

The outlook for the enlargement of the EU following the Nice European Council

The European Council, meeting in the composition of Heads of State or Government, which gives the EU the political impetus necessary for its development, met in Nice from December 7 to 9, 2000. That meeting was followed by the final session of the Intergovernmental Conference (IGC), convened in February 2000 and attended likewise by Heads of State or Government. Both meetings gave a major boost to the continuation of the process of EU enlargement. The outcome of the European Council meetings will have implications for both the content and the structure of the accession process, and thus will likely lead to a further intensification and acceleration of the preparations. The conclusion of the IGC on institutional issues constituted an important step towards readying the Community for enlargement. The main point was to resolve the reform issues left open when the Treaty of Amsterdam was signed.¹ The Treaty of Nice was signed on February 26, 2001 and remains to be ratified by the member states. According to the Presidency Conclusions of the Nice European Council, from the end of 2002 the EU will be able to accept new member states that are ready.

¹ In the Treaty of Amsterdam, which entered into force on May 1, 1999, the following institutional reforms were adopted, in particular: the European Parliament's position was improved; the position of the President of the Commission was strengthened; qualified-majority voting in the Council was extended; and the possibility of closer cooperation was introduced.

Intensification of the accession process through the Nice European Council

*Strategy for
speeding up
accession
negotiations*

Negotiations with the accession countries² have made considerable progress during the past year. The criteria set by the Copenhagen European Council in 1993 form the basis for the negotiations. Whereas the political conditions have for the most part been met by nearly all accession countries, differences between the individual countries still exist in terms of the economic conditions (the creation of a functioning market economy and the ability to cope with competitive pressure and market forces within the Union) and the adoption of Community law. To further speed up the accession process, the Commission, in its November 8, 2000 strategy paper on enlargement, proposed a new strategy for accession negotiations, which was approved by the Nice European Council. It reaffirms the principle of different treatment in line with progress made in the individual countries. In a "road map", priorities are to be set, with clear time limits for negotiations over the coming 18 months. This is a flexible framework for orientation purposes; it makes it easier for both the EU and the candidate countries to tackle the problems of the day and to establish their negotiating positions on these issues. Applications for transitional periods are to be accepted only in justified cases. Progress in implementing this strategy is to be evaluated at the Gothenburg European Council meeting scheduled for June 2001.

The Nice European Council also welcomed a statement by the Council of Economic and Fi-

nance Ministers (ECOFIN council) on macroeconomic and financial stability³ by which the ECOFIN council seeks to contribute to preparations for the successful economic integration of the accession countries. It regards a well-balanced level of price stability accompanied by a simultaneous rapid macroeconomic growth as necessary to ensure macroeconomic stability. In addition, it emphasises the use of long-term capital to finance balance-of-payments shortfalls and the medium-term sustainability of public finances. To ensure the stability of the financial systems in the accession countries, a strengthening of the regulatory and supervisory framework, functioning payment systems and an improvement in the general legal and economic environment are being called for. These issues of macroeconomic and financial stability are to be the subject of a regular, in-depth dialogue. This is intended to make it easier for the accession countries to, in particular, define their strategy for economic integration in the EU and to facilitate their participating, at a later date, in European monetary union. The core of this dialogue is to be formed by regular high-level meetings between the EU member states and the accession countries, during which the annual pre-accession economic programmes of the accession countries and the annual evaluation of macroeconomic and financial stability by the Commission are discussed. The en-

*Establishment
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² Negotiations have been going on since March 1998 with Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia (the "Luxembourg group"). Since February 2000 this list has grown to include Bulgaria, Latvia, Lithuania, Malta, Romania and the Slovak Republic (the "Helsinki group").

³ ECOFIN council Statement of November 27, 2000 on macroeconomic and financial stability in the accession countries.

visaged participation of members of the Economic and Financial Committee means that the EU central banks, and therefore also the Deutsche Bundesbank, are involved in the dialogue.⁴ The Commission is to report to the Council on the conclusions reached at the high-level meetings, and to report annually on the evaluation of the budget reports and pre-accession economic programmes which the accession countries are to present regularly from 2001.⁵ Thus, the ECOFIN council is playing an increasingly important role in the accession process, which is coordinated or directed by the Council of Foreign Ministers.

The Treaty of Nice – paving the way for Community enlargement

IGC achieves ability for enlargement only with reservations

Improving the decision-making procedures in the Council and the Commission, with the intent of preserving the Union's ability to take action even after the addition of up to 13 new members and of ensuring that the member states are adequately represented in the bodies, was at the core of the deliberations by the IGC 2000 that were concluded in Nice. Altogether, however, the outcome of Nice did not meet expectations. The creation of efficient and democratic decision-making structures, and thus the ability of the Union to accept new members, was accomplished only with reservations. In the already-agreed "post-Nice process", therefore, institutional reforms will continue to play a key role.

In Nice, it was agreed that, starting on January 1, 2005, the Commission would be composed of only one national per member state;

this denies the larger countries the option of naming a second commissioner. Once the number of member states reaches 27, the size of the Commission will, by unanimous Council decision, be changed to a number smaller than the number of member states; a rotation system treating all member states on an equal footing is to be introduced at that time. The consequence of these agreements is that – pending a later decision on reform – the Commission will grow even larger, and that therefore its ability to take decisions is likely to diminish. It seems questionable whether this can be compensated for by the strengthening of the Commission's structure which is simultaneously being envisaged.

Limiting the number of members of the Commission, in stages

With effect from January 1, 2005, the weighting of votes in the Council, in the case of decisions by qualified majority, will be shifted to a certain degree in favour of the larger member states. At the same time, it was agreed that, as a result of the enlargement, the qualified-majority threshold should be raised from currently just over 71% of the weighted votes to around 74%. Additional criteria for a qualified majority were likewise agreed in Nice. For decisions on Commission proposals, in future at least a simple majority of member states is necessary. A member state may also request verification that the qualified majority represents at least 62% of the EU population; failing this, the decision in question is not adopted. With the triple ma-

Voting procedure in the Council more difficult

⁴ The high-level meetings are to be hosted by the country holding the EU presidency; the first meeting is scheduled for the first half of 2001, chaired by Sweden.

⁵ This pre-accession monitoring procedure shows certain parallels to the procedure practised within the Community for the multilateral surveillance of member states' economic situations and budgetary positions.

majority thus needed in future and the enlargement-related raising of the qualified-majority threshold, the voting procedure in the Council is likely to become even more difficult and more complicated.

Insufficient extension of qualified-majority voting

The extension of qualified-majority voting, which is especially important for maintaining the Union's ability to take action, is still insufficient in areas of major importance for further integration. In the area of taxation, only the principle of unanimity will continue to apply in future. In social and commercial policy, some countries were only partly willing to relinquish their veto rights. In the areas of justice and domestic policy, and in the structural funds, unanimity will give way to qualified-majority voting only in 2004 and 2007, respectively. By contrast, the possibility of enhancing cooperation among some of the member states – particularly by abolishing the veto rights of individual member states – has been facilitated and extended.

Institutional adjustments are also envisaged for other Community bodies (European Parliament⁶, European Court of Justice and the

European Court of Auditors) so as to enhance their efficiency and their ability to take action. The agreement to incorporate in the Treaty a clause enabling the simplified amendment of Article 10.2 of the ESCB/ECB Statute, which regulates the voting procedure in the ECB Governing Council, is significant for the Euro-system.⁷ This is to be decided unanimously by the Council in the composition of Heads of State or Government upon a recommendation by the ECB or the Commission; the decision must be ratified by the member states in accordance with their national constitutional regulations. A statement on the conference act voices the expectation that a recommendation to that effect be put forward as quickly as possible. The future shape of the ECB Governing Council is to be decided even before the first countries join the European Union.

Enabling clause for adjusting the voting procedure in the ECB Governing Council

⁶ In the European Parliament, the upper limit for the total number of seats was raised to 732 (from the present level of 626 seats). The distribution of seats will in future be geared more strongly than before, and also much more strongly than the distribution of votes in the Council, to the population of the member states.

⁷ With respect to the adjustment of the European Investment Bank's bodies, the IGC agreed on a similar enabling clause.