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CONTINUING ENLARGEMENT

Strategy paper
and
Report fot the European Commission
on the progress towards accession by Bulgaria,
Romania and Turkey

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TABLE OF CONTENTS

PREFACE

The European Union is on the eve of the one of the greatest developments in its history. In six months' time it will extend its membership from 15 to 25 countries, bringing in the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia as new members on 1 May 2004. Moreover, negotiations are ongoing with Bulgaria and Romania with a view to their membership in 2007 and a strengthened pre-accession strategy for Turkey is being implemented.

This enlargement, the fifth to take place since the beginning of the European Community 50 years ago, demonstrates once again the attraction of the European model for young democracies.

Yet this enlargement is unlike those that preceded it. Never before have so many accessions taken place at the same time. Never before have they been so thoroughly prepared, with a sweeping transformation of the economies and societies of the applicant countries. Stable democracies and functioning market economies are now well established in Central and Eastern Europe, and the credit for this success lies mainly with the governments and peoples of those countries, aided by the prospect of EU membership.

In a historical perspective, the coming enlargement is more than another extension of the EU: it represents the application on a continental scale of a European model of peaceful and voluntary integration among free peoples. In fact, it is the realisation of a dream of the founders of European integration: the reunification of the European continent, divided in the aftermath of the Second World War.

The acceding countries need also to adjust to their future role as members of the EU, with full and equal rights. Up to now, their work on the way to Europe has been to adopt and implement the common policies: their new work in Europe, beginning with accession, will be to exercise a voice in the making of those policies. The EU institutions and member states, too, must prepare themselves for expansion, by finalising the Constitutional Treaty to give an adequate framework for the operation of the enlarged Union.

Accession negotiations are well advanced with Bulgaria and Romania, and will continue on the basis of the same principles that guided the negotiations with the ten acceding countries, without calling into question the results already achieved. This has also been acted in the Accession Treaty.

Turkey is making significant progress in preparing for membership, and its progress is judged according to the same accession criteria as the other countries.

The accession process, which has already served as a catalyst for change in the acceding countries, offers great benefits in terms of stability and prosperity. The Western Balkan countries have been given a European perspective. Among them, Croatia has recently submitted an application for membership.

The process of enlargement is a challenge that the EU has willingly accepted. The existing members consent to share with others the benefits obtained in Western Europe through the creation of a political and economic area where war has become impossible. The prospective members look to us for guarantees of stability, peace and prosperity, and for the opportunity to share with us in the unification of Europe. For their new democracies, Europe is a powerful symbol, signifying their fundamental values and aspirations.

A. THE STATE OF THE ENLARGEMENT PROCESS

In last year's Strategy Paper entitled "Towards the enlarged Union", the Commission recommended **concluding the accession negotiations** with the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia. The Brussels European Council of October 2002, endorsing the Commission's findings and recommendations, confirmed "its determination to conclude accession negotiations with these countries at the European Council in Copenhagen" in December 2002, considering that these countries will be able to fulfil the accession criteria from the beginning of 2004. The Council also took into consideration the overall progress achieved in the accession negotiations, as well as in transposing and implementing the *acquis* and the commitments undertaken in the negotiations by the candidates.

Subsequently, the negotiations with these ten countries were taken into their final phase in the months leading up to the Copenhagen European Council in December 2002. The final package, fair and balanced, was agreed at Copenhagen, the very place where the "Copenhagen criteria" for accession were laid down back in 1993.

The **Accession Treaty** was signed at a ceremony at the Stoa of Attalos in Athens on 16 April 2003.[1] The Treaty was then submitted for ratification by the current Member States and acceding states, in accordance with each state's national ratification procedures. This process must continue without delay in the remaining states so as to ensure the entry into force of the Treaty on 1 May 2004, which was fixed as the date of accession to the Union. Preparatory work for its implementation is ongoing.

As regards **Cyprus**, the European Council has repeatedly underlined its strong preference for accession by a united Cyprus. Regrettably, the efforts of the United Nations Secretary-General to find a solution to the Cyprus problem have not yet succeeded. At the Thessaloniki European Council in June 2003, the Union called for an early resumption of peace talks on the basis of the UN Secretary-General's proposals and welcomed the Commission's willingness to offer assistance for a speedy solution to the Cyprus problem. Taking up the invitation of the Copenhagen European Council, the Commission adopted in June 2003 a Communication aiming at economic development of the north and bringing it closer to the Union. The Commission considers that there are favourable conditions for the two communities to reach a comprehensive settlement of the Cyprus problem before Cyprus' accession to the EU on 1 May 2004. The accession of a united Cyprus to the European Union would benefit all Cypriot citizens and promote civil peace and reconciliation. It would also contribute to the overall stability in the region. The EU moreover foresees an amount of €206 million for the northern part of the island in the event of a settlement.

In all acceding countries except Cyprus accession to the EU has been the subject of a **referendum**. The referendums have demonstrated clear public support for accession, putting the seal of popular approval on the results of the negotiations: turnout has been sufficient in all countries to produce valid referendum results with very convincing

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[1] Documents concerning the accession, including the Accession Treaty, were published in the Official Journal (OJ L 236, 23.9.2003, p. 1), accessible on the internet at the following address: http://europa.eu.int/eur-lex.

majorities. An overview of referendums and ratification is given *in Annex 1: Referendums and ratifications of the 2003 Accession Treaty*.

Governments of current and acceding Member States have undertaken comprehensive information campaigns to inform their citizens about enlargement, while most acceding countries also established dedicated, intensive pre-referendum campaigns. The Commission has provided practical and financial assistance over many years in the framework of its communication strategy for enlargement. Up to €30 million per year has been committed to inform people, via dedicated information centres, partnerships, seminars, brochures, co-operation with media, web-sites, on the process and consequences of enlargement. The Commission will continue to support information efforts on enlargement with a view to the completion of the ratification process.

As the long-awaited date of accession approaches, the ten acceding countries must make their final preparations to join the EU in the best possible conditions. For that purpose, the Commission presents its evaluation, separately from the present document, in a **Comprehensive Monitoring Report**.

Special information and consultation procedures have been put in place to ensure the involvement of the acceding countries' representatives in the development of new *acquis* since the conclusion of the accession negotiations. Among other things, as from the signature of the Accession Treaty, the acceding countries have participated as "**active observers**" in Council bodies, as well as in committees presided over by the Commission. The acceding countries have the right to express their views on the various proposals under discussion, but not to vote. Furthermore, appointed deputies of acceding countries' national parliaments have observer status in the European Parliament.

The acceding and current candidate countries participated in the discussion on the **future of Europe** within the European Convention, which concluded its work with a proposal for a Treaty establishing a Constitution for Europe submitted to the European Council with a view to the Intergovernmental Conference on the future institutional architecture of the Union. The ten acceding countries participate fully in the Intergovernmental Conference launched on 4 October 2003, and the new Treaty is intended to be signed after their accession. As candidate countries for accession Bulgaria, Romania and Turkey participate as observers in the Intergovernmental Conference.

Like many other agreements the Union has with third countries, the **Europe Agreements** with Bulgaria and Romania, and the Association Agreement with Turkey, need to be adapted to take account of enlargement. The Commission will negotiate these adaptations with Bulgaria, Romania and Turkey on the basis of a mandate from the Council. The Protocols to the Agreements reflecting the outcome of these negotiations should be concluded as soon as possible after accession, using a simplified procedure foreseen in the Accession Treaty. One of the main areas to be adapted in the agreements with Bulgaria and Romania are the agricultural trade concessions, both as regards processed and non-processed products. Concessions have been improved twice in recent years as a result of the "double zero" and "double profit" negotiations. To continue this process of gradual market integration in the pre-accession period, the Commission envisages a further round of trade liberalisation. Another area to be developed in the coming period is the mutual recognition of conformity assessment, through Protocols on European Conformity Assessment.

Administrative preparations of the EU institutions for enlargement are ongoing, to ensure that all necessary measures are in place by the date of accession. This includes *inter alia* assessments of staffing needs and recruitment preparations, provision of translating and interpreting in additional languages, preparation of buildings, and schools. The Commission identified in particular its additional human resource needs, to be phased in from 2004 and completed by around 2008.[2] The European Personnel Selection Office became operational in January 2003 and the first competitions for staff from the acceding countries were launched in the first half of 2003. The Commission has set indicative recruitment targets over a seven-year transitional period. Moreover, in order to meet increased human resource needs prior to accession in certain policy areas such as agriculture, structural policies and the linguistic services, up to 500 non-permanent posts were made available already in 2003. These temporary members of staff, mostly nationals from acceding countries, have now begun to take up their posts in the Commission services.

The Commission's Delegations in the new Member States will be transformed into Press and Representation Offices as of 1 May 2004 and will concentrate on their new role of providing information to citizens and media in their host Member State. Nevertheless, for the purpose of accompanying the phasing out of pre-accession assistance, a certain number of specialised staff will be maintained as required for a limited transitory period.

On 20 February 2003, **Croatia** presented its application for accession to the European Union. At its meeting on 14 April 2003, the Council decided to implement the procedure foreseen under Article 49 of the Treaty on European Union, and requested the Commission to submit to the Council its opinion on this application. A series of questions was transmitted to the Croatian authorities in July, aimed at obtaining an accurate picture of the situation, to which the Croatian authorities replied in October. The opinion of the Commission is under preparation and is expected to be delivered in spring 2004.

The Union has affirmed on many occasions that it does not wish enlargement to lead to new dividing lines in Europe. With this concern in mind, the Commission adopted in March 2003 a Communication on a new framework for relations with our **Eastern and Southern Neighbours**[3]. The Commission put forward an ambitious new vision: the creation of an enlarged area of peace, stability and prosperity encompassing the neighbours to the east and to the south that currently do not have a perspective of EU membership, based on common values and deep integration. In return for concrete progress in the implementation of political, economic and institutional reforms, the EU's neighbourhood is to benefit from the prospect of closer economic and political links with the EU. The Commission proposed to take a differentiated, progressive, and benchmarked approach in implementing the initiative, and to develop country-specific

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2 See the Commission Communication on Activities and Human Resources of the Commission in the Enlarged EU, 5 June 2002 (COM(2002) 311 final).

3 Communication from the Commission to the Council and the European Parliament - Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours, 11 March 2003 (COM(2003) 104 final). This framework applies to the following countries: Russia, Ukraine, Moldova, Belarus, Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian Authority, Syria, Tunisia.

action plans. The initiative was broadly welcomed by both the Member States and the neighbouring countries.

In July, the Commission also adopted a Communication on a New Neighbourhood Instrument[4]. It charts the adaptations to the Community's assistance in the border regions to the new neighbourhood policy, based on a two step-approach: the initial phase up to 2006 should seek pragmatic and dynamic solutions which would improve current cooperation between existing instruments and increase the effectiveness and visibility of cross-border and regional co-operation on the basis of the existing legal framework. A more far-reaching solution could then be considered at a later stage for the period from 2007 onwards, following an assessment of relevant legal and budgetary issues.

The Commission will continue to reflect and elaborate an overall methodology to put the Wider Europe - Neighbourhood concept into practice. This includes a thorough review of our current relationships with the countries concerned and the preparation of the first action plans. Based on the Thessaloniki conclusions, the Commission will next year present to the Council a comprehensive report including proposals for concrete actions.

This rest of this report concerns the three candidate countries not included in the accessions taking place on 1 May 2004, i.e. **Bulgaria**, **Romania** and **Turkey**. The 2003 Regular Reports on these three countries present a detailed analysis of their progress towards accession over the past twelve months. This progress is assessed by means of the same criteria and the same methodology which has been consistently applied to all candidates. Pursuant to the conclusions of the Copenhagen (1993) and Madrid (1995) European Councils, the report pays attention both to legislative changes and to their administrative capacity to implement and enforce the *acquis*. The Reports show that Bulgaria, Romania and Turkey have moved forward on the three sets of criteria – the political, economic and *acquis* criteria - established by the 1993 Copenhagen European Council.

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[4] Communication from the Commission - Paving the way for a New Neighbourhood Instrument, 1 July 2003 (COM(2003) 393 final).

B. BRINGING BULGARIA AND ROMANIA INTO THE UNION

1. Progress made by Bulgaria in meeting the membership criteria

Bulgaria continues to fulfil the Copenhagen **political criteria**. Progress was made with the adoption of a programme and an action plan for the implementation of the strategy for modernisation of the state administration, but sustained efforts will be necessary to fulfil Bulgaria's aim to have a qualified and efficient civil service in place in the medium term. The overall reform process of the judiciary continued. In particular, the amendments to the Constitution regarding the status of magistrates represent an important step forward. Corruption remains a problem, and Bulgaria should maintain concerted efforts to implement measures in this respect.

Bulgaria continues to respect human rights and fundamental freedoms. The legal framework for asylum, child protection, equal opportunities and anti-discrimination policy improved considerably. However, the living conditions of children and mentally disabled placed in institutions have not improved. Further efforts are also necessary to combat degrading treatment by the police and trafficking in human beings. The new action plan for implementing the framework programme for the integration of Roma into society represents a positive step, but determined and sustained efforts are needed to fight discriminatory attitudes and behaviour. An overview of the human rights conventions ratified by Bulgaria can be found in *Annex 3: Human rights conventions ratified by the candidate countries*.

As regards the **economic criteria**, Bulgaria is a functioning market economy. It should be able to cope with competitive pressure and market forces within the Union in the near term, provided that it continues implementing its reform programme to remove remaining difficulties.

The Bulgarian economy has achieved a high degree of stability and has made good progress in structural reforms. This ensures working market mechanisms and an increasingly efficient allocation of resources. However, the flexibility of product and labour markets should be further enhanced. In particular, the efficiency of the administrative and the judicial system should be improved to provide a more stable and predictable framework for economic agents. The privatisation programme needs to be completed and regulations and administrative procedures affecting enterprises further streamlined. A selection of statistical indicators can be found in *Annex 6: Main statistical indicators (2002)*.

Over the past year, Bulgaria has in most areas continued to make good progress in **adopting the *acquis*** and is on track to complete the required legislative transposition before the planned date of accession if the current pace of progress is maintained. Details on progress in the different chapters of the *acquis* can be found in the conclusions of the Regular Report on Bulgaria.

Bulgaria needs to continue to make sustained efforts to develop sufficient administrative and judicial capacity to implement and enforce the *acquis*. As well as continuing horizontal reform of the public administration, it needs to focus in particular on developing the capacity to be part of the internal market and to apply the *acquis* in areas such as agriculture, environment and regional policy. Continued efforts are required to establish the necessary administrative capacity to ensure the sound and efficient management of EU funds.

The full conclusions of the Regular Report on Bulgaria can be found in *Annex 2: Conclusions of the Regular Reports on Bulgaria, Romania and Turkey*.

2. Progress made by Romania in meeting the membership criteria

Romania continues to fulfil the **political criteria**. A number of positive initiatives have been launched over the last year to reform the public administration and the judiciary. Romania needs to focus attention on the effective implementation of these measures and should build further on these efforts to address cumbersome administrative procedures, limited transparency and a limited capacity for policy execution. It needs to develop and implement a strategy to address the reform of the policy and legislative process. Corruption in Romania continues to be widespread. A number of high-profile measures were taken, but substantially increased efforts are needed.

Romania continues to respect human rights and fundamental freedoms, and has made good progress especially as regards anti-discrimination, child protection and national minorities. The implementation of the Roma Strategy needs to continue. Reforms in a number of other areas are being prepared, but the challenge for the future will be the effective implementation of these initiatives. An overview of the human rights conventions ratified by Romania can be found in *Annex 3: Human rights conventions ratified by the candidate countries*.

As regards the **economic criteria**, Romania can be considered as a functioning market economy once the good progress made has continued decisively. In addition, a vigorous and sustained implementation of its structural reform programme is required in order for Romania to be able to cope with competitive pressure and market forces within the Union in the near term.

Further progress towards macroeconomic stability was achieved, privatisation and restructuring of public enterprises were accelerated and market entry and exit mechanisms were improved. However, fiscal and wage policies have to remain prudent, expenditure reform has to be advanced and tax compliance improved. As a priority, enterprise financial discipline must be strengthened, in particular by addressing the continued accumulation of arrears. The restructuring and privatisation in key sectors, such as energy, mining and transport, needs to be advanced. A selection of statistical indicators can be found in *Annex 6: Main statistical indicators (2002)*.

Romania has made steady progress with the **adoption of the *acquis*** and is on track to transpose the required legislation before the planned date of accession provided the current pace of progress is maintained. Weaknesses in the legislative process mean that the quality of legislation transposed is uneven and in some cases revisions will be needed before laws can be implemented. Details on progress in the different chapters of the *acquis* can be found in the conclusions of the Regular Report on Romania.

In a number of important sectors, there has been a continued gap between progress in legal transposition and the limited overall capacity of the public administration to implement and enforce the newly adopted legislation. This represents a major constraint on Romania's accession preparations and to address this issue will require a comprehensive, structural reform of both the public administration and the judicial system. These concerns extend beyond adoption of the *acquis* and also apply to the management of EU financial assistance. Progress in establishing the new institutional structures required by the *acquis* has continued although results to date have been uneven.

The full conclusions of the Regular Report on Romania can be found in *Annex 2: Conclusions of the Regular Reports on Bulgaria, Romania and Turkey*.

3. Pre-accession strategy for Bulgaria and Romania

As recommended in last year's Strategy Paper, the Council endorsed detailed roadmaps and adopted revised Accession Partnerships for Bulgaria and Romania. These Accession Partnerships are based on the findings of the 2002 Regular Reports and draw up a list of concrete tasks which must be undertaken in order to continue and complete preparations for EU membership. The purpose of the Accession Partnerships is to set out in a single framework the priority areas for further work identified in the Commission's Regular Report, the financial means available to help candidate countries implement these priorities, and the conditions which will apply to this assistance.

Institution building, together with investment in *acquis*-related development, should continue to be the principal focus of Community assistance, in particular under the Phare programme. In this context, peer review and twinning are the instruments of choice and considerable use is being made of them (see the tables in *Annex 4: Twinning projects and peer reviews*). This should be further sustained.

The second major aim of Community assistance remains the promotion of economic and social cohesion, with a clear focus on preparing Bulgarian and Romanian administrations and beneficiaries for future Structural Funds and Cohesion Fund actions.

The accession roadmaps for Bulgaria and Romania, proposed by the Commission and endorsed by the Copenhagen European Council, provide for considerably increased financial assistance in the period 2004-2006 to both countries (€1 360 million in 2004, €1 502 million in 2005 and €1 650 million in 2006). This increase, which was subsequently incorporated into the modification of the Financial Perspective 2000-2006, decided by the budgetary authorities, is intended to support Bulgaria and Romania in taking the remaining steps necessary to meet the criteria for membership and to continue to prepare for participation in the Structural Funds.

The increased assistance will be conditional on making satisfactory progress in implementing the roadmap and Accession Partnership priorities and on significant improvements in the countries' capacity to manage and use funds effectively. Preparations should continue to implement extended decentralisation (EDIS) for Phare and ISPA by the end of 2004. Furthermore, Bulgaria and Romania should ensure that effective structures exist to prevent, detect and punish possible instances of fraud and corruption.

4. A framework for finalising the negotiations

4.1 Towards the conclusion of negotiations

Bulgaria and Romania have set 2007 as their target date for accession. This date has now become a common objective of the Union since the Copenhagen European Council in December 2002, depending on further progress in complying with the membership criteria. The Union's stated objective to welcome Bulgaria and Romania as members in 2007 must remain the firm focus of these two countries' preparations and the Commission will support them in achieving this goal.

The accession negotiations have made steady progress to date. All *acquis* chapters have been opened with Bulgaria and Romania. Out of the 31 negotiating chapters, 26 have been provisionally closed with Bulgaria and 20 with Romania. An overview of the state of play in the negotiations is given in the table in *Annex 5: State of play of negotiations*.

The negotiations must advance to their overall conclusion on the basis of the existing principles set at the beginning of the negotiations. As declared by the Thessaloniki European Council, negotiations "will continue on the same basis and principles that applied to the ten acceding states".

The basic principle of the negotiations is that each country progresses on the basis of its own merits. On this basis, the pace of the negotiations will, as in the past, be determined principally by progress on the ground: progress by the negotiating countries in incorporating the *acquis* into their legislation and in building the capacity to implement and enforce it effectively. Measuring this progress is precisely the purpose of the Commission's Regular Reports which serve as a basis to decide on the conduct of negotiations. The Commission will continue to monitor the fulfilment of the negotiating countries' commitments. Progress in the negotiations will continue to go hand in hand with progress on the ground.

In addition, the actual progress in the negotiations and the provisional closure of negotiating chapters depends on all parties making the necessary contributions. This implies, for the candidate countries, the submission of substantive position papers reflecting progress in the transposition and implementation capacity over the period since the previous round of negotiations in each chapter, and credible commitments for what remains to be done. For its part, the Commission will continue to make the necessary proposals for chapters remaining open to permit the Union to formulate common positions to be presented to the candidates.

In order for accession to take place in 2007, a common Accession Treaty for Bulgaria and Romania should be signed at the latest towards the end of 2005, which would require that the negotiations be finalised in due time before that. This is to be preceded by the Commission's final recommendation on the readiness of Bulgaria and Romania for accession. The Thessaloniki European Council supported Bulgaria and Romania in their efforts to achieve the objective of concluding negotiations in 2004, inviting them to step up their preparations on the ground. Meeting this objective will depend on the real progress made on the ground and in the negotiating process on the basis of each country's own merits.

4.2 Outline for a financial framework

As was the case for the negotiations with the ten acceding countries in 2002, one of the first and principal tasks in preparing the ground for the completion of negotiations is to establish a coherent financial framework. This will open the way to finalising negotiations in the chapters on agriculture and regional policy which have important budgetary implications and which are related to the chapter on financial and budgetary provisions.

In the case of the acceding countries, the financial package for accession was largely determined by the financial framework for the period 2000-2006 agreed at the Berlin European Council in March 1999. In the case of Bulgaria and Romania, there is not yet such an overall financial framework in which to place the budgetary implications of their accession. However, the European Council meeting in Thessaloniki in June declared that "discussions or agreement on future policy reforms, or the new financial perspective, shall neither impede the pursuit and conclusion of accession negotiations nor be prejudged by the outcome of these negotiations".

The Commission's proposals will therefore be based on the existing *acquis* as well as on the principles and methodology underlying the financial framework developed for the negotiations with the ten acceding countries. In particular:

– In the field of agriculture, the objective of gradually introducing direct payments for farmers in the new Member States over a period of 10 years starting at 25% of the level then applicable to the EU-15, should be maintained. The negotiating position of the EU should reflect the reform of the common agricultural policy which has taken place in the meantime. The rural development envelope for Bulgaria and Romania will be calculated on the basis of the same criteria as those used for dividing the rural development envelope among the ten acceding countries. The additional market-related expenditure resulting from the accession of Bulgaria and Romania will need to be added to the total EU-25 ceiling for Heading 1.A.[5]

– The structural actions should be based on a share of one third of the funds for the cohesion fund and on an overall envelope fixed following a similar approach as for the ten acceding countries, *inter alia* taking into account the progressive phasing-in of the structural funds in order to reflect the progressive increase of absorption capacity in these countries. This includes the capping of transfers to 4% of expected gross national income in any given year. Once this overall envelope is agreed, the individual amounts per country and per policy will be determined largely on the basis of the methodology applied for current Member States for the period 2000-2006. These would be indicative allocations, liable to change depending on the outcome of policy reform, without changing the reserved total financial envelope.

[5] As laid down in the Decision of the Representatives of the Governments of the Member States, meeting within the Council, of 18 November 2002.

– In addition to providing for full participation by Bulgaria and Romania in the Community's internal policies, additional funds should be allocated for institution building similar to those agreed for the acceding countries (in particular, the "transition facility").

– Bulgaria and Romania should not find themselves in a net budgetary position on accession which is worse in comparison with their situation in the year before accession as beneficiaries of pre-accession funds.

– Funds should be allocated to deal with specific problems, notably the decommissioning of installations at the Kozloduy nuclear power plant.

The continuity implied in this approach is fair to both the present and future acceding countries and is justified taking into account the need to avoid prejudging future policy reforms and the future overall financial perspective. Given that this proposal will be based on the same principles and methodology as applied for the ten acceding countries, the negotiations could be considerably simplified.

Although it would be desirable from the point of view of enlargement that the new overall financial perspective for the Union starting in 2007 preserves this continuity, at least as a starting point, it cannot be excluded that the financial framework for Bulgaria and Romania will need to be adapted in important respects to reflect future policy reforms or fundamental changes to the overall financial perspective as compared to the current perspective. It is therefore prudent and appropriate to limit the financial framework for Bulgaria and Romania in time to a period of three years from their accession. This is in fact the same period as was covered by the negotiations with the ten acceding countries, which was limited to the current financial perspective expiring in 2006.

If the financial framework for the accession of Bulgaria and Romania were to require adaptation after the conclusion of the negotiations, a procedure would need to be available to involve these countries as appropriate in this decision-making. If necessary, this procedure should be included in the Accession Treaty.

The Commission will ensure that the Council can debate these issues, at the beginning of 2004, in a common financial framework for the accession of Bulgaria and Romania. On this basis, the Commission will then propose to the Council common negotiation positions in the fields of agriculture, regional policy and budgetary issues in accordance with the approach set out above.

C. TURKEY IN THE ENLARGEMENT PROCESS – PROGRESS AND CHALLENGES

1. Progress made by Turkey in meeting the membership criteria

The European Council in Copenhagen in December 2002 recalled its decision in 1999 in Helsinki that Turkey is a "candidate state destined to join the Union on the basis of the same criteria as applied to the other candidate States". It strongly welcomed "the important steps taken by Turkey towards meeting the Copenhagen criteria" and encouraged it to pursue the reform process energetically. It concluded that "if the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay".

At its meeting in Thessaloniki in June 2003, the European Council welcomed "the commitment of the Turkish government to carry forward the reform process, in particular the remaining legislative work by the end of 2003", and supported its "on-going efforts made in order to fulfil the Copenhagen political criteria for opening accession negotiations with the Union."

Over the past year the Turkish government has shown great determination in accelerating the pace of legislative reforms in the areas covered by the **political criteria**. It has also taken important steps to ensure their effective implementation, in order to allow Turkish citizens to enjoy fundamental freedoms and human rights in line with European standards. These efforts constitute significant progress towards achieving compliance with the Copenhagen political criteria.

Some of the reforms impinge upon sensitive issues, such as freedom of expression, freedom of peaceful assembly, cultural rights and civilian control of the military, and demonstrate the determination of the Turkish government to move ahead. Turkey has ratified two major UN Covenants on Civil and Political rights as well as on Social and economic rights. Several prisoners sentenced for non violent expression of opinion have been released. The legislation on combating torture has been considerably strengthened and incommunicado detention has been abolished. Many priorities under the political criteria in the revised Accession Partnership have been addressed.

However, in spite of the determination of the government, the Commission considers that Turkey does not yet fully meet the Copenhagen political criteria. A clear framework for guaranteeing political, civil, economic, social and cultural rights is not fully established, and more efforts are needed to enhance the coherence of legal provisions and practice.

As regards the legislative and regulatory framework, particular attention should be given to the strengthening of the independence and the functioning of the judiciary, the overall framework for the exercise of fundamental freedoms (association, expression and religion), further alignment of civil-military relations with European practice and the situation in the Southeast. Cultural rights should be guaranteed for all Turkish citizens regardless of their origin.

Implementation of the reforms has to be strengthened, which requires that all institutions and persons involved accept the spirit of the reforms. Responsibility for enforcing reformed legislation related to fundamental freedoms, provisions for re-trial, respect of European Court of Human Rights judgements, and measures to combat torture, lies largely with judges and prosecutors. On the other hand, executive bodies at all levels are also responsible for implementation of the political reforms. In a number of cases, for example in relation to cultural rights and freedom of religion, such bodies have narrowed the scope of the reforms by establishing restrictive conditions, hindering the objectives initially pursued. The setting up by the government of a Reform Monitoring Group in order to ensure the effective implementation of the reforms and to overcome bureaucratic resistance is encouraging in this respect.

The far-reaching changes to the Turkish political and legal system over the past year are part of a longer-term historical process, and the full benefit of these reforms will accrue to the Turkish people over a number of years. It will take time before the spirit of the reforms is fully reflected in the attitudes of executive and judicial bodies, at all levels and throughout the country, ensuring a track record of effective implementation. Nonetheless, there are already clear signs of improvement in terms of enjoyment of human rights and basic freedoms. It is, however, of great concern that Turkey has not executed many judgements of the ECtHR, by means of ensuring payment of just satisfaction or reversing decisions made in contravention of the ECHR.

The Commission recalls that efforts to resolve the Cyprus problem form part of the enhanced political dialogue between the European Union and Turkey. As repeatedly stressed by the European Council, Turkey, together with all parties concerned, has a decisive interest in providing determined support for efforts towards a comprehensive settlement of the Cyprus problem. The Commission considers that there are favourable conditions for the two communities to reach a comprehensive settlement of the Cyprus problem before Cyprus' accession to the EU on 1 May 2004. The absence of a settlement could become a serious obstacle to Turkey's EU aspirations.

The Commission also recalls the Helsinki European Council conclusions urging candidate countries to make every effort to resolve any outstanding border dispute and other related issues on the basis of the principle of peaceful settlement of disputes in accordance with the United Nations Charter.

As regards the **economic criteria**, Turkey has significantly improved the functioning of its market economy, while macroeconomic imbalances remain. Further decisive steps towards macroeconomic stability and structural reforms will also enhance the Turkish capacity to cope with competitive pressure and market forces within the Union.

Economic stability has increased with the continuation of the disinflation process, and structural reforms and the modernisation of Turkey's market regulations and institutions have advanced. The disinflation and reform process should be maintained, in particular by maintaining fiscal discipline, by restructuring and further privatising the banking sector and by deregulating markets. In order to enhance the growth potential of the economy, the inflow of foreign direct investment should be encouraged by removing remaining barriers. A selection of statistical indicators can be found in *Annex 6: Main statistical indicators (2002)*.

Turkey's **alignment with the *acquis*** has progressed in most areas but remains at an early stage for many chapters. It is most advanced in chapters related to the EC-Turkey Customs Union but in this respect Turkey is not fully meeting its obligations. Alignment is also more advanced in areas where other international obligations exist which are similar to the *acquis*. Further legislative work is required in all areas, and Turkey should focus on implementing its National Programme for the Adoption of the *Acquis*, in line with the Accession Partnership priorities, more consistently across all chapters. Also, new legislation should not move away from the *acquis*. Details on progress in the different chapters of the *acquis* can be found in the conclusions of the Regular Report on Turkey.

In many fields implementation is weak. Administrative capacity in different areas needs to be strengthened to ensure that the *acquis* is implemented and enforced effectively. In some cases, administrative reform should entail the establishment of new structures, for example in the field of state aid and regional development. Where new regulatory bodies have been set up, their autonomy should be assured and they should be provided with sufficient staff and financial resources.

The full conclusions of the Regular Report on Turkey can be found in *Annex 2: Conclusions of the Regular Reports on Bulgaria, Romania and Turkey*.

2. Pre-accession strategy for Turkey

Over the past twelve months the European Union has significantly strengthened the pre-accession strategy for Turkey. The Commission will continue to implement this strategy in its different areas, particularly in view of the report and recommendation that it will present next year on Turkey.

A revised Accession Partnership was adopted by the Council on 19 May 2003. Its purpose is to assist the Turkish authorities in their efforts to meet the accession criteria with particular emphasis on the political criteria. It also forms the basis for programming pre-accession assistance from Community funds.

The enhanced political dialogue has continued intensively under the Danish, Greek and Italian Presidencies. Among the items discussed are the political reforms in Turkey, human rights, Cyprus, and the peaceful settlement of disputes, as well as wider international issues. As from 2003 the Commission is supplementing the enhanced political dialogue with regular detailed consultations with the Turkish authorities on Turkey's progress in complying with the political criteria. This approach will be further developed in order to ensure a better mutual understanding of the issues involved. The enhanced economic dialogue between the EU and Turkey covering issues of macroeconomic performance and stability and economic reforms is being pursued intensively.

The process of legislative scrutiny, carried out in the sub-committees of the Association Agreement, is being supplemented by TAIEX seminars and technical meetings or workshops on specific subjects.

The negotiations for the extension of the EC-Turkey Customs Union to services, and the mutual opening of public procurement markets, are continuing with a view to their finalisation in 2004.

In 2003 Turkey has started to participate in the European Environment Agency and the following *Community programmes*: Enterprise and Entrepreneurship, Gender Equality, Combating Discrimination, Combating Social Exclusion, Incentive Measures in the field of Employment, and the Sixth Framework Programme on Research. Preparations for participation in a number of other programmes, including full participation in the educational programmes in 2004, are under way.

In April 2003 agreement was reached between the European Parliament, Council and Commission to include Turkey in the pre-accession heading of the financial perspectives and to provide substantially increased financial assistance for the period 2004-2006, amounting to €1 050 million over the three years. Particular attention will be paid to providing assistance to both government and non-governmental bodies in areas related to the political criteria.

Overall the impact of Community assistance to Turkey is increasingly positive. As from October 2003 implementation of pre-accession financial assistance programmes has been devolved to the Turkish authorities under the "Decentralised Implementation System" (DIS). Meanwhile the Commission continues to take responsibility for a large number of on-going projects. The backlog in commitments of EU finance for Turkey has been further reduced in 2003. The Commission will verify whether Turkey is meeting its obligations under DIS and continue to strengthen its Representation in Turkey to ensure the continued success of its financial co-operation programmes.

D. CONCLUSIONS AND RECOMMENDATIONS

In the light of the above, the European Commission's conclusions and recommendations are the following:

(1) This year's Regular Reports show that the Bulgaria and Romania have continued to make significant progress over the last year in implementing the accession criteria. They continue to fulfil the political criteria and are closer to fulfilling the economic and *acquis* criteria.

(2) Accession negotiations with Bulgaria and Romania will continue on the same basis and principles that applied to the ten acceding states, in particular the own merits principle. As in the past, the pace of the negotiations will be determined principally by progress made by the negotiating countries in incorporating the *acquis* into their legislation and in building the capacity to implement and enforce it effectively. The Commission will continue to monitor the fulfilment of the negotiating countries' commitments.

(3) The Union's stated objective is to welcome Bulgaria and Romania as members in 2007, depending on further progress in complying with the membership criteria. This objective must remain the firm focus of these two countries' preparations and the Commission will support them in achieving this goal. In order for accession to take place in 2007, a common Accession Treaty for Bulgaria and Romania should be signed at the latest towards the end of 2005, which would require that the negotiations be finalised in due time before that. This is to be preceded by the Commission's final recommendation on the readiness of Bulgaria and Romania for accession. The Thessaloniki European Council supported Bulgaria and Romania in their efforts to achieve the objective of concluding negotiations in 2004, inviting them to step up their preparations on the ground. Meeting this objective will depend on the real progress made on the ground and in the negotiating process on the basis of each country's own merits.

(4) The Commission will present to the Council, at the beginning of 2004, a three-year common financial framework for the accession of Bulgaria and Romania in order to prepare the ground for the completion of negotiations. In line with the conclusions of the Thessaloniki European Council, discussions or agreement on future policy reforms, or the new financial perspective, shall neither impede the pursuit and conclusion of accession negotiations nor be prejudged by the outcome of these negotiations. The Commission considers that in order to ensure fairness vis-à-vis both present and future acceding countries and to simplify the negotiations, this financial framework should be based on the principles and methodology developed for the negotiations with the ten acceding countries. On this basis, the Commission will then propose to the Council common negotiation positions dealing with the financial implications in the fields of agriculture, regional policy and budgetary issues.

(5) Over the past year, by accelerating the pace of reforms, Turkey has made determined efforts and significant progress towards achieving compliance with the Copenhagen political criteria and has made considerable progress towards meeting the economic criteria. Turkey has also continued progress towards meeting the *acquis* criteria, although much remains to be done in many areas. Many priorities under the political criteria in the revised Accession Partnership have been addressed. However, further efforts are needed. This concerns in particular the strengthening of the independence and the functioning of the judiciary, the overall framework for the exercise of fundamental freedoms (association, expression and religion), the further alignment of civil-military relations with European practice, the situation in the Southeast and cultural rights. Turkey should ensure full and effective implementation of reforms to ensure that Turkish citizens can enjoy human rights and fundamental freedoms in line with European standards.

(6) The Commission will next year assess the progress made by Turkey towards meeting the accession criteria as requested by the Copenhagen European Council. The Commission will issue a report and a recommendation before the end of October 2004 on whether Turkey fulfils the Copenhagen political criteria. This should allow the European Council to decide, at its meeting in December 2004, on the possible opening of accession negotiations with Turkey.

(7) As regards Cyprus the European Council has repeatedly underlined its strong preference for accession by a united Cyprus. The Commission considers that there are favourable conditions for the two communities to reach a comprehensive settlement of the Cyprus problem before Cyprus' accession to the EU on 1 May 2004. To this end the EU should reiterate its call to all parties concerned, in particular Turkey and the Turkish Cypriot leadership, to resume the talks on the basis of the UN Secretary General's proposal. The absence of a settlement could become a serious obstacle to Turkey's EU aspirations. The Thessaloniki European Council stated the Union's willingness to accommodate the terms of a settlement in line with the principles on which the EU is founded. The Commission is ready to assist in finding a speedy solution.