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**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 5 December 2000

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OUTCOME OF PROCEEDINGS

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Delegations will find attached the above conclusions, as approved by the General Affairs Council.

ANNEX

CONCLUSIONS OF THE GENERAL AFFAIRS COUNCIL

(Monday 4 December 2000)

OVERVIEW OF THE ENLARGEMENT PROCESS

The Council welcomes the progress reports by country and scoreboards and the strategy paper put forward by the Commission concerning the enlargement process, from which the Union can distil an overview of the accession negotiations as well as prospects for the period now starting.

It appreciates the quality of the information transmitted by the Commission, which are important for future work. These documents give a clear and precise idea of the progress of each candidate country's accession preparations and of the difficulties still to be resolved by each of them.

The Council simultaneously welcomes the far-reaching reform each of them has, to a varying degree, put in hand and urges them to keep up this essential effort in both transposing the *acquis* into national law and actually implementing it. The Council will continue to monitor, within a uniform and consistent framework, progress made by candidates on fulfilling the accession criteria. In that context, it notes the Council statement of 27 November 2000 (set out in Annex 2) on macroeconomic and financial stability in the candidate countries which have begun negotiations.

Entirely in keeping with the momentum given by the European Councils in Helsinki and in Feira, the Council considers that the Commission's strategy paper provides a framework, which is both ambitious and realistic, for continuing accession negotiations and which can give fresh impetus to the enlargement process. It believes that all the necessary elements for continuing the accession negotiations and bringing them to a successful conclusion are in place and emphasises that the political prospect of enlargement informs all the work, both present and future, of the European Union and reaffirms its political commitment and its total determination in this area.

The Council confirms once again the historical significance of the enlargement process and the political priority which it attaches to its success.

The Council believes that, with the regular reports and the scoreboards, the Union also has the necessary instruments to monitor each candidate's preparations and also the undertakings made during the accession negotiations. Those instruments, which are to serve as support to both the Union and the candidate countries, will help to make the accession negotiations more effective and hence to conclude them speedily.

The Council considers that the intensification of the negotiations, which have gradually moved on to the outstanding substantive questions, in particular in recent months, has resulted in very important progress (see Annex I) which will serve as a solid basis for substantial negotiations on a number of key issues. On the one hand, many fields do not require further negotiations at this stage. On the other, case-by-case consideration of the requests for transitional arrangements has yielded some initial results, and some of those requests have been accepted.

The Council welcomes the "road map" which has been proposed for the next 18 months by the Commission, whose ambition it shares, and by which it will be inspired in the conduct of the negotiations. It considers it an important reference frame which reflects the Union's commitment, for its part, to tackling problems raised by the negotiations,

including requests for transitional arrangements, and to adopting negotiating positions on chapters of the *acquis* based on a given timetable, with a view to the provisional closure of the various chapters once the conditions are met.

The "road map" represents a flexible framework which, during its implementation, needs to be fine-tuned to the progress made by each candidate and should incorporate scope for the best-prepared candidates to make swifter progress in the negotiations. The principle of differentiation, based on each candidate country's own merits, is the cornerstone for the continuation and conclusion of the accession negotiations; this principle also allows for scope to catch up.

Following the Intergovernmental Conference on the reform of its institutions, this approach will enable the Union, in line with the objective set by the Helsinki European Council, to take in the new Member States which are ready as from the end of 2002.

The Council points out that the speeding up of negotiations depends on the joint efforts of the Union and the candidate countries. In the case of those candidates for which not all chapters have yet been opened, everything will be done to create the necessary conditions for opening the remaining chapters as soon as possible in 2001.

As regards the transitional periods requested by the candidate countries and which might, in some cases, prove necessary, the Council points out that the candidate countries' requests will have to continue to be examined case by case on the basis of the general criteria defined by the Union. The Union itself will be able to invoke the need, in its own interests, for certain transitional arrangements.

While noting with interest the Commission's proposal to divide requests for transitional periods into three categories {{SPA}} acceptable, negotiable, and unacceptable {{SPA}} the Council recalls that consideration of such requests will be conditional upon a clear undertaking from the candidate countries to transpose and implement the *acquis* effectively. Those requests and other outstanding issues should be examined in accordance with the timetable proposed in the "road map", with for the principle of differentiation.

The Council feels that it might be useful, in certain exceptional cases, to put off examination of clearly identified issues to enable the chapters to which they belong to be closed provisionally. In any case, that method will not be used until every effort has been made in the negotiations on the chapters concerned.

The Council recalls the importance not only of transposing the *acquis* into national law but, above all, of implementing it effectively. In fact, the fulfilment of undertakings made by candidates in the negotiations depends largely upon their administrations' capacity to apply the *acquis* in practice.

In this connection it urges the candidate countries to continue and to speed up the necessary reforms so that they are able fully to assume the obligations deriving from accession. Each candidate's progress in this area will be decisive for the advancement and conclusion of the negotiations.

For its part, the Union confirms its readiness to continue to support that reform and the means to achieve it via the pre-accession strategy.

The Union will need to make systematic and coordinated use of all the instruments at its disposal in order to check and keep under review fulfilment of undertakings made by candidate countries in the negotiations. The Council calls on the Commission in particular to update each country's scoreboard at regular intervals.

The Council points out that accession partnerships are an essential instrument of pre-accession strategy in that they set individual short- and medium-term priorities for candidates. It very much hopes that the short-term priorities that were set by the partnerships adopted in 1999 which have not yet been met by candidates will be implemented rapidly.

With regard to Turkey, the Council reiterates its wish to put the framework for the pre-accession strategy into place as soon as possible, as called for in the Helsinki conclusions.

The Council welcomes the ministerial meeting of the European Conference held on 23 November ahead of the European Conference meeting to be held on 7 December 2000 at the level of Heads of State or Government.

The ministerial meeting made it possible to brief the candidate countries, as they wanted, on the state of play within the Intergovernmental Conference on the reform of the institutions and to hold a discussion with them on the functioning of the enlarged Union in the longer term.

All chapters of the negotiations (apart from those concerning the institutions and miscellaneous questions), i.e. 29 in all, have been opened up for negotiation with Cyprus, Estonia, Hungary, Poland, the Czech Republic and Slovenia. Under the differentiation principle negotiation has begun on 17 chapters with Malta, 16 chapters with Latvia, Lithuania and Slovakia, on 11 chapters with Bulgaria and on 9 chapters with Romania. Application of that principle to the negotiations has thus confirmed that "catching up" (called for by the European Council in Helsinki and in Feira) is possible.

Between 6 and 17 chapters of the negotiations have been closed provisionally, namely 8 for Bulgaria, 17 for Cyprus, 16 for Estonia, 14 for Hungary, 9 for Latvia, 7 for Lithuania, 12 for Malta, 13 for Poland, 13 for the Czech Republic, 6 for Romania, 10 for Slovakia and 14 for Slovenia.

With some candidates, negotiations have already been closed provisionally on complex aspects of the *acquis*, such as free movement of goods, freedom to provide services, free movement of capital and company law.

The Commission has to date counted more than 170 requests for transitional measures from the candidate countries in areas other than agriculture and over 340 in the area of agriculture alone. With full adoption of the Community *acquis* being the basic principle underlying the negotiations, the requests for transitional measures, coupled with effective implementation of that *acquis*, represent one of the most difficult points in the talks.

**Ecofin Council Statement on
macroeconomic and financial stability in the accession countries**

The Ecofin Council would like to contribute to the preparation of a fully successful economic integration of candidate countries with which negotiations are under way (i.e. accession countries) and their accession to the European Union. In this context, the Ecofin Council discussed the economic situation in the accession countries, with a view to assist them in defining their strategy for economic integration into the European Union. For this discussion, the Ecofin Council took note of the Commission note "Progress towards meeting Copenhagen economic criteria by accession countries and the need for macro-financial stability assessments". The Commission note presents the results of the economic chapter of the Regular Reports and the Strategy Paper on progress made towards meeting the Copenhagen economic criteria with respect to the macroeconomic situation and structural reforms, and proposes an economic dialogue with accession countries in the area of macro-economic and financial stability.

The Council considers that the accession countries have generally made progress towards meeting the two parts of the Copenhagen economic criterion, namely, first, the "existence of a functioning market economy" and, second, "the ability to cope with competitive pressure and market forces within the Union".

According to the Commission note, significant differences still exist among accession countries. The note also states that they could be considered as functioning market economies or have made significant progress in that direction. The accession countries should be able in the coming years to cope with competitive pressure and market forces in the Union, provided they maintain the appropriate path to structural reform. A sufficient degree of macroeconomic stability for economic agents to make decisions in a climate of stability and increased certainty exists in most countries. Countries where the market mechanisms are working will be better able to cope with, and adjust to, competitive pressure and market forces within the Union.

Accession countries should continue the transformation of their economies and their economic catching-up consistent with pursuing efforts to meet the Copenhagen criteria and preparing for EU membership. The Ecofin Council shares the accession countries' ambition for an accelerated catching-up process.

In the process of economic integration into the EU, accession countries will need to continue with economic reform. The prospects for real and thereby sustainable nominal convergence will depend, *inter alia*, on these countries' commitment to pursuing, first, macro-economic stability and, second, financial stability, building on the progress that they have made to date.

On the first point, ensuring macro-economic stability will require an adequate degree of price stability, while enabling rapid growth in output, and ensuring that balance of payments imbalances are predominantly financed by long-term capital that can finance the significant investment needs. Moreover, it is vital to ensure medium-term sustainability of public finances in a context where infrastructure upgrading is needed to support economic competitiveness and to avoid exchange rate volatility in the context of significant capital inflows.

On the second point, ensuring the stability of the still underdeveloped financial systems in the accession countries will require completing the preparation of the banking system for increased competition, strengthening of the regulatory and supervisory framework, securing its implementation, technically sound payments systems and improving the general legal and business environment, with the aim of improving the capacity of the financial system to finance productive investment.

The Council considers that a **regular in-depth dialogue** with accession countries on a large spectrum of macro-economic policy and financial stability issues will assist the accession process. It could be used both as a means to identify risks and vulnerabilities in these countries and as a way to help them define their strategy for economic integration into the EU. Such a dialogue would further enhance the co-operation and the exchange of information between existing and future Member States ahead of their accession.

Without prejudice to the pre-accession process and the evaluation of the Copenhagen criteria which are effected in the context of the accession negotiations, the Council requests the Commission to produce annual assessments of macro-economic and financial stability in the accession countries. To support the economic dialogue with accession countries, the Council wants the Pre-accession Economic Programmes presented by accession countries, their evaluation by the Commission and the macro-financial stability assessments to be discussed in a meeting, including the EFC members and high level representatives of accession countries, which could be organised by each Presidency, starting with Sweden in the first half of 2001. The Commission is invited to report each year to the Council (Ecofin) on its assessment of the budget notification and the Pre-accession Economic Programmes, which are to be presented by the accession countries from 2001 onwards, as well as on the conclusions of the high level meeting.