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### NOTE FROM THE PRESIDENCY

*Subject: Presidency report to the European Council on enlargement of the Union and Agenda 2000*

At its Amsterdam meeting the European Council asked the General Affairs Council to submit a detailed report to it at its meeting in Luxembourg on 12 and 13 December 1997.

Following five months of proceedings, the Presidency of the General Affairs Council submits herewith to the European Council this detailed draft report, drawn up under its responsibility.

The Presidency considers that this report broadly reflects the dominant view emerging from detailed discussion in the Council and that it can therefore serve as a basis for the European Council's deliberations.

1. The European Council <sup>(1)</sup> concluded that the initial phase of negotiations with the countries which have applied for membership of the European Union should commence **six months after the conclusion of the Intergovernmental Conference**, in the light of its outcome, and the Commission was asked to submit a composite paper containing its opinions on the applications for membership and dealing with the development of the Community, including agricultural and structural policies, horizontal issues related to enlargement and the future financial framework ("Agenda 2000").

The Protocol on the institutions with the prospect of enlargement of the European Union,

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<sup>(1)</sup> See conclusions of the European Councils in Madrid, Florence, Dublin and Amsterdam.

annexed to the Treaty of Amsterdam, contains a number of provisions on the institutional reforms to be carried out before the first enlargement.

2. The Amsterdam European Council asked the General Affairs Council to examine the Commission communication and submit a **detailed report** for the European Council in December. It said that the December European Council, "with a view to enabling the actual opening of negotiations as soon as possible after December 1997, will take the necessary decisions on the overall enlargement process, including practical arrangements for the initial phase of negotiations and the reinforcement of the Union's pre-accession strategy, as well as other possible means to strengthen cooperation between the EU and all applicant countries".
3. In July 1997, following the conclusion of the Intergovernmental Conference, the Commission submitted the comprehensive communication announced in Amsterdam covering its opinions and Agenda 2000. The General Affairs Council began examining the communication in September, as instructed by the European Council. It was assisted by the Ecofin and Agriculture Councils as regards the aspects of more particular concern to them. Using a report from Coreper as a basis (11049/97), the Council also examined the Commission's opinion on each of the applications for membership submitted by the associated countries of Central and Eastern Europe.
4. For reasons of clarity and ease of reading, **the comprehensive report** to the European Council is divided into two sections, in addition to this introduction, namely:
  - (i) Part One, dealing with questions relating to enlargement,
  - (ii) Part Two, on the development of the Union's policies and the future financial framework,and also includes a draft general negotiating framework, set out in the Annex.
5. The objective of the Council's discussions was to submit a **comprehensive report** to the Luxembourg European Council which will enable the latter to take the necessary decisions on enlargement.
6. The European Council will also be required to take note of the draft general negotiating framework.

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## **PART ONE**

### **ENLARGEMENT OF THE EUROPEAN UNION**

The enlargement of the European Union will represent a historic challenge for the Union and see the dawn of a new era in Europe and an end to the divisions of the past. The task in the years ahead will be both to prepare the applicant States for accession and to prepare the Union itself to cope properly with its enlargement.

Enlargement is a comprehensive, inclusive and ongoing process, which will take place in stages; each of the applicant countries will proceed at its own rate, depending on its state of readiness.

Accordingly, the Luxembourg European Council will, in line with its Amsterdam conclusions, take the necessary decisions to launch the overall enlargement process.

To this end, the Council proposes to establish a European Conference which will bring together in a multilateral framework the Member States of the European Union and the European countries aspiring to accede to the European Union which are linked to the latter by Association Agreements and which share the Union's values and objectives.

The Council is also proposing a single accession process with all applicant countries in Central and Eastern Europe and Cyprus.

Lastly, the Council is in favour of a strategy to draw the European Union and Turkey closer together which will enable the latter ultimately to achieve its aspirations to accede to the European Union.

## **I. THE EUROPEAN CONFERENCE**

A European Conference will be set up to help pave the way towards a democratic Europe, in which respect for human rights will go hand in hand with stable and sustainable economic growth and a healthy civil society. The members of the Conference will share a common commitment to peace, security and good neighbourliness, respect for other countries' sovereignty and the principles of international law and a commitment to the settlement of disputes by peaceful means, in particular through international courts, without recourse to force or the threat of force. Countries which endorse these principles and share the EU's commitment to building a Europe free of the divisions and difficulties of the past will be invited to take part in the Conference.

The European Conference will thus form a comprehensive and inclusive multilateral framework, initially comprising the fifteen Member States of the European Union, Cyprus, the ten Central and Eastern European applicants and Turkey.

The purpose of the European Conference will be to raise questions of general concern to the participants in order to broaden and deepen cooperation in the areas of the common foreign and security policy, justice and home affairs and other areas of common interest, particularly with regard to economic affairs and regional cooperation. Heads of State and Government and the President of the Commission will meet at the Conference once a year, at the invitation of the Presidency, while the Ministers for Foreign Affairs will meet in that forum once a year.

The first meeting of the European Conference will be held on [12] March 1998 in London.

## **II. THE ACCESSION PROCESS**

### **1. GENERAL**

The Council has considered the current situation in each of the applicant countries on the basis of the Commission's opinions. The overall process comprises the ten Central and Eastern European applicants and Cyprus, which aspire to membership of the European

Union. It regards all these applicants as participating in the accession process on an equal footing, terms which will ensure that the process is inclusive, non-discriminatory and credible.

The timing of the accession of the various applicant States will depend essentially on compliance by each of them with the Copenhagen criteria and the Union's capacity to assimilate new members, at institutional level, too. None of the applicant Central and Eastern European countries fully satisfies all these criteria at this point. Consequently, every possible advantage offered by the pre-accession period must be taken so as to enable each applicant country to accede to the Union at the appropriate time. In view of the additional efforts which all applicant countries need to make in preparing for accession, in particular efforts towards the gradual adoption, implementation and effective application of the *acquis*, the instruments specifically expressing the Union's political will to complete the enlargement process with all applicant countries in a framework of economic and social convergence should be set in place.

This accession process will be launched on 30 March 1998 by a meeting of the Ministers for Foreign Affairs of the fifteen Member States of the European Union, the ten Central and Eastern European applicant countries and Cyprus, via the establishment of a single framework structure for these applicant countries.

Meetings of the Ministers for Foreign Affairs of the fifteen European Union Member States, the ten Central and Eastern European applicant countries and Cyprus and members of the Commission will take place once a year.

Technical ministerial meetings may be considered, as necessary, in the light of the experience gained from the structured dialogue, while avoiding a multiplicity of fora dealing with the same questions.

## 2. THE REINFORCED PRE-ACCESSION STRATEGY

The reinforced pre-accession strategy is intended to enable all the applicant countries of Central and Eastern Europe eventually to become members of the European Union and, to

that end, to align themselves as far possible on the Union acquis prior to accession. With the Europe Agreements, which remain the basis of the Union's relations with these countries, the strategy centres on accession partnerships and increased pre-accession aid. It will be accompanied by an analysis of the Union acquis.

*(a) Accession partnership*

The new accession partnership instrument is the key feature of the reinforced pre-accession strategy and will mobilize all forms of assistance to the applicant countries of Central and Eastern Europe within a single framework.

The Council welcomes the Commission proposal to concentrate assistance to each applicant country within a consistent overall approach directed towards preparation for accession. The aim is to achieve a single frame of reference covering in detail the priorities to be observed by each applicant country in adopting the acquis and also the financial means available for that purpose, in particular the PHARE programme. In that context financial assistance would be linked to the applicants' progress and, more specifically, to compliance with the programme for adoption of the acquis. The Council considers that the programme of priorities for adopting the acquis and for economic and social policy, as well as the timetables and intermediate objectives set for the partnerships, must be sufficiently precise. Coherence must be ensured between the priorities set in the partnerships and each applicant country's national programme for adoption of the acquis.

In this context, it was pointed out that it would be desirable for the applicant countries to be more closely involved in working out the various partnership arrangements.

The Council highlighted the need to adopt a balanced approach taking account of the needs of the least advanced applicant countries. The necessary attention must therefore be paid to initiatives aimed at ensuring that these countries are able to meet the conditions for financial assistance and to participate fully in the various forms of assistance provided for in the partnerships.

In this context the Council reserves the right to intervene at the most significant stages of the partnerships, while avoiding any lengthy procedure which would hold up decisions and prevent rapid adoption. Accordingly, the Council will have to decide unanimously on the principles underlying the partnerships as the key element in the pre-accession strategy. On this basis it will then decide, by a qualified majority and by 15 March 1998 at the latest, on the principles, priorities, intermediate objectives, significant adjustments and conditions applicable to each individual partnership. When an element essential to the continuation of pre-accession assistance is missing in any applicant country, the Council will take the appropriate measures by the same procedure.

The central role to be played by the bodies set up under the Europe Agreements in supervising the partnerships was emphasized. This would also allow the applicant countries to be closely associated with the process. These discussions would provide the Commission with important information for drawing up its annual reports on the progress achieved by each applicant country.

The implementation of the accession partnerships must not be allowed to encroach upon the accession negotiations with the applicant countries.

*(b) Increased pre-accession aid*

**Financial instruments**

Financing of the pre-accession strategy (2000-2006)

To finance the reinforced pre-accession strategy, the Commission envisages using, besides the new PHARE, two instruments, namely: pre-accession aid for agriculture and a structural aid instrument.



Without prejudice to the decisions to be taken by the Council on the level of assistance and the headings to which the expenditure should be charged within the financial perspective for 2000-2006, the principle of an increase in financial assistance implicit in the Commission proposal was not contested by a large majority of Member States. While some felt that the proposal might prove insufficient in view of the real requirements in the applicant countries, the need to take account of the absorption capacities of those countries was also highlighted, particularly since over the period 2000-2006 the assistance would come to be concentrated on non-acceding countries alone. It was stressed that the existing instruments should be used to bring the applicant countries to a state of readiness enabling them to derive real benefit from such an increase.

The comment was made that, if the Commission's proposals on financing the pre-accession strategy were adopted, the countries acceding only at a later stage would receive a level of financial assistance comparable to that of the new member countries for a large part of the 2000-2006 financial perspective, expressed in terms of a percentage of GDP rather than per capita. Some felt that Community assistance, given its impact, should be directed as a matter of priority towards the applicant countries whose need was greatest.

The Council stresses the importance of ensuring coherence in the implementation of the three pre-accession instruments advocated by the Commission. It calls on the Commission to submit a proposal for an appropriate unified legislative framework, in the light of the decisions the Council will be required to take on the future financial perspective.

#### PHARE

Without prejudice to the decisions to be taken on the financial perspective for 2000-2006, the Council supports the Commission's approach of gearing PHARE towards accession by setting two priority aims: the reinforcement of administrative and judicial capacity (30% of the overall amount) and investments related to the adoption and implementation of the acquis. The Council can agree to the indicative breakdown of 30/70%, on the understanding that:

- these would not be ceilings but approximate reference levels for a measure to be adopted with flexibility, with the reinforcement of administrative and judicial capacity constituting the first priority in the view of some;
- the 70% set aside for investment would include the limit (25% of the overall amount) already adopted by the Essen European Council as the contribution to the development of infrastructures and the possible contribution of PHARE for participation by the applicant countries in actions under the Fifth Framework Programme of Research and Development.

As regards reinforcement of administrative and judicial capacity, assistance should be geared towards consolidating the rule of law and a civil society, as well as the adoption of the *acquis* in the applicant countries – essential requirements for accession. The expertise of the Member States should be used to full advantage for the adoption and implementation of the *acquis*, for example by means of the administrative twinning arrangements advocated by the Commission.

In connection with the "investment" section, focusing more particularly on the priority sectors for intervention suggested by the Commission, PHARE assistance should be targeted, adapted to real needs and, as far as possible, fall within the framework of non-commercial investment.

PHARE should not replace other forms of financing, and the principle of co-financing should be respected. PHARE should act as a catalyst enabling projects to be carried out within the framework of the priorities laid down for accession by mobilizing other financial resources also. Each applicant country's own financial contribution must first be ensured: this would help give the applicant countries a greater degree of co-responsibility throughout the process accompanying a project. Finally, attention was drawn to the need for action co-financed by PHARE to be sustainable.

The Commission will be at pains to promote effective cooperation between PHARE and bilateral national programmes.

#### Cooperation with international financial institutions

The scale of the requirements for investment financing that meets Community standards means that co-financing must be sought, from the resources of the PHARE programme, with EIB loans and contributions from the EBRD and the World Bank, or indeed other potential contributors.

There must be close coordination between the various financial institutions in providing assistance to the applicant countries. In the coordination process all questions relating to the strengthening of cooperation must be tackled.

The Council invites the EIB to implement the pre-accession facility in the light of the comprehensive approach encompassing all the applicant countries agreed by the Council and to take into consideration the priorities it has set.

#### Participation in Community programmes and agencies

The Council stresses the importance of participation by the applicant countries in Community programmes (e.g. on education, training, research, etc.), to enable them to familiarize themselves with the Union's policies and working methods. Such participation should be determined case-by-case, with each applicant country making a steadily increasing financial contribution of its own. PHARE will continue to play a key role, if necessary, in part-financing the applicant countries' national contributions.

Such financing should remain at around 10% of the PHARE appropriation, not including participation in the research and development framework programme.

The applicant countries should be allowed to take part as observers in the management committees for the programmes to which they contribute, under specific ad hoc arrangements and solely for items concerning them. The Council also welcomed the principle of participation by the applicant countries in Community agencies to be decided on a case-by-case basis.

### 3. COMMISSION'S OPINIONS AND ACCESSION NEGOTIATIONS

The Commission held a substantial debate on the analyses and the conclusions drawn from them by the Commission in its opinion for each applicant country.

The Council stresses that the decision to enter into negotiations under the procedure laid down in Article O of the TEU does not imply that these negotiations will be successfully concluded at the same time. The date for concluding the negotiations will depend largely on the additional efforts demanded of each applicant country in the pre-accession strategy being made and, in particular, on priorities being applied on the way to accession, as set out in the Accession Partnerships.

The Commission's opinions on the situation of each applicant country have been examined individually.

The Council accepts the methodological approaches followed by the Commission in drawing up the opinions and the prominence given to the inclusive and ongoing nature of the overall enlargement process. It acknowledges that the opinions constitute a sound overall analysis of the situation of each applicant country in the light of the membership criteria set by the Copenhagen European Council.

The prospect of membership is a unique incentive to the applicants to speed up the implementation of policies in accordance with the *acquis*. The incorporation of the *acquis* into legislation is necessary, but not sufficient in itself; it will also be necessary to ensure that the *acquis* is actually applied. Fulfilment of the undertakings given under the Europe Agreements and making full use of the opportunities contained in those Agreements will also be of major importance here.

When examining the opinions, the Council concentrated more specifically on the sectoral issues common to the various applicant countries, in particular the internal market and the policies linked to its smooth operation. In addition, it identified certain sectors (the CAP, the environment, nuclear safety, JHA, free movement of workers, cross-border services, heavy industry, the financial sector and the regions bordering on the applicant countries) which called for additional information from the Commission without prejudice to the relative importance of the various sectors or to examination of Agenda 2000; more information was also supplied on the administrative and judicial capacity of the applicant countries. The Council noted the link between bringing the applicant countries up to scratch in these sectors and the smooth operation of Community policies after accession,

more especially at internal market level.

The Council's examination of the opinions showed that there was agreement on the Commission's methodology. Thus it is generally acknowledged that compliance with the political criteria of Copenhagen is a prerequisite for the opening of any accession negotiations.

As regards the decision to open negotiations, the economic criteria and the ability to fulfil the obligations arising from membership have been and must be assessed in a forward-looking and dynamic way. With regard to these criteria and whilst acknowledging that any estimate of medium-term evolution of the economic situation involves an inevitable element of uncertainty, the Council notes the weakness which is characteristic of the present situation in all of the applicant countries, despite the varying efforts so far accomplished. That observation should act as an incentive to the applicant countries to speed up their economic and social reforms.

The detailed examination of the situation in each applicant country leads the Council to concur with the Commission's recommendations that Intergovernmental Conferences be opened in April 1998 under Article O of the Treaty with Hungary, Poland, Estonia, the Czech Republic and Slovenia.

The Council emphasizes the importance it attaches to the inclusive and evolutive nature of the accession process. An analysis of the Union acquis for each of the applicant countries, irrespective of the opening of the negotiations in April 1998 under Article O of the Treaty, will mean that the negotiations can go forward or be prepared under good conditions.

It considers that a dynamic approach should be maintained in assessing the progress made by the applicant countries in the regular reports which the Commission will submit to the Council. The pre-accession strategy, and the dynamic method for monitoring progress will mean that, together with the meetings as part of the Europe Agreements and multilateral meetings which could be organized at ministerial level, it will be possible to establish and preserve very close links between the Union and each applicant country for the duration of the accession process. The Council believes that these provisions express the political resolve of the Union to complete the enlargement process with all the applicant countries.

For Cyprus, the Commission opinion of July 1993 remains valid. Negotiations with it under Article O of the Treaty will start at the same time as with the applicant countries listed above.

Cyprus's accession should benefit all communities and help to bring about civil peace and reconciliation. The accession negotiations will contribute positively to the search for a political solution to the Cyprus problem through the talks under the aegis of the United Nations which must be pursued. In this context, the Council notes the willingness of the Government of Cyprus to include representatives of the Turkish Cypriot community in the accession negotiating delegation.

#### 4. REVIEW OF THE PROGRESS OF THE CENTRAL AND EASTERN EUROPEAN APPLICANT COUNTRIES

The Commission will make annual reports to the Council, from the end of 1998, reviewing each applicant country's progress towards accession in the light of the Copenhagen criteria, in particular the rate at which it is adopting the acquis. In this connection, prior to those annual reports, implementation of the Accession Partnerships and progress in adopting the Union acquis will be examined with each applicant country in the Europe Agreement bodies. The Commission's reports, which may be accompanied by recommendations for the opening of accession negotiations, will serve as a basis for the European Council when it takes the necessary decisions on the conduct or extension of the accession negotiations to other applicants. In this context, the Commission will continue to follow the method adopted in Agenda 2000 for assessing the capacity of the applicant countries to fulfil the economic criteria and assume the obligations arising from accession.

#### 5. CYPRUS

The Council supports the definition of a special pre-accession strategy for Cyprus, tailored to the island's particular needs. This strategy would be based on:

- Cyprus's participation in certain targeted projects, in particular to boost judicial and administrative capacity and JHA projects;

- participation in Community programmes and in certain agencies (in line with the approach followed for the other applicant countries);
- use by Cyprus of TAIEX technical assistance;
- participation by Cyprus in multilateral fora resulting from the European Council's conclusions.

As regards the financial aspects of Cyprus's participation in certain elements of the pre-accession strategy, bearing in mind that PHARE does not apply to Cyprus, questions regarding the use of sums remaining under the fourth Financial Protocol (which expires on 31 December 1998), the follow-up to that Protocol and Cyprus's participation in pre-accession aid for agricultural and structural development will need to be considered in due course.

### **III. A EUROPEAN STRATEGY FOR TURKEY**

The Council confirms Turkey's eligibility for accession to the European Union on the basis of the same criteria as for the other applicant countries. Although Turkey's particular political and economic problems will not allow accession negotiations to start for some time, a strategy should nevertheless be drawn up to prepare Turkey for accession and bring it closer to the European Union in every field.

This strategy specific to Turkey should be put in place, based in particular on the following:

- development of possibilities afforded by the Ankara Agreement;
- intensification of the customs union;
- financial cooperation;
- approximation of laws and adoption of the *acquis*.

This process will be regularly reviewed by the Association Council in particular, on the basis of Article 28 of the Association Agreement in the light of the Copenhagen criteria and the Council's common position of 29 April 1997.

In addition, participation in the European Conference will enable the European Union to step up dialogue and cooperation with Turkey.

The Council recalls that strengthening Turkey's links with the European Union also depends on the commitment with which it pursues political and economic reforms, including the implementation of common standards on human rights, the establishment of satisfactory and stable relations between Greece and Turkey and support for negotiations under the aegis of the UN on a settlement in Cyprus.

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