Accession negotiations

Source: CVCE. Pierre Gerbet.

URL: http://www.cvce.eu/obj/accession_negotiations-en-5b708eff-0874-4de4-810d-cacfe62e9529.html

Last updated: 28/07/2016

Accession negotiations

In order to be eligible for accession, the candidate countries had to adopt the Community *acquis* in its entirety, which meant transposing a substantial number of Community measures into the national systems of legislation and regulation established after the fall of the Communist regimes. To that end, the countries concerned received assistance from Community and Member State agencies for the creation of the necessary administrative and legal structures. Negotiations with each of the applicant countries were conducted at bilateral conferences. The Union's negotiating positions were laid down by the Council acting unanimously on proposals from the Commission for issues related to the 'first pillar' and on proposals from the Presidency for second and third pillar issues (the common foreign and security policy and justice and home affairs). The Commission — instructed to conduct the negotiations and to report back regularly to the Council on the candidate countries' progress with reforms — played a key role in the process, in particular the Commissioner for Enlargement, a post which was held by Günter Verheugen from September 1999 to November 2004 and taken up by Olli Rehn in 2004.

Since not all the candidate countries were in a position to adopt the Community *acquis* at the same pace or in full prior to accession, provision was made, from the negotiation stage onwards, for transitional measures, valid for a limited period and in specific fields, which would be incorporated in the Accession Treaty.

One important aspect was completely ignored, namely the Schengen Agreement providing for the abolition of controls at the EU's internal borders (except those of the UK and Ireland), it being deemed that the new Member States would not be in a position to comply. They could join the 'Schengen area' at a later stage, following a unanimous decision by the Council. At the request of Germany and Austria, countries which feared a massive wave of immigration, the free movement of persons was restricted. A moratorium of three years, which could be renewed for two periods of two years, was adopted regarding access to employment. The Member States were able to apply this provision in accordance with the strength and requirements of their labour market. A restriction was also placed on the free movement of capital for the purpose of purchasing real estate in the new Member States, where land prices were lower. Environmental protection requirements, an area utterly neglected by the former Communist regimes, were so demanding that transitional periods of 10 years were allowed for the implementation of EU directives and co-financed initiatives. In relation to nuclear safety, rules and monitoring measures were put in place for the five countries that possessed nuclear reactors (the Czech Republic, Hungary, Lithuania, the Slovak Republic and Slovenia).

The draft Accession Treaty also included general safeguard clauses, which could be invoked in the three years following accession. A general economic safeguard clause could be applied by either the existing or the acceding Member States in the event of excessive upheaval at macroeconomic level or of an adverse effect on the competitiveness of certain regions or sectors; and two specific clauses, namely the 'internal market safeguard clause' and a justice and home affairs clause, were applicable at the Commission's initiative in the event of a serious breach of Community rules. These clauses constituted an innovation, as there was no parallel in earlier enlargement treaties.

In the field of monetary policy, the new Member States would retain their autonomy, but they were required to join the European Monetary System in order to keep fluctuations of their currencies against the euro within a 15 % band around a pivot rate for at least two years. They could then adopt the single currency if they fulfilled the Maastricht convergence criteria (namely price stability, government finances in a healthy condition, a stable exchange rate and a low long-term interest rate). The financial institutions did not encourage them to join too soon for fear that budget policy constraints might impede their adaptation to the single market.

Negotiations on the thorniest problems began in 2001 and were to continue up to the last minute before signing of the Accession Treaty.

The biggest issue was agriculture, primarily because of the high proportion of the workforce employed in that sector in the new Member States: 19.2 % in Poland, 16.5 % in Lithuania, 15.1 % in Latvia, 9.9 % in Slovenia, 7.1 % in Estonia, 6.3 % in Slovakia, 6.1 % in Hungary and 4.9 % in the Czech Republic (and in Romania and Bulgaria, the two countries whose accession had been postponed until 2007, 44.4 % and 9.7 % respectively).

Agriculture was also particularly problematic because the CAP was the most expensive of the EU common policies — hence the need for reform so that an acceptable financial framework for extending it to the new Member States might be created. Essentially, this would involve reducing guaranteed prices, so as to prevent over-production, and introducing compensatory support to maintain agricultural income.
In order to avoid driving the CAP budget through the roof, and to encourage essential restructuring of agricultural holdings, aid to farmers in the new Member States would have to be phased in over a period of 11 years according to the timetable established at the Brussels European Council (24–25 October 2002) and taken up in its entirety at the Copenhagen European Council (12–13 December 2002). It would amount to only a fraction of the corresponding sums paid out in the existing Union countries: 25 % in 2004, 30 % in 2005, 35 % in 2006 and 40 % in 2007, with further annual increments of 10 %, until it reached 100 % in 2013. Unhappy with these arrangements, and calling for equal treatment with the current Member States, the candidate countries, on a proposal from the Commission, succeeded in securing increased aid from the EU rural development budget and from national funds. The additional funding would bring the levels of support up to 55 % of the full Community rate in 2004, to 60 % in 2005 and to 65 % in 2006, with provision for a fifth of the annual total to come from each country's rural development budget. From 2007 onwards, the new Member States could continue to pay a 30 % supplement on top of the Community payments on condition that it was financed from national resources. Other areas of agricultural policy that were the subject of heated debate included milk quotas (with Poland having to agree to cut its milk production), sugar and isoglucose quotas, rice and banana import quotas and, in the case of the Baltic States, herring fishing quotas.

A further financial problem concerned the Structural and Cohesion Funds — on which the candidate countries would need to draw particularly heavily if they were to catch up in terms of development. Of the 105 million new inhabitants of the EU in 2007 (following the accession of Bulgaria and Romania), 98 million would live in areas with a per capita GDP below 75 % of the Union average; that number would represent 25 % of the population of the enlarged Union as against a comparable figure of 18 % in the 15-Member State EU. The Berlin European Council (24–25 March 1999) had decided that it would be impossible to include the new Member States in the existing regime — to do so would have doubled expenditure — and had placed a ceiling on the structural aid that they would receive at 4 % of their GDP, a level deemed to reflect their maximum capacity for using the funding in question. In the event, the level of structural aid for 2006 would represent just 2.5 % of the GDP of the 10 accession countries.

Meanwhile, the simultaneous accession of the Mediterranean islands of Cyprus and Malta shifted the EU's centre of gravity southwards. Although the accession of Cyprus posed few economic difficulties, it did raise the political issue of the island's division, since 1974, between the Greek and Turkish communities. Nonetheless, on 13 December 2002, the Copenhagen European Council concluded negotiations with Nicosia without any political resolution of the island's division, despite all diplomatic efforts under the aegis of the United Nations. By contrast, Malta's application for accession raised major political problems at domestic level. In October 1996, in spite of reforms introduced over a number of years, the new Maltese Labour Government put the island's application for EU accession on ice. In September 1998, however, when the Nationalist Party returned to power, they decided to reactivate Malta's application. In a referendum held on 9 March 2003, more than 53 % of voters opted to pursue Maltese accession to the EU.

The Union's financial perspective for 2000–2006 — which had factored in enlargement to include six new Member States from 2002 — now had to be adopted with provision for 10 new Member States from 2004, while staying within the ceiling of EUR 42.6 billion in commitment appropriations for the period 2004–2006. At the Brussels European Council (24–25 October 2002), the Commission submitted proposals, most of which were accepted, involving total expenditure of just EUR 39.3 billion. This triggered protests from the candidate countries, and they joined forces to lobby for increases. Poland took the lead, hosting a meeting in Warsaw a few days before the Copenhagen European Council (12–13 December 2002), where the final decisions were to be taken. After intense discussions, the existing Member States had to give ground, chiefly by offering access to short-term funds to cushion the impact of the 10 new Member States' contributions to the Union budget following their accession — although the candidate countries had been asking for a long-term rebate arrangement similar to the one enjoyed by the UK.

The 10 accession countries finally secured maximum commitment appropriations for 2004–2006 amounting to

EUR 37 468 million, broken down as follows:

Agriculture: 9 791 of which CAP 4 681
Rural development 5 110
Structural measures: 21 747 of which Structural Funds 14 156
Cohesion Fund 7 591
— Internal policies and transitional expenditure: 4 257
— Administration: 1 673
Total: EUR 37 468 million

A temporary budget rebate of EUR 987 million was also agreed for the four countries (Cyprus, the Czech Republic, Malta and Slovenia) whose contribution to the Union budget would have exceeded their financial return from accession. In addition, a special temporary funding facility of EUR 2 399 million would allow those countries acceding to the Union on 1 May 2004 to benefit from 12 months' worth of spending in return for 8 months' contributions.

Finally, the level of payment appropriations was EUR 25 142 million, lower than the acceding countries expected. To that was added the funds from pre-accession aid programmes concluding in 2003 not disbursed. They could be used until 2006, bringing the amount to be received by the 10 new Member States in 2004–2006 to EUR 27.8 billion, although the new Member States' contribution to the Community budget — a total of EUR 14.7 billion — had to be deducted from that figure.

It was clear that the actual cost of enlargement in the period between 2004 and 2006 would amount to no more than EUR 11 to 13 billion, this out of a total annual Union budget of some EUR 100 billion. The financial contribution required was therefore quite modest (representing 3 to 4 % of the budget each year) and could be paid from existing funds, without additional resources having to be created.

There proved to be a considerably tougher problem to resolve after 2006, however, with the accession of Bulgaria and Romania, countries which had a much greater development backlog to make up. Probable future enlargements to embrace the Western Balkan countries and, perhaps, Turkey, could complicate budget negotiations even further. In this context, and to take account of a Europe of 27 Member States, discussions on the financial perspective for 2007–2013 took place in a hostile climate. Some Member States that were net contributors announced even before the negotiations began that they wanted to restrict the Union budget to 1 % of GDP. At the same time, the new Member States and the two acceding countries (Romania and Bulgaria) insisted on their requirements being met and used their weight when it came to the adoption of the multiannual financial framework. Although the budget negotiations seemed to have come to a standstill at the Brussels European Council of 16–17 June 2005, a compromise was finally reached at the Brussels European Council of 15–16 December 2005.