishment;
  - rules and procedures for mutual recognition of diplomas and professional qualifications;
  - foreign investments in security services, freedom of insurance companies and private pension funds to engage in outward portfolio investments;
- \* The capacity of public administration needs to be strengthened, in particular as regards enforcement, mainly through institution-building. Major areas concerned are:
  - intellectual and industrial property rights;
  - company law and bankruptcy proceeding;
  - tax collection;
- \* Discrimination against national minorities and foreign languages is a problem for business and should be tackled;
- \* Large-scale privatisation should be carried through on schedule.



## LITHUANIA'S PROGRESS TOWARDS EU ACCESSION

Note compiled by B. Frederiksen, for UNICE Task Force on Enlargement  
June 2000

### Introduction

European business supports the accession of Lithuania to the European Union and welcomes the opening of accession negotiations with the country. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Lithuania's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### General assessment of the situation

Lithuanian law is poorly and unevenly implemented. The civil service is characterised by corruption and lack of dialogue with business. The judiciary has poor enforcement capacities. The economy is very dependent on the EU economy, and growth will be export-led. Substantial investments are needed to ensure companies' capacity to compete in the Internal Market. Even though there is room for improvement, Lithuania is a functioning market economy.

### Problems encountered/recommendations

- \* Poor implementation of legislation creates problems for business;
- \* There is a tendency to make legislation more detailed than necessary;
- \* Corruption, including passive corruption, is a serious concern to business, in particular in connection with start-ups;
- \* The government's efforts to tackle corruption is welcomed, but it should not hinder the smooth functioning of business operations, in particular in the customs area;
- \* Legislation is often drafted without sufficient dialogue with business;
- \* Widespread discrimination against foreign companies needs to be tackled, in particular when it comes to public procurement;
- \* Bankruptcy legislation, and the possibility of restructuring a company in order to avoid bankruptcy, should be improved;
- \* The banking sector suffers from bureaucracy, politicisation and mismanagement. Foreign banks suffer from differentiated treatment when trying to enter the Lithuanian market;
- \* In spite of quite large efforts and of the fact that Lithuanian customs in general function quite well compared with other candidate countries, customs procedures are very time-consuming and unnecessary, due to lack of recognition of European standards and procedures.
- \* Incentives for Foreign Direct Investment (FDI) should not be allowed to worsen the competitive situation of local businesses;
- \* The mentality among Lithuanian enterprises is far from being market-economy-oriented.

## MALTA'S PROGRESS TOWARDS EU ACCESSION

Note compiled by A Forbes, for the UNICE Task Force on Enlargement  
September 2000

### Introduction

European business supports the accession of Malta to the European Union and welcomes the opening of accession negotiations in February 2000. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Malta's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business perspective, aimed at helping the country meet the Copenhagen criteria.

### General assessment of the situation

Malta's democratic institutions function well, and the current government is making a determined effort to be ready for early EU accession. Nevertheless, the reservations about the EU of the opposition Socialist Party are a cause of concern. The next elections, due by September 2003, will prove decisive in this regard. Malta's functioning market economy is well integrated into that of the EU, and on the basis that certain key reforms are undertaken, should be able to cope with competitive pressure within the Union.

### Problems encountered/recommendations

- \* In many areas, government must move from merely introducing EU-compatible legislation to real implementation and enforcement;
- \* The government must now carry through on its recent commitments in aligning intellectual property rights and data protection with the *acquis*;
- \* Privatisation procedures and company restructuring need to be accelerated to help the business climate;
- \* Liberalisation aimed at greater free movement of goods, capital and services (in particular in the enterprise sector) should be speeded up, in line with the government's engagements in the National Plan for Adoption of the Acquis (NPAA);
- \* The business sector should, as a matter of priority, be made more involved in all stages of the accession strategy;
- \* The public service is currently top-heavy and overly bureaucratic;
- \* The pensions system needs to be updated;
- \* Problems in the area of taxation include shortcomings in collection procedures, and the need to communicate the detail of the revised tax package to the business community;
- \* A strategy for the agri-food sector will have to be articulated, in view of the inevitable reforms that EU membership will entail.

## **POLAND'S PROGRESS TOWARDS EU ACCESSION**

Note compiled by F. Wehnert and M. J. Carbine, for UNICE Task Force on Enlargement.  
June 2000

### **Introduction**

European business supports the accession of Poland to the European Union. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Poland's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the criteria for accession to the EU.

### **General assessment of the situation**

Poland has made further progress in adapting to EU law and in reaching the Copenhagen criteria for accession. The country fulfils the political criteria but political decision-making structures, affecting the adaptation to EU law, have to be streamlined to secure successful accession negotiations. Poland has a functioning market economy and has made impressive progress on structural reforms. The country is already deeply integrated into the West as an important trade and investment partner for the EU. However, further efforts have to be made to fulfil all economic criteria.

### **Problems encountered/recommendations**

- ?? Full compliance with the principles of the Europe Agreements still has to be realised. Particular emphasis should be given to potential breaches in such fields as certification rules, accounting rules, protection of intellectual property rights and the law on Polish language;
- ?? Privatisation and restructuring has to be accelerated to improve the overall business environment, a condition for attracting additional foreign investment;
- ?? Administrative capacities should be established or improved to apply EU law consistently and to eradicate corruption;
- ?? Business should be more involved in drafting laws necessary to comply with the acquis;
- ?? Support, notably in the form of twinning, should be given to the establishment of efficient and well-organised business federations representing and defending the interest of companies;
- ?? No new incentives for investment in economic zones should be given that are not compatible with the acquis or Europe Agreement provisions.
- ?? A thorough reform of the social system is necessary for the creation of a stable economic and financial environment;
- ?? The customs regime should be modernised, and strict controls applied in order to avoid unlawful re-imports into EU Member States;
- ?? Financial resources should be swiftly allocated to support rural development and the creation of non-agricultural employment in rural areas, notably through provision of venture capital;
- ?? Social legislation needs to be modified to improve employment and to comply with EU law.

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## **ROMANIA'S PROGRESS TOWARDS EU ACCESSION**

Note compiled by M. Maindrault, for UNICE Task Force on Enlargement  
June 2000

### **Introduction**

European business supports the accession of Romania to the European Union and welcomes the opening of accession negotiations with the country. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Romania's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### **General assessment of the situation**

Romania partly fulfils the political Copenhagen criteria. Progress needs to be made to tackle corruption, improve the operation of the judicial system and to reform public administration. The administrative capacity and the financial means are far from sufficient to end corruption. Romania's transition to a market economy has been delayed and the economic situation remains fragile. An unsatisfactory business climate, without a stable legal environment, brings about a lack of confidence among domestic and international economic actors. The uneven pace of economic restructuring further aggravates the destabilisation of the macro-economic situation. Progress has been made in harmonising legislation with the *acquis*, but administrative and judicial capacities need to be strengthened.

### **Problems encountered/recommendations**

- \* Privatisation procedures needs to be made more transparent;
- \* The two per cent import surtax should be abolished;
- \* State aid control should be improved and direct aid to large companies destined for restructuring needs to be cut;
- \* Intellectual property legislation needs to be brought completely in conformity with Community law and its implementation and enforcement should be enhanced;
- \* A legislative framework for the internal market "new approach" should be introduced;
- \* Customs should recognise EU certifications and apply the law of certification of conformity in its entirety;
- \* Knowledge of the use of European standards should be improved and procedures accelerated;
- \* Progress needs to be made as regards conformity with the *acquis* in the area of securities' markets, bank supervision and surveillance of the insurance market;
- \* The setting-up of a regulatory body for telecommunications should be speeded up;
- \* The number of exemptions from VAT should be cut;
- \* The discriminatory excise regime on tobacco and spirits will have to be abolished;
- \* The administrative capacity as regards tax collection should be improved;
- \* More financial resources should be devoted to protection of the environment;
- \* Romania should sign all multilateral agreements in the framework of the WTO, notably the one on public procurement;
- \* The agreement with Moldova on preferential treatment of products from that country will have to be brought in line with the *acquis* prior to accession;
- \* Customs administration needs to be improved, to fight corruption and enhance staff skills, and the customs law must be applied in a more consistent way.

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## **SLOVAKIA'S PROGRESS TOWARDS EU ACCESSION**

Note compiled by W. Freilinger, for UNICE Task Force on Enlargement  
June 2000

### **Introduction**

European business supports the accession of Slovakia to the European Union and welcomes the opening of accession negotiations with the country. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Slovakia's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### **General assessment of the situation**

The general situation in Slovakia is marked by an improvement in political stability despite economic decline. Growth has slowed down and the austerity programme has driven up unemployment. However, the last year and a half have shown important successes in several areas of the economy. Trade between the EU and Slovakia has increased four times since 1993. However, the level of Foreign Direct Investment (FDI) is low, mainly due to investor-unfriendly legislation, high interest rate and the small market. The Slovak Republic (SR) has to improve the performance of the administration in general and the public services in particular for carrying through the legal changes/modifications necessary to be in compliance with the *acquis*.

### **Problems encountered/recommendations**

- \* Harmonisation with the *acquis* should be speeded up in the following fields:
  - environmental protection;
  - judicial system;
  - home affairs;
  - transport;
  - agriculture; and
  - financial control.
- \* Problems have been encountered by companies as regards:
  - certification of foreign products/equipment;
  - time-consuming procedures in terms of outstanding claims;
  - unclear property rights.
- \* A higher rate of Foreign Direct Investment will be achieved by improvements in the areas of:
  - transparency in the investment process;
  - transport infrastructure; and
  - border controls.

## **SLOVENIA'S PROGRESS TOWARDS EU ACCESSION**

Note compiled by F. Pacorini, for UNICE Task Force on Enlargement  
June 2000

### **Introduction**

European business supports the accession of Slovenia to the European Union. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Slovenia's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### **General assessment of the situation**

Slovenia has proceeded with speed and commitment towards EU accession and reiterates its determination to be ready for accession by the end of 2002. The new government has chosen this paramount target as the priority for its actions. Slovenia fulfils the political Copenhagen criteria, is a functioning market economy and will be able to cope with the competitive pressure of the Internal Market. Its high economic growth risks a slowdown unless economic restructuring is speeded up. While foreign demand was the main lever of economic growth in 1997 and 1998, it was domestic demand that sustained economic growth in 1999. The country has made progress in adopting, implementing and enforcing the *acquis communautaire*.

### **Problems encountered/recommendations**

- \* Even though privatisation has improved, it needs to be speeded up;
- \* Balance of payments is suffering from lack of foreign trade margins but Tollar depreciation, improvement in productivity and decreasing inflation will benefit the economy;
- \* FDI is still lacking but the forecasts seem positive and present limitations on capital flows will be removed when the "denationalisation" process is complete;
- \* Industry needs technological upgrading;
- \* The issue of ports and transport is still under discussion with Italy, with Trieste and Koper competing rather than co-operating in this phase; appropriate railway links could promote synergies and a good approach to Central European markets. Other transport infrastructures are developing quite well except for the lack of international funding to speed up Corridor 5;
- \* Problems regarding the border with Croatia remain but are even more marginal now, with the political change in Zagreb;
- \* Business organisations should be consolidated and strengthened, together with the capability of the entrepreneurial community to establish a better dialogue with the political, institutional and trade union bodies, a factor for real reform inside Slovenia;
- \* Problems regarding free movement of goods are not causing specific problems among the operators. A question mark remains over duty-free shops;
- \* Corruption and illegal traffic are under control and implementation is credible;
- \* Property rights and real-estate acquisitions by foreigners still have unresolved aspects and incompatibilities;
- \* Capacity and quality of public administration is average for a top-ranking transition country, and with no specific criticism from the business community.

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## **TURKEY'S PROGRESS TOWARDS EU ACCESSION**

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### **Introduction**

European business supports the accession of Turkey to the European Union and welcomes the progress in the preparations to this aim. This UNICE Task Force on Enlargement (UTFE) note condenses the views of European and domestic business on Turkey's progress towards accession to the EU. It is not a comprehensive country overview. Rather, the note identifies problems encountered by companies and gives recommendations, from a business point of view, aimed at helping the country meet the Copenhagen criteria.

### **General assessment of the situation**

Turkey is an important economic actor in the European context even though per capita GDP is just a third of the EU average. The EU-Turkey customs union has already led to significant economic integration between the two parties. There is an extensive informal economy and regional disparities are great. Turkey will change considerably the geo-strategic position of the Union and will be the second most populous EU Member State. Turkey does not yet fulfil the political Copenhagen criteria.

### **Problems encountered/recommendations**

- \* Difficulties as regards the free movement of goods have been encountered in the areas of:
  - machines for public works;
  - medicines (many obstacles to market access : registration, price, etc.);
  - cosmetics (must be authorised by the Minister of Health before market launch);
  - agri-food products (cumbersome customs procedures make imports of fresh products difficult);
- \* The "New Approach" directives should be adopted;
- \* The independence of Accreditation Agencies should be enhanced;
- \* Progress has been made in aligning with the acquis in the area of competition law but further efforts are required as regards restrictive commercial practices and state aid;
- \* Protection of intellectual property rights in the areas of new plant varieties, copyright and neighbouring rights, needs improvement;
- \* Reforms are needed in the area of public procurement, in particular as regards:
  - frequent difficulties with calls for tender;
  - extremely lengthy procedures, sometimes without final selection;
  - direct and indirect offsets;
- \* There are restrictions to foreign participation in the areas of real estate, mining, energy and banking;
- \* There are restrictions to the free movement of services in the areas of insurance, securities market, telecommunications and information society as well as road, maritime and air transport;
- \* Alignment with the acquis in the following areas is necessary:
  - customs regimes (notably economic free zones);
  - taxation (excise duties);
  - Common Commercial Policy (there is a five-year transition period as regards the Common External Tariff for certain sensitive industrial products from third countries).

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