

ENLARGEMENT

INTRODUCTION

Following the complete collapse of the Soviet empire in the late 1980s, the countries of Central and Eastern Europe (CEEC) were faced with the enormous task of reassessing their futures and restructuring their political and economic systems. The European Community responded almost immediately to the challenge with the creation of the Phare programme of technical assistance in 1989. This was followed, within very few years, by a commitment, made in 1993 at the Copenhagen European Council, that the CEEC could become members of the EU as soon as they were able to assume the obligations of membership.

The same Council set the important framework conditions for membership:

- the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for the protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

Thereafter, with all the CEEC, including the Baltic states, declaring their interest in membership, the EU had to decide how best to manage the integration process. The Essen Council, in 1994, reconfirmed the willingness of the EU to enlarge itself eastwards and outlined a strategy to prepare the associated countries for accession. Subsequently, the Phare programme was transformed into one of the instruments for this pre-accession strategy. A second element of the strategy was the development of wide ranging association agreements - called Europe Agreements - with each of the CEEC. These allowed the Community to offer trade concessions and other benefits, and at the same time develop a much deeper dialogue with each country. Thirdly, the Structured Dialogue set up a means for regular meetings between ministers.

In the mid-1990s, the Commission put forward a white paper signalling the extent of the Single Market legislation that the CEEC would have to take on board, and some indication of priorities. The paper listed a series of energy laws, all of which were considered to be of primary importance for transposition by the CEEC. There was no similar formal paper on the burden of environmental legislation, but, under the Structured Dialogue, environment ministers met regularly during the mid-1990s, and the Commission has since produced plenty of papers and advice for the CEEC on the subject.

As soon as the Member States had completed their negotiations on the revision of the Maastricht Treaty, in mid-1997, the Commission took a further major step towards the potential enlargement of the Community. With the 'Agenda 2000' package, it aimed to demonstrate the viability of taking on new Member States, by explaining the financial and structural changes necessary for the EU and for each of the potential members. The Commission's proposal to start detailed negotiations initially with only five of the applicant countries, although disliked by the Parliament, was eventually approved by the Council.

This chapter gives an outline of the many elements of the pre-accession strategy, with some reference to the role of energy. It also covers the Single Market white paper, and the preparatory work carried out by the Commission on the environmental acquis. The Agenda 2000 package is described, as are the Accession Partnerships. The final section of this chapter looks in detail at the energy and environmental sections of the Commission's individual Opinions on the CEEC membership applications.

THE PRE-ACCESSION STRATEGY - THREE MAIN ELEMENTS

Formal EU contacts with the countries of Central and Eastern Europe began to accelerate immediately after the silent revolutions in the late 1980s and early 1990s. The Phare programme of technical assistance started up in 1989-90 for Poland and Hungary, but now supports 13 of the EU's partner countries, including the Baltics. By the end of 1996, cumulative grant commitments had amounted to over Ecu6.5bn.

During its eight years of existence, Phare has been through a number of transformations. The Essen European Council in December 1994 decided "to boost and improve the process of further

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preparing the associated states of Central and Eastern Europe for accession” and designated Phare as the main financial instrument for supporting the pre-accession strategies. This allowed the Commission to make the programme more flexible by allowing the use of 25% of the available funds for cofinancing expenditure on infrastructure - with the aim of supporting the economic transformation process and the strengthening of democracy to the point at which the countries would be ready to assume the obligations of EU membership.

Although energy sector projects were a clear priority for the first few years, latterly they have been embraced within the broad-based programme categories of “infrastructure” and “environment and nuclear safety”. During the priority phase, the initial focus was on legislation, regulation, energy saving and price transparency. Thereafter, the focus shifted toward restructuring and market orientation of energy companies, and since the mid-1990s, to harmonisation with EU legislation.

Largest slice of Phare energy funds allocated to Bulgaria

Among all the national programmes, Bulgaria has received the largest share of assistance in the energy sector (not including actual grants for nuclear safety, but nevertheless because of efforts to close down Kozlodui) - some Ecu75.4m (this has included Ecu20m for emergency winter energy supplies in the early 1990s and a large grant of Ecu15m for the cofinancing of the Maritsa East power plant).

The multi-country studies also carry important energy and nuclear safety elements. There have been projects looking at various aspects of the electricity interconnections between parts of the Central network and UCPTE, at natural gas interconnections, at coordination among the Baltic countries on a natural gas strategy, at harmonisation of energy policies across the whole region, and at the use of clean coal technologies.

Problems with multi-country energy programme

However, an evaluation of the Phare programme, published by the Commission in mid-1997, said that the multi-country energy programme had been experiencing difficulties of two kinds. It noted that there was a diverging philosophy between DGI and DGXVII, with the former preferring a decentralised approach, and the latter concerned about political issues and the pre-accession strategy. Secondly, the evaluation found that there were organisational difficulties which had emerged from the simultaneous operation of both national and multi-country programming in energy.

Europe Agreements set the framework for cooperation

In parallel with the Phare programmes for each country, the EU has also sought to develop a far wider collaboration with the CEEC through the use of the Europe Agreements. These cover political dialogue, preferential trade relations and practically all aspects of economic activity (including procurement, energy and environment matters, for example).

The first Europe Agreements to come into force were those with Hungary and Poland, in February 1994, while similar Agreements with Bulgaria, the Czech Republic, Romania and Slovakia became effective a year later, in February 1995. The Essen Council also called for the negotiation of Europe Agreements with the Baltic States (which were signed later in 1995) and Slovenia, to bring them within the group of countries aiming for accession.

Energy cooperation with Czech Republic

The Europe Agreements all have specific sections on the environment, on nuclear safety and on energy. As an example, the Agreement with the Czech Republic includes the following areas for cooperation in energy:

- formulation and planning of energy policy at both national and regional level;
- opening up of the energy market to a greater degree, including facilitating transit of gas and electricity;
- study of the modernisation of energy infrastructures;
- improvement of distribution and diversification of supply;
- management and training for the energy sector;
- development of energy resources;
- promotion of energy saving/efficiency;
- the environmental impact of energy production and use;
- the nuclear energy sector;
- the electricity and gas sectors;
- formulation of framework conditions which could encourage joint ventures;
- transfer of technology.

The article on nuclear safety says cooperation should mainly cover the following: nuclear emergency preparedness and management; radiation protection and monitoring; fuel cycle problems; safeguarding of materials; radioactive waste management; decommissioning; and

decontamination. The articles on the environment are also detailed and include subjects such as the prevention of global climate change, and the use of economic and fiscal instruments.

The energy and environment Structured Dialogues

The third main element of the pre-accession strategy is the so-called Structured Dialogue, initially agreed at the 1993 Copenhagen European Council, along with the criteria for CEEC membership, and subsequently endorsed at the 1994 Essen Council. In essence, the Structured Dialogue consists of regular meetings between the ministers of the EU and the CEEC, usually before or after a Council, to discuss specific issues of mutual interest at the highest level. It was also considered at the time that the Structured Dialogue would be a useful mechanism for familiarising the CEEC with the EU's decision-making and institutional systems.

Under the German Presidency, environment ministers of the 15 Member States and Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic met for the first time on 4 October 1994. They agreed on a common set of goals: ensuring sustainable development; preserving Europe's natural heritage, and making the optimal use of natural resources; effectively confronting transfrontier environmental problems; reducing hazards in nuclear power stations; contributing to the solution of global environmental problems; integrating the environment into socio-economic reform in the associated States. Moreover, all the ministers said they recognised "the importance of high environmental standards and of the approximation of laws in the associated states to those applicable in the European Community".

Common goals agreed by environment ministers

Since then, the environment ministers have met on several further occasions. In March 1997, for example, they discussed a climate change strategy and agreed that 'joint implementation' would be a particularly suitable area for coordination between the EU and CEEC.

Although Structured Dialogue meetings in various other policy areas take place regularly, by early 1998 energy ministers had met only once, on 27 May 1997. According to a Council press release at the time, both the EU and the CEEC acknowledged their common interests in the strategic energy sector and the close link of those interests to the objectives enshrined in the Commission's white paper on energy policy; i.e. improvement of competitiveness, security of energy supply, and protection of the environment.

Meeting of energy ministers under the Structured Dialogue

The joint meeting focused on energy saving and energy networks. The ministers noted the substantial scope for further efforts on energy savings in the CEEC through vigorous energy saving policies and the setting up of energy agencies. In terms of networks, the EU's interest in the external dimension of the TENs was also made clear. "Countries are encouraged to strengthen cooperation with their neighbours, both at governmental and company level, as a means to promoting energy TENs", the Council said.

THE INTERNAL MARKET AND ENVIRONMENT - MOUNTAINS TO BE CLIMBED

Integration into the Single Market, one of the fundamental cornerstones of the European Union, is considered, by the Commission, to be a political and a practical priority for the CEEC. In order to encourage the applicant countries to start the long climb towards transposing the mountain of Community legislation (the so-called *acquis*), the Commission published, in November 1995, a white paper on "the preparation of the associated CEEC for integration into the internal market".

The white paper, which remains valid in the late 1990s and was the basis of a scoreboard analysis contained in the Commission's Opinions on the membership applications, was divided into two parts. The first part covered a political analysis, and the second contained 400 pages of technical annexes detailing the internal market legislation on a sector-by-sector basis. In part two, the Commission explained that, although every piece of legislation is important in principle, "and while accession to the Union can only be achieved by taking over the entire body of Community legislation", it was appropriate in the pre-accession phase to propose a sequence in which the associated countries could take over the legislation for each major area. The Commission, therefore, drew a distinction between Stage I measures (the highest priority) and Stage II measures (the second priority).

The important 1995 white paper on Single Market legislation

Difficulties of approximation in energy

Approximation in the energy field, the white paper said, cannot be disconnected from the application of competition rules. The Community framework concerning state aids is essential if distortions of competition are to be avoided in an integrated energy market. The legislation in the field of price transparency, for example, needs to be accompanied by the application of

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competition rules, including sanctions. The countries wishing to accede must build structures reflecting a competitive market environment and follow the Union's competition rules, the Commission explained. Furthermore, it said, energy policy is also closely linked with environmental and other policies: it will be difficult, for example, to accept electricity imports if electricity production in the exporting country does not respect the same levels of environmental protection or nuclear safety.

As far as the gas and electricity markets were concerned, the white paper designated the Commission's proposals (which have since been translated into law) as Stage I measures. However, the Commission noted, the CEEC may need time to adjust due to their past legacy of centrally-planned economies, state-run undertakings, and the lack of transparency. In an interim report on the effects of enlargement, prepared for the Madrid Council in December 1995, the Commission acknowledged that the accession states would need transitional periods in some sectors - energy was one of these - but stressed that these must be agreed during the accession negotiations. The possibility of such transitional arrangements should not reduce the need for the states to prepare fully for membership nor should they become a pretext for permanent derogations, the Commission said.

The huge burden of environmental laws

Because of the white paper, the Single Market acquis may be the most high-profile package of Community laws which need to be transposed by the applicant states, but it is by no means all. Over and above the 45 or so legislative actions in the environmental sphere which were included in that paper, there are a substantial number of other environmental rules and regulations which need to be incorporated into national legislation by each of the applicant countries. In a regular DGXI newsletter dedicated to environmental approximation and published in 1997, Bjerregaard said the environment has played a much greater role in the discussions in the Commission than is

Stage I energy sector measures the CEEC must implement for integration into the EU internal market

Hydrocarbons

Directive 94/22/EC - conditions for hydrocarbon prospection, exploration, and production licensing

Security of supply/stocks

Directives 68/414/EEC, 72/426/EEC - minimum stocks of crude and/or oil products

Directive 73/238/EEC - measures to mitigate the effects of oil supply difficulties

Directive 76/639/EEC - detailed rules for application of crisis measures

Decision 68/416/EEC - on agreements between governments relating to oil stocks obligations

Price transparency

Directive 90/377/EEC - transparency of gas/electricity prices

Directive 76/491/EEC - oil price information

Commission Decisions 77/190/EEC, 81/883/EEC - implementing oil prices Directive

Gas/electricity transit

Directive 90/547/EEC - transit of electricity

Directive 91/296/EEC - transit of gas

Liberalisation of gas/electricity

Commission proposals (OJ/94/C123) - for opening up markets for gas and electricity

Hot water boilers

Directive 92/42/EEC - efficiency requirements for new hot water boilers fired with liquid or gaseous fuels

Nuclear sector - supply

Agreement on implementation of Article 111(1) of the Non-Proliferation Treaty (OJ/78/L51)

Regulation (EC) 3227/76 - application of the provisions of Euratom safeguards

Nuclear sector - safeguards

Statutes of the Euratom Supply Agency (OJ/58/27)

Rules of Euratom on balancing the demand and supply of ores, source materials and special fissile materials (OJ/60/32, OJ/75/L193)

Regulations (Euratom) 17/66, 3137/74 - exemption of the transfer of small quantities of ores, source materials and other fissile materials

Amendment of the Agency statutes (OJ/73/L83)

Council Resolution (OJ/74/C69) - supply of enriched uranium of the Community

NB: Some items in this table are out of date (liberalisation of gas/electricity, for example), and others might be added by the Commission today (standards for freezers, perhaps), however the list remains instructive as the Commission's own identification of which pieces of energy legislation (out of a much bigger range) are the most important.

Source: 1995 white paper - COM/95/163

generally known and “to assume that environmental policy has been considered a side-show of lesser importance would be wildly mistaken”.

In fact, the Commission delivered to CEEC ministers, in September 1997, a comprehensive guide to the EU’s environmental legislation. This was “a step-by-step road map covering the whole of the environmental acquis with the aim to identify the key issues and steps to take in the whole process of approximation, from legal transposition to practical implementing and enforcement of the legislation”, explained a Commission official in the above newsletter. Although the document contained a very long list, the total environmental acquis can be condensed into about 70 core Directives and 21 Regulations, he said.

Comprehensive guide on environmental acquis

The EU’s environmental legislation relating to the water, waste and energy sectors is likely to take the longest time to implement and require the most investment, Bjerregaard said in the newsletter. Nevertheless, she took an upbeat attitude: “*Yes, environment could be a stumbling block for accession, if the whole question of environmental approximation isn’t handled correctly. But - and this is what I have been emphasising again and again - environmental approximation is also a unique opportunity, both for the acceding countries themselves and for the rest of the Union.*” She went on to argue that environmental transition must go hand-in-hand with economic transition and growth.

In fact, DGXI is making great efforts to help the CEEC. Apart from the “road-map” and the newsletter, it has set up an excellent website, packed with easily accessible information. The country desk officers make regular visits, as does Bjerregaard herself. Environmental approximation is considered so important that a substantial portion of the Ecu1bn/yr from the Structural Funds, and the grants available from Phare, to made available in the next few years, will be focused on assistance for the CEEC in the environmental area. Bjerregaard has estimated that, in the 2000-06 period, about Ecu1bn/yr in total will be dedicated for environmental approximation.

Ecu1bn/yr to be spent on environmental approximation

AGENDA 2000 - HOW TO MANAGE THE ENLARGEMENT PROCESS

Just prior to the summer break in 1997, the European Commission presented its important Agenda 2000 package of measures aimed at the eventual enlargement of the European Union. The 2,000 pages of documentation included several reports. The first of them was entitled “For a stronger and wider Union” and contained a general strategy for enlargement and new financial perspectives for 2000-06. The second report was entitled “Reinforcing the pre-accession strategy”. There were also detailed Opinions on the membership applications of 10 countries.

The Commission set out a number of priority themes in the first report. The goal of economic and social cohesion, for example, must be adhered to, the Commission said, and constant efforts must be made to tackle the regions’ uneven capabilities for generating sustainable development and their difficulties in adapting to the conditions on the labour market. There must be substantial reform of the Union’s Structural Funds and its agricultural policy, and there must be a new financial framework to cope with the requirements of the first wave of enlargement and increased support for the applicant countries.

However, the Commission warned that the EU was not yet ready to take on new members and it made two key recommendations. The political decision on the weighting of votes in the Council, which is meant to go hand in hand with a reduction in the number of Members of the Commission by the first enlargement, should be taken well before the year 2000, the Commission said. Moreover, a further IGC should be called as soon as possible after 2000 to prepare the Union for enlargement by means of far-reaching reforms of the institutional provisions in the Treaty, including the generalised introduction of qualified majority voting.

The EU not ready to take on new members

The second report, concerned with the details of how the Commission proposed to reinforce the pre-accession strategy, covered practical, financial and legal aspects of the accession process. The Commission advised that there must be a focus, through training specialists, on reinforcing the institutional and administrative capacity of the applicant countries so that they would be in a position to implement the Community acquis. There must also be an investment effort to bring enterprises and large industrial plant into line with Community standards. It also advised that specific intermediate stages would need to be set so that the granting of Community assistance could be made conditional on progressive programme implementation.

Under the new strategy, financial resources are due to come from the Phare programme (see above), pre-accession aid for agriculture, structural assistance programmes at regional level

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(Ecu1bn/yr for countries in the pre-accession stage), and from the financing institutions, such as the EIB, EBRD and World Bank. Euratom loans may also be used for nuclear safety projects. In terms of the legal instruments, there are three main contractual routes for cooperation in the pre-accession phase: the Europe Agreements, the participation of CEEC in Community programmes (such as SAVE, which has already begun, with Phare providing contributions in some case), and the Accession Partnerships (see below).

The impact of enlargement on CEEC energy and environment

The report on reinforcing the accession strategy also looked in detail at the effects of the Union's policies of enlargement on the applicant countries and included sections on environment and energy policies, among others. The Commission noted, for example, that the candidate countries are facing more acute environmental problems (particularly in water and air pollution and waste management) than the Member States. Although most of the problems are legacies from the past, some have intensified during the rapid transition process. The problem is, the Commission explained, that whereas the CEEC actions tend to take the form of 'end-of-pipe' solutions, the EU has moved steadily into a phase where the objective is to deal with mitigation of the effects of diffuse sources in sectors such as transport and energy.

CEEC facing acute environmental problems

"The ongoing adaptation to the principles of market economy has already led to the closing down or upgrading of many of the most energy-intensive and polluting installations, and adaptation to the world market prices for energy will further accelerate this trend." Despite substantial efforts by the CEEC, the Commission said, "a very important effort, including considerable technical and financial assistance, would appear to be indispensable for a rapid progress of acceding countries towards alignment to the EU environment acquis, especially in the areas of water and energy related issues". The Commission also discussed the cost-saving effects of investing in the CEEC to address transboundary environmental pollution but warned against too great a focus on this factor to the detriment of the EU's political standing in the international arena on issues such as climate change.

The Agenda 2000 report acknowledged that the energy sector, due to its strategic importance and as a production factor for industry, "is crucial for the economic (and social) restructuring of the CEEC". Although the candidate countries are similar to the EU in that they are net energy importers, there are also important differences, usually related to the legacy of the past. These differences are: *"High dependence on Russia and other NIS for oil, gas, nuclear technology, fuel fabrication and enrichment, and, to a certain extent, for uranium; low efficiencies in production, transmission, distribution and consumption, due to non-market related prices, obsolete technologies, lack of investment and inadequate legal and regulatory frameworks; severe environment damage, nuclear safety problems, and problems related to the disposal or treatment of nuclear waste and spent fuel."*

Very important investment needed in the CEEC energy sectors

The Commission summarised: *"Very important investment will be necessary in the candidate countries' energy sectors. . . The bulk of the investment will have to come from private, as well as from national and other international public sources. Hence the importance of a political and economic environment in candidate countries favourable to investment. However, the EU too will have to contribute to the effort, both before and after accession."*

The report went on to mention a number of specific areas of concern. Lack of sufficient funds, for example, could hamper a timely adoption of energy efficiency standards and thus impede the normal functioning of the internal market after accession; and it could delay the fulfilment of requirements on oil stocks, which are important because of their direct link to the principle of EU solidarity in the event of crises. Restructuring of the solid fuel sector in many countries could pose problems with respect to state aids. Lack of adequate energy data collection systems in the acceding countries could also pose problems for EU energy policy. Nuclear safety is another area of acute concern, it suggested.

The impact of enlargement on EU energy policies

Enlargement will also have its consequences on EU energy policies, such as increased dependency on Russia, important nuclear safety problems, costs involved in improving energy efficiency, environment problems, security of supply, and social and regional restructuring. Increased use of Euratom loans and a consequent increase in its ceiling could prove necessary, the Commission said, and further intervention under structural policies may be necessary. Also, it noted that completion of the internal energy market could prove more difficult in an enlarged EU.

Positive impacts from enlargement will include, the Commission added, improved links to EU suppliers (Russia, Central Asia, Middle East) and inclusion in the Union territory of large sections

of major transit routes (e.g. pipelines in Slovakia etc.); synergies of energy research and technology development; improvements in the rational use of energy and to the environmental situation on an all-European scale; markets for the energy industry; and accrued stability in energy supplies.

Setting up the Accession Partnerships

During a rather rapid inter-institutional process during the first quarter of 1998, the Council and the Parliament approved the basic individual Decisions underpinning the so-called Accession Partnerships (APs), and these were then further elaborated by the Commission prior to being handed over to the applicant countries on 30 March at the launch of the accession process. The APs set out the main instruments for Community technical and financial assistance (the Phare programme), the methods of implementation and monitoring, a clause on conditionality (i.e. that financing support could be dependent on commitments within the Europe Agreements), and a substantial annex which summarises the content of the Commission's Opinions on each application (including sectoral priorities). They also give short and medium-term priorities.

Within the individual Partnerships, energy is considered a short-term priority for Bulgaria and Lithuania, and a medium-term priority for Bulgaria, Lithuania, Slovenia and Slovakia (in each case largely because of nuclear safety). There is also a short section on energy in the annex of each AP. Common themes are nuclear safety and the need to build up oil stocks.

Bulgarian and Lithuanian APs include energy as a short-term priority

Each candidate country will need to prepare a national programme for adoption of the Community acquis. This should indicate in detail how it will implement the priorities identified in the AP, including the setting of commitments in terms of timetables and human/financial resource allocation. Future Community assistance to each country is to be made conditional on commitments under the Europe Agreement being met; further steps towards satisfying the criteria, set by the Copenhagen European Council, being respected; and progress in implementing the APs being made. Failure to meet these general conditions could lead to a decision by the Council to suspend financial assistance. The implementation of the APs will be monitored through the Europe Agreement framework. The Commission will propose a first review of the Partnerships before the end of 1999.

International banks provide the investment support

In terms of investment support, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) are very active in providing loans for energy and environmental projects in the region. The preparation for these loans is often carried out with Phare assistance and, recently, with investment grants allowed, there is the possibility of Phare cofinancing.

The EIB was specifically asked by the 1994 Essen Council to help prepare the CEEC for accession, and loans have since been made under the umbrella of the Europe Agreements. Total EIB lending between 1990 and the end of 1996 totalled Ecu4.8bn; of which Ecu1.055bn or 22% went to energy loans. The principle schemes to be funded so far have included gas pipelines and distribution networks in Lithuania, Poland, the Czech Republic, Romania and Slovakia; electricity production and distribution projects in Albania, Bulgaria, Hungary, and Latvia; and urban district heating networks in Romania and Estonia. Between January 1997 and 2000, the Council has agreed the EIB should lend a further Ecu3.5bn to the CEEC.

Loans by EIB to CEEC energy projects

Unlike the EIB, the EBRD is not only active in the CEEC but also in the NIS and it can make loans to the nuclear sector (it has been particularly active in the Chernobyl closure project - Chapter Seven). EBRD lending in East Europe appeared to take off in 1995 with loans for the Croatian electricity utility, the Slovenian gas sector and Romanian power plants. However, more recently, it has focused on providing help for energy service companies which in turn finance smaller energy efficiency projects.

OPINIONS ON CEEC ACCESSION - FIVE READY, FIVE NOT READY

Once the Commission had adopted its Agenda 2000 package, including its Opinions on the 10 applicant countries, the proposals then went to the Council and the Parliament for consideration. One of the key points of debate concerned the timetable for the accession negotiations - the Commission proposed a two-tier approach, initially starting detailed negotiations with just five applicant states. The Parliament, after a marathon seven hour debate in December 1997, called for the negotiations with all the accession countries to begin at the same time, but indicated that the

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length of negotiations and dates of full membership should vary according to the efforts made by the applicant countries.

Also in December 1997, the European Council, meeting in Luxembourg, said: *“This enlargement is a comprehensive, inclusive and ongoing process, which will take place in stages; each of the applicant States will proceed at its own rate, depending on its degree of preparedness.”* In practice, though, it endorsed the Commission’s approach and opted to start bilateral intergovernmental conferences only with Hungary, Poland, the Czech Republic, Estonia and Slovenia (and Cyprus - Chapter Ten). At the same time, preparation for negotiations with the other five CEEC would be speeded up, it said, *“through an analytical examination of the Union acquis”*.

The London European Conference

The European Council also decided on a European Conference to bring together the Member States and those countries aspiring to membership, but it insisted that the members of the Conference *“must share a common commitment to peace, security and good neighbourliness, respect for countries’ sovereignty, the principles upon which the EU is founded, the integrity and inviolability of external borders and the principles of international law and a commitment to the settlement of territorial disputes by peaceful means”*. In principle, the Conference was open to all 10 CEEC, Cyprus and Turkey; but, when it convened in London on 30 March, Turkey failed to attend (Chapter Ten).

Hungary - positive progress in the energy sector

Although the Commission itself makes no comparisons, the detailed Opinion on Hungary’s membership vis-a-vis the energy sector was probably the most positive of all those directed at the CEEC. The Opinion said: *“Provided that current efforts are maintained, Hungary should be in a position to comply with most of the EU energy legislation in the next few years.”*

Hungary imports more than 50% of its energy resources and depends heavily on Russia for oil, gas and uranium; its own domestic resources are declining. The one nuclear power station at Paks produces 40% of the country’s electricity. There is a progressive interlinking of the networks with Western Europe, through a gas line to Austria and synchronous operation of the electricity grid with the UCPTE system.

New energy laws include the establishment of a regulator

Hungary’s energy policy and its competition framework are in line with the EU, the Commission said, and recent gas and electricity laws have included the establishment of a regulator. Energy prices have increased and are near to covering costs. Significant steps have been taken to increase oil stocks which are now more or less in line with EU requirements. The state aid and social and regional consequences of restructuring in the solid fuels and uranium industries will have to be addressed. More work remains to conform with EC standards on energy efficiency

In general, the Commission said, there should be no difficulty for Hungary to meet the provisions of the Euratom Treaty. There will be some implications regarding diversification of nuclear fuel supply. The inclusion of the final disposal and decommissioning costs in the electricity price is being planned. Special attention will have to be given to the timely implementation of nuclear safety programmes.

Selected parameters of applicant countries

	Popul- -ation	Diplomatic relations started	Date of application	Energy ¹ (15) ²	Environment ¹ (45) ²	Total ¹ (899) ²
Hungary	10.2	88	Mar 94	6	26	579
Poland	38.6	88	Apr 94	7	15	405
Estonia	1.5	91	Nov 95	7	7	283
Czech Republic	10.3	88	Jan 96	2	13	417
Slovenia	2.0	92	Jun 96	5	24	415
Slovakia	5.4	88	Jun 95	8	29	664
Romania	22.6	90	Jun 95	9	38	426
Latvia	2.5	91	Oct 95	4	6	253
Lithuania	3.7	91	Dec 95	10	20	316
Bulgaria	8.3	88	Dec 95	2	2	126

¹ Single Market scoreboard - the number of EU laws, in the 1995 white paper, implemented by the applicant state; ² total number of laws in white paper

Source: Agenda 2000 documents

In the environmental section of the Opinion, the Commission noted that overall trends in emissions of the main air pollutants show significant decreases since the late 1980s due to changes in fuel use and industrial restructuring. Urban traffic, though, is the fastest growing source of air pollution. As a result of recent legislation, formal compliance of the EU environment acquis is “well advanced”, the Commission noted, but important problems do exist in substantive compliance. As with the other applicants, the Commission stressed the need to implement the air quality framework and IPPC Directives.

Poland - the largest of the applicant countries

“Too many trade-related problems have arisen” with Poland, according to the Commission, although most of them have been resolved. The country meets the Copenhagen criteria on political and economic grounds, although some concerns remain about the freedom of the press, compensation for seized property, management inadequacies in the large state companies, and reforms in the banking sector.

Poland’s energy economy is dominated by domestic coal and some lignite, accounting for three-quarters of supply. Due to its economic, social and regional importance (9% of GDP), the energy sector and the coal mining industry are a key factor in the overall restructuring process, the Commission said. In general, energy efficiency remains 2-3 times lower than the EU average, which, combined with pollution from the coal sector and refineries, causes serious environmental consequences. Poland is, though, making progress in integrating its electricity and gas grids with those of Western Europe. The country has no nuclear energy.

Despite some legislative delays, Poland is developing an energy policy in line with that of the EU, and ensuring a competitive framework in which energy companies can operate. The country is pursuing a policy of bringing the coal mines towards profitability but there are questions, the Commission advised, over the financing of environmental measures.

A competitive framework for energy companies

Import tariffs on oil were introduced to protect the refineries during a restructuring process, and these, the Commission said, will need to be dismantled. Moreover, the refineries still need considerable investment. Legislation for oil stocks is in place, but actual stocks are estimated at only 30-35 days and will need to be increased. There have been the necessary increases in energy prices but those for households still do not cover costs. Progress has been made on general energy efficiency and environmental standards, but more needs to be done, the Commission noted.

Despite developing one of the most sophisticated approaches to environmental management in the region, including unrealistically high air emissions standards, Poland still faces severe environmental problems with major challenges in waste water and air pollution, the Commission said. There is a great deal of pollution from coal mining, for example, which is made worse by the poor energy efficiency standards. Poland has already made a start on transposing the IPPC Directive, but the Commission called for a quick transposition of framework Directives for controlling waste, water and air pollution. Weak implementation and enforcement of environmental legislation could also be a bottleneck.

Estonia - the only Baltic state ready to start negotiations

Since winning independence in 1991, Estonia, with a population of just 1.5m, has pursued an active policy aimed at strengthening political, economic and social ties with the EU. The Commission advised that, given the efforts and progress already made by Estonia, it should be included among the first batch of countries to negotiate membership. In general, it meets the political and economic criteria although there is a need for land reform and to expand the export base.

In its Opinion, the Commission noted that Estonia’s energy sector is dominated by the use of indigenous oil shale for the production of electricity, and that for the remaining 35% of energy supply the country is reliant on Russia. It is also 2-4 times less efficient than the EU’s energy sector due to the heritage of low prices, inadequate policies and obsolete technology. An electric connection with UCPTE via the so-called Baltic ring is a possibility, the Commission said, however it expects the link with Russia to remain in the medium term.

Although Estonia’s energy policy objectives are in line with those of the EU, the Commission did pick out a number of deficiencies: the lack of a competitive framework tailored for the energy industries; the need to raise household prices; the lack of any obligation for 90 days worth of oil stocks; and an insufficiency of standards on energy efficiency and environmental norms. Because

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of the country's dependence on oil shale, the Commission noted the need for a major restructuring programme and for Estonia to address the socio-regional consequences. "Provided that current efforts are intensified, no major problems are foreseen to approximate the energy-related acquis in the medium term", the Commission concluded.

*Estonia's problem
of sulphur
emissions from
oil shale use*

Two energy-related problems were, though, noted with regard to the environmental acquis. Sulphur emissions from the oil shale plants have halved since 1990, the Commission said, but Estonia remains a net exporter of SO₂ and "substantial remediation measures, such as flue gas desulphurisation and anti-particulate filters are necessary". Radiation protection measures and waste legislation are missing, and there is also a decommissioning problem at the former Soviet navy training centre at Paldiski. Nevertheless, transposition of the acquis in the environmental area can be achieved in the medium term, the Commission said, with "relatively high investment levels, and with a major effort towards development of legislation enforcement structures".

Czech Republic - energy policy in line with the EU

The Commission believes that the Czech Republic meets the political criteria for membership (with some concerns over press freedom) and the economic criteria although some efforts are needed towards enterprise restructuring and in redressing the imbalance on the external side. According to the Commission's Single Market scoreboard (see table), though, the Czech Republic has achieved just two of the 15 energy laws, and 13 of the 45 environmental laws. The quantitative figures, however, belie the progress made in the energy sector. The Czech Republic "should be in a position to comply with most of the EC energy legislation in the next few years" provided that "current efforts are maintained".

The country's energy sector is characterised by indigenous supply of coal and lignite meeting 60% of demand and by dependence on Russia for oil and gas supplies. The synchronous test connection of the Czech grid to the UCPTE system and a pipeline link-up between Czech and German refineries were noted by the Commission, as was the inefficiency of the energy sector (2-3 times less than the EU average).

*Cross-subsidisation
of energy prices
still apparent*

The Commission said that Czech energy policy is in line with that of the EC and that a competition framework is progressively approximating with the internal energy market Directives. However, it noted that, despite considerable increases in energy prices, cross-subsidisation of household rates by industry is still apparent. Restructuring of the mining sector will continue after 2000 and the government will have to deal with its social and regional consequences. The Republic has begun to adapt its standards and norms, the Opinion said, but "more remains to be done". In particular, "upgrading of refineries to meet EC standards will require considerable investments and these refineries will have to compete on a saturated European market".

Some specific comments were also aimed at the nuclear sector. An obligation on the national electricity company to buy domestic uranium would infringe EC law, but uranium mining is being phased out any way. Nevertheless, the Commission urged a policy of diversification. No major problems in applying the Euratom Treaty were expected, although special attention will need to be given to "timely implementation" of nuclear safety programmes.

In the section on the environment, the Commission noted that "the main environmental challenge in the Czech Republic is air pollution". Significant progress has been made on SO₂ and NO_x, but emissions "remain high and require further measures in industry, transport and energy production". In particular the Commission would like to see a quick implementation of the IPPC Directive and framework Directives dealing with air, water and waste.

Slovenia - a country with diversified energy sources

In general, Slovenia meets the political criteria for accession although there is a need for improvements to the judicial system and in restoring property to formerly dispossessed owners. It also meets the economic criteria, though some attention needs to be given to the lack of competition in some sectors and the reasons for the low level of foreign investment.

The energy sector is characterised, the Commission said in its Opinion, by the need to import 70% of supplies - although sources are diversified - and by the use of poor quality indigenous coal for a further 20%, the mining of which is likely to continue into the future for strategic reasons. The electricity grid has been connected to the UCPTE system since 1974. Energy efficiency, though, is only half of the EU average. The Krsko nuclear power plant, jointly owned with Croatia, supplies 20% of the country's electricity needs.

The country's energy policy is considered to be well in line with EU objectives. There is a progressive move towards more competition, although the Commission called for the adoption of specific energy laws to be stepped up and for statutory legislation to ensure efficient management of state-run enterprises. Energy prices are increasing but real increases must stay in line with government targets. The EC target on oil stocks "could be reached in the medium term", the Commission said, although only amount to 30 days at present. As with most other applicant states, investments are needed at the country's refinery, if it is to compete in an open EU market.

On the nuclear side, the Commission said it sees no major difficulties in applying the Euratom Treaty. It noted that Slovenia had not yet adhered to or fully implemented all the international regimes (Nuclear Suppliers Guidelines, IAEA extended reporting, and the Nuclear Energy Agency, for example). The Commission also called for special attention to the safety needs of Krsko and it recommended Slovenia procure at least half its uranium needs on the basis of long-term contracts.

Slovenia needs to pay special attention to safety at Krsko

There are no environmental "hot spots" in Slovenia, the Commission concluded although there are problems mainly in terms of water and waste pollution but also in air pollution. The Commission noted, for example, that acid rain had recently become a major problem. It said there should be a rapid transposition of the framework Directives (air, waste and water) and the IPPC Directive. In general, though, it said full transposition of the environment *acquis* could be achieved in the medium term.

Slovakia - failure to meet political criteria

In its Opinion on Slovakia's application for membership, the Commission did not recommend opening negotiations until it could meet the political criteria set out by the Copenhagen Council. The Slovak government disrespects the powers devolved by the constitution to other bodies and disregards the rights of opposition, the Commission said. Moreover, "the use made by the government of the police and the secret services is worrying", and there are problems with the treatment of the Hungarian minority. "This situation is so much more regrettable", the Commission said, "since Slovakia could satisfy the economic criteria in the medium term and is firmly committed to take on the *acquis*." In fact, according to the Single Market scoreboard, Slovakia is doing better than its neighbour: it has transposed and notified eight of the 15 energy laws, and 29 of the 45 environmental laws.

Slovakia imports more than 80% of its energy needs, particularly oil, gas and nuclear fuel from Russia. The limited indigenous resources are poor quality lignite and brown coal which are due to be mined until 2005. The energy sector is 2-3 times less efficient than the EU average, due to past policies, low prices and heavy industry. Nearly half the country's electricity comes from the Bohunice nuclear plant, and the electricity network is operated, as a test, synchronously with the UCPTE system. The country is considered important for the transit of Russian gas.

Slovak energy policy is in line with that of the EU, the Commission noted, but a competition framework does not yet fulfil the conditions of the EU's internal energy market. The sector is still dominated by state intervention and household prices do not cover costs, due to cross-subsidisation. Although oil stocks for 40-45 days are held, Slovakia cannot be "realistically expected" to reach the Community minimum of 90 days in the short term due to the lack of needed investments.

Energy sector dominated by state intervention

Restructuring of the mining sector is inevitable, the Opinion said, and the social and regional consequences will have to be addressed; any state intervention will need to meet EC rules. The comments on standards and refinery investments are the same as those for the Czech Republic.

The Commission noted that developments in Slovakia with regard to nuclear fuel diversification are in line with EC policy. No major difficulties with regard to the Euratom Treaty are expected (the Republic has a full-scope safeguards agreement with the IAEA for example), but the problems of nuclear safety must be dealt with and "realistic programmes, including effective closure where necessary" have to be agreed upon and implemented.

In the environmental sphere, the Commission noted that Slovakia has made "a considerable effort" to establish legislation in line with Community law but still needs to implement framework Directives dealing with air, waste and water and the IPPC Directive. Problems are "considerably greater" in the area of effective implementation and enforcement of the EC *acquis*.

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Romania - no clear overall energy policy

The Commission believes Romania now has democratic institutions whose stability seems secure and it could, therefore, meet the necessary political criteria for membership. However, as far as the economy is concerned, property rights are not yet assured for land; the legal system is fragile; there are persistent macroeconomic imbalances; much of its industry remains obsolete; and there has been insufficient progress in taking on the essential elements of the Community acquis. The country would face “serious difficulties to cope with competitive pressure and market forces within the Union in the medium term”, the Commission concluded.

Large oil and gas reserves

With large oil and gas reserves, Romania is 70% self-sufficient; it also has important refinery and oil export capacities. In terms of the grid energies, Romania acts as a transit country for Russian gas, and has completed a synchronous operation test of the electricity network with neighbouring countries. The solid fuel sector, mainly lignite, is heavily subsidised and needs “far-reaching restructuring”, the Commission noted. In general, the energy sector is three times less efficient than the EU average, due to low prices, obsolete technology and lack of efficiency policies. The country has one Canadian-built nuclear power plant and intends to build further units.

The Commission’s analysis of the energy sector pointed to a lack of any clear overall energy policy and an inadequate competition framework with production, transmission and distribution still dominated by large vertically integrated state-dominated monopolies. Except for oil, energy prices are distorted. Legislation on oil stocks is inadequate, and current holdings are estimated at about 30 days (although total requirements would be reduced 15% because of the country’s status as an oil producer). Much work remains to be done on energy efficiency.

Uranium production could be a positive factor for EU

The Commission noted that if Romania continued to cover its uranium needs through domestic production, this would be a positive factor for the EU’s security of supply. Longer term solutions for waste from the one nuclear plant still need to be defined (as they do in all the applicant countries with nuclear power). With regard to application of the Euratom acquis, the Commission expressed some concern over whether Romania has yet fully implemented some international regimes (the Vienna Convention on civil liability, the Physical Protection Convention, and the Nuclear Suppliers Guidelines).

In the environmental sphere, the Commission was no more positive: “*On the whole, very little has been done to date in the field of approximation of environmental legislation to that of the Community.*” The situation in Romania is complicated by a very low environmental awareness. Indeed, actual implementation and enforcement is even further away and will require “massive investment” by both government and enterprises.

Latvia - concerns over economic criteria

Although there the Commission has some reservations over the equality of treatment for non-citizens and the naturalisation procedures, Latvia, in general, meets the political criteria for accession. However the Commission said, in its Opinion, it is concerned about the economic criteria. Effective implementation of the legislative framework is lagging behind, regulatory bodies are not yet working properly, exports are largely of low value-added goods, and considerable industrial restructuring is still needed.

The Commission noted that Latvia depends on Russian supplies of oil, gas and coal for three-quarters of its needs and that the energy imports accounted for 38% of the foreign trade deficit in 1994. Energy efficiency is more than two times lower than the average EU figure. With its pipelines and ice-free ports, Latvia is a transit country for Russian gas and oil, but it will need to invest in appropriate metering systems. The Commission suggested that Latvia’s underground gas storage capacity could be of strategic benefit for the EU, and it noted developments towards a future Baltic electricity ring.

Indebtedness of energy companies

Although Latvia’s energy policy is largely in line with that of the EU, progress is needed on developing a competitive framework for an internal energy market. State monopolies still dominate the energy sector, although privatisation is under way. Household energy prices are not yet at real cost levels and there is also a key problem over the indebtedness of energy companies. Preparations for legislation on oil stocks has started but it is estimated that, in the next few years, only 30 days stocks can be reached. Work has started on energy efficiency and environmental norms. There is no nuclear programme so no problems are expected in application of the Euratom Treaty.

The scale of the environmental problems in Latvia is considered less severe than elsewhere in the region, and “the situation with regard to air pollution is generally good”, although more

enforcement is necessary. Latvia is attempting to ensure all new environment legislation complies with the Community acquis, but the Commission Opinion urged it towards better implementation of the framework Directives on air, water and waste and the IPPC Directive.

Lithuania - closure of Ignalina necessary

In general, Lithuania meets the political criteria but not the economic criteria laid down at Copenhagen. Further progress is needed, the Commission's Opinion said, in the areas of relative price adjustments, large-scale privatisation and the enforcement of financial discipline for enterprises.

Lithuania depends on imports for 60% of its energy supplies, mostly from Russia, but, because of the large nuclear power plant at Ignalina and a refinery at Maizeikai, it achieves earnings from energy exports. The energy sector in general is 3-4 times less efficient than the EU average. The country will, most likely, remain linked to the Russian electricity system although the Baltic electricity ring could help increase links with the EU.

The country's energy policy is considered to be in line with that of the EU, although the competition law as applicable to the energy sector is not, and further legislation is needed. Although the sector is characterised by state monopolies, foreign operators are active in oil exploration and products distribution. Lithuania does not fulfil the EC acquis on oil stocks although work on compliance has started. It will also have to make considerable effort to meet energy efficiency and environmental norms. Moreover, it is not yet clear how the Maizeikai refinery will cope in a saturated European market, the Commission noted.

The government's policy towards Ignalina, which accounted for 85% of the country's electricity in 1995, and the implementation of a safety report need clarification, the Commission said. And, given that the plant cannot operate after the limit for channel retubing is reached (as precluded by the finance-providing Nuclear Safety Account agreement) "comprehensive and realistic programmes including closure as necessary have to be agreed upon and implemented in due course". Closure will require an important decommissioning programme. There is also a questionmark over the nuclear fuel arrangements with Russia which, the Commission said, "seem potentially uncertain". It noted that accession by Lithuania would increase the EU's dependence on Russia and "there could be security of supply concerns". Furthermore, Lithuania is not yet party to all international regimes in the nuclear field.

*Questionmark
over nuclear fuel
arrangements*

Like Latvia, the environmental situation in Lithuania is less severe than elsewhere in the region, the Commission said. Air pollution has been declining, largely because of the industrial restructuring, but emissions from mobile sources are on the increase. The Commission said Lithuania is "fairly advanced in preparing a detailed accession strategy" for environmental legislation but, nevertheless, urged it to ensure quick transposition of the framework and IPPC Directives, and to greatly increase environment investment so as to ensure effective compliance.

Bulgaria - insufficient progress on transposition of the acquis

Despite some progress, following the arrival of a new government in 1997, towards meeting the political criteria required for joining the EU, there has been insufficient progress towards the creation of a market economy and in transposing the essential elements of the Community acquis. The Commission noted, in its Opinion, that "considerable efforts will be needed in the areas of environment, transport, energy, justice and home affairs as well as agriculture". Administrative developments will also be necessary in order to enforce the acquis effectively.

Bulgaria is 70% dependent on external supply. It is 2-4 times less energy efficient than the EU average, due to low prices, lack of energy efficiency policy and obsolete technology. The Commission noted the importance of Bulgaria as a transit country for gas, particularly with regard to Greece, and that, although feasible, connection of the electricity grid to Western Europe will require substantial investment.

The Commission's assessment of the energy sector was not very positive: "*Bulgaria needs to step up considerably its efforts in the energy sector in order to prepare for integration.*" No proper competition framework has yet been implemented, there is no coherent overall energy policy and prices are still too low. Specifically, detailed plans on future compliance with EC requirements concerning crisis oil stocks are needed but the country's difficult financial situation might hamper a stock building policy. State interventions in the coal sector will need to be assessed against EC rules, the Commission said. Bulgaria must make considerable effort to adapt to EC energy

*No coherent
overall
energy policy*

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efficiency and environment norms. It may be difficult, it added, for the country to adapt its refineries which will have to compete in a saturated European market.

On the nuclear side, the Opinion said Bulgaria would need to make some legislative adjustments to conform with Euratom provisions on supply and property ownership. The problem of nuclear safety will need to be dealt with, "including closure where necessary". The Commission also noted that Bulgaria's accession could increase the EC's overall dependence on Russian uranium, although that, after accession, the country would need to abide by the EC's policy of security through diversification.

Severe
environmental
difficulties for
Bulgaria

Severe difficulties are likely to exist in the environmental sphere. The Opinion concluded: "*Compliance with the EC [environmental] acquis presupposes a positive turn in the economic situation and will necessitate greater and consistent emphasis on environmental issues, large-scale investment, as well as the development of a comprehensive, cost-effective and focused environmental strategy. If such a strategy is followed, full transposition of the acquis could be achieved in the medium to long term.*" However, effective compliance with a number of pieces of legislation, such as air pollution for example, could only be achieved in "in the very long term".

ASSESSMENT

There are two ways of looking at the Community's response to the political earthquake that hit Europe in the late 1980s and removed the continent's 50 year old divide: it has done too little, or it has done fairly well to date. By comparison with Germany's own special reunification effort, or by looking at the problems that still remain to be resolved in most of the CEEC, the first way might seem to prevail; but this would be to underestimate both how important the EU has proved to be in the restructuring process, and the enormity of the task of supporting the rapid alignment of 10 or more countries to the EU level.

The example of Germany is an historical quirk and a red herring. The potential synergies of unification that existed between West and East Germany were the same as those of cooperation between Western and Eastern Europe. But there was a tremendous political impetus - impressively managed by Helmut Kohl - which drove the unification process in Germany, and, once it was in place, the national government was able to prioritise and focus on the process of restructuring and modernisation to an extent inconceivable at any international level.

Strength of EU a
factor in collapse
of Soviet bloc

It would also be a mistake to look at how much still needs to be done in Bulgaria, Lithuania or Romania or any of the CEEC, and conclude that the European Community has failed in its responses. Instead, it is necessary to imagine, for a moment, how Europe might have looked ten years after the silent revolutions, if there had been no European Community through which to coordinate and funnel assistance. Indeed, perhaps the very strength and success of the European Community was a significant factor in provoking the downfall of the Soviet Union; and now, ten years after that disintegration, membership of the European Union (and all that implies in terms of democracy, market liberalisation, environmental protection) is the very driving force behind the politics and economics of almost all the CEEC.

Some might argue that the EU could have been more generous, yet there is a limit, not only to the amount any one organisation can give any other, but also to the ability of a recipient to absorb donations and utilise them effectively. The fact remains that the Phare programme has been the largest single source of donor financing for the CEEC; further significant financial commitments have been made for the next stage of the pre-accession process. This is not to say the Community has done everything well enough.

Tensions within the
Commission over
Phare priorities

The Phare evaluation concluded in mid-1997 that its contribution had been "overall positive" and that it had shown remarkable flexibility in adapting to the rapidly changing political and economic climate. But it also said: "*The programme realised less than its full potential: its effectiveness and impact have, to an extent, been diluted by lack of leverage to ensure good programme performance, by deficiencies in project cycle management, and by a preoccupation with financial and procedural control to the detriment of substantive programme design and performance.*"

In terms of energy sector activities, there has always been a worrying tension between DGI and DGXVII (even mentioned in the evaluation report) which echoes similar differences of view on policy in other areas of the world between those officials charged with overseeing international relations, and those charged with implementing energy policy (Chapter Ten). Such hindrances

to efficient policy management could be resolved through structural changes - away from rigid Directorate-General boundaries reinforced by the Jacques Delors Presidency - in the Commission itself.

As well as by using Phare, the Community is opening itself out to the applicant countries through the Europe Agreements and the Structured Dialogue, and by permitting cooperation in many of the EU's programmes. These mechanisms will allow the EU to explain, at many different levels, the extent of the burdens and benefits of EU membership, and allow the partner countries to become practically and politically involved in Community activities.

Nevertheless, the difficulty of the tasks ahead - for both the EU and the individual countries - must not be underestimated. This enlargement of the EU is not only its most complex challenge, but is also likely to prove the biggest it has ever faced - more so even than monetary union for example. The analyses by the Commission of the Community's *acquis* in the Single Market and environmental fields was an early indication of how far the CEEC still had to transform themselves. The formal Opinions on the applications, moreover, are a clear signal that five of them have a long way to go, and the other five have even further to progress, before they are likely to meet the membership criteria.

Five have a long way to go before membership, five have further to go

When the Commission published its Opinions on the applications by four EFTA states for membership, they were slim and to the point, in the sense that individual pieces of legislation were picked out as needing attention. The CEEC Opinions, by contrast, are much fatter and identify whole swathes of policy which need to be transposed into national legislation. Much of this legislation - such as that in the environmental field - has taken Westernised, relatively rich countries many years to transpose and implement. There are even basic economic principles - such as market prices for energy - which EU Member States take for granted but which have yet to become typical in many countries.

This process of engagement - which was less necessary with the EFTA states because of their more advanced development (and yet still encompassed an interim phase of the European Economic Area) - is vitally important. The CEEC need to know that the goal of membership is within their grasp because this, at present, appears to be an excellent carrot for rapid development. Similarly, the EU's commitment to the enlargement is necessary so that it, too, can make the necessary serious adjustments to its own structure and systems to cope with the financial, political and administrative responsibility of taking on new weaker members.

