

**UNICE STATEMENT ON EU ENLARGEMENT
TO THE EUROPEAN COUNCIL IN BRUSSELS ON 24/25 OCTOBER**

European business welcomes the decision of the Irish people to vote in favour of ratification of the Nice Treaty. This will pave the way for EU enlargement with new trade and investment opportunities in a widened European market.

UNICE also welcomes the conclusions of the European Commission regular reports issued on 9 October, which are in line with its own assessment of progress made in the candidate countries¹. It calls on the European Council meeting in Brussels on 24/25 October to adopt proposals made, taking account of comments made by European business, and to agree on a viable financial framework for enlargement.

With regard to Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia, UNICE welcomes the Commission's recommendations and agrees to the process of working towards concluding accession negotiations with each of these countries, based on own merits, by the end of the year.

These ten most advanced countries may indeed be ready for membership in 2004, UNICE agrees, provided further progress is made by each country individually in preparing efficiently and transparently for full implementation of EU laws and standards before accession. Developments are impressive but many countries still have considerable shortcomings with regard to a number of areas.

UNICE believes that particular efforts are needed to:

- Improve administrative and judicial capacity:
Proper implementation of the Acquis is still lacking in a number of areas; effective recruitment of well-qualified civil servants and court staff has to be pursued with vigour and enhanced and adequate training speeded up;
- Privatise and restructure state-owned companies:
Utilities and the energy sector but also heavy industries (e.g. steel) and the financial sector are in need of immediate restructuring and privatisation in numerous countries if the ambitious goal of meeting the economic criteria is to be met by the time of accession. Moreover, state aid rules and procedures (competition policy) in some countries are in urgent need of being brought into line with the Acquis and efficient enforcement and control must be ensured.
- Improve the business climate:
Bureaucracy, non-transparent decision-making processes (e.g. public procurement, judiciary), red tape and excessive regulation, in some cases, still cause unnecessary cost and delay for companies and therefore need to be further addressed. Active labour market policies promoting skills adaptability and labour mobility are also conducive to an improved business climate and will lead to enhanced economic growth.
- Step up the fight against corruption:
While significant progress is evident in all of the countries, standards are far from acceptable yet in EU terms in some of the countries. Anti-corruption strategies/programmes and training of key staff in the public administration have to be implemented and enhanced.

¹ See UNICE Task Force on Enlargement "Candidate countries' progress towards accession", June 2002.

UNICE has repeatedly warned in the past that enlargement should not lead to distortions of competition and disruptions to the functioning of the Internal Market. The envisaged timeframe must be kept without compromising the membership criteria, which must be met in full by the date of accession. The acceding countries must comply fully with the Acquis and with their commitments made in accession negotiations if the Internal Market is to be the motor of sustained economic growth in Europe.

UNICE therefore fully supports an effective safeguard mechanisms, including early warning letters at political level; a general economic safeguard clause; and a specific safeguard mechanism for the internal market (to be implemented in the case of a serious breach of the functioning of the internal market) and in the area of freedom, security and justice. The proposed two-year period of application seems adequate, but, if necessary, should be extended for individual countries.

In order to make sure promises are met, UNICE urges the Commission and the Member States not to lose momentum in the monitoring of acceding countries' commitments. This must be an inclusive and transparent process, to which UNICE is prepared to contribute further.

UNICE insists that the measures for enhancing administrative and judicial capacity, including the so-called Action plans (for reinforcement of administrative and judicial capacity), should be energetically pursued and the process should be made more transparent.

With regard to Bulgaria and Romania, UNICE welcomes substantial progress made by the two countries and underlines the importance of continuing strict application of the merit-based approach. Each of these countries should be able to join the EU as soon as it is ready. A revised road map and enhanced pre-accession financial package are welcome as long as they are viable and do not compromise other important external aid efforts of the Union.

UNICE welcomes Turkey's promising reform process, which it should sustain, and urges Member States to open up negotiations with this country as soon as it has completed the remaining tasks with regard to the Copenhagen political criteria stated in the Commission's report. This would offer EU and Turkish companies a more coherent and sustainable framework in which to conduct their economic activities.

In relation to the financial framework, UNICE calls on the Brussels summit to come to a mutually acceptable agreement. However, the cost of enlargement, including direct agricultural subsidies, should not exceed the € 40,2 billion proposed by the Commission earlier this year. In order to make the financing of an enlarged Union viable in the medium/long-run, UNICE reiterates the importance of a breakthrough by the Member States in their discussions on reform of the Common Agricultural Policy and Structural Funds before accession.

Furthermore, as stated in its May position on enlargement², UNICE calls on Member States to commence the Intergovernmental Conference on institutional reform as early as the second half of 2003. An enlarged Union will only function effectively if its institutions and decision-making procedures are reformed in time.

UNICE also urges the Member States and candidate countries alike to further step up their efforts to communicate the scope and benefits of enlargement without hiding the inevitable adjustments needed in some areas.

² See UNICE's position "Ensuring EU enlargement is a success", May 2002.