

European Parliament resolution on the financing of the enlargement of the European Union (12 December 1996)

Caption: On 12 December 1996, the European Parliament adopts a resolution on the financing of the enlargement of the European Union to include the countries of Central and Eastern Europe (CEECs).

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Resolution on the financing of the enlargement of the European Union (12 December 1996)

The European Parliament,

- having regard to the conclusions of the European Council meetings in Copenhagen (21–22 June 1993), Corfu (24–25 June 1994), Essen (9–10 December 1994), Cannes (26–27 June 1995) and Madrid (15–16 December 1995),
 - having regard to its resolution of 17 April 1996 ((OJ C 141, 13.5.1996, p. 135.)) on the Commission's White Paper on preparation of the associated countries of Central and Eastern Europe for integration into the internal market of the Union (COM(95)0163 — C4-0166/95),
 - having regard to its Committee on Budgets' hearing of 7 May 1996,
 - having regard to the applications for accession already submitted,
 - having regard to Rule 148 of its Rules of Procedure,
 - having regard to the interim report by the Committee on Budgets and the opinions of the Committee on Foreign Affairs, Security and Defence Policy, the Committee on External Economic Relations, the Committee on Regional Policy, the Committee on Culture, Youth, Education and the Media, the Committee on Budgetary Control and the Committee on Institutional Affairs (A4-0353/96),
- A. whereas the expansion of the European Union is a political imperative defined in Article A of the Treaty as 'the process of creating an ever closer union among the peoples of Europe...' and whereas Article O of the Final Provisions provides that 'any European state may apply to become a member of the Union',
- B. whereas enlargement of the Union will have significant immediate and medium-term financial and economic implications which have yet to be adequately assessed,
- C. whereas negotiations for the accession of the applicant countries should take account of the conditions laid down by the European Councils and of the political and socio-economic development of each country,
- D. whereas one of the principal conditions is the switch to a social market economy and, accordingly, the need to achieve progress across the full range of economic, financial and social activities, and on environmental and energy policy problems,
- E. whereas in this case, structural reforms such as price liberalization, the privatization or modernization of state machinery, control over inflation, the level of social protection, the capacity of national administrations to implement national and Community law, as well as the capacity to achieve general principles of a social market economy, will be the measure of the success of enlargement rather than the level of GDP,
- F. whereas economic reform must be accompanied by the development of civil society,
- G. whereas the accession of Cyprus and Malta will not adversely affect the Union's macro-economic aggregates and will not create economic or financial problems owing to the level of economic development in those countries and the degree to which they fulfil the required conditions; whereas, therefore, this resolution does not examine the impact of enlargement to include those countries,
- H. whereas, while the development of the countries of Central and Eastern Europe (the CCEE 10), is resulting in initial successes, the situation is nevertheless different in each because they have only relatively recently embarked on the transition towards a free market economy, because of their low level of economic development compared with the Union and their need for further consolidation of macro-economic stability,

I. whereas it would seem, on the basis of figures for the 1996 financial year, and in the light of the economic structure of the applicant countries, that the current allocation of appropriations among policies funded or co-funded from the Community budget favours a quantitative rather than qualitative approach based on reforms and the conditions for accession,

J. whereas the continued adjustment of the economies of the countries in question will expand their production capacity, particularly in agriculture which, in most of those countries, plays an important role in production and employment,

K. whereas the impact on the common agricultural policy (CAP) will be considerable and, unless appropriate adjustments are made to the CAP in due time or over a long period, the financial repercussions will be significant,

L. whereas the average per capita GDP of the CCEE 10 is much lower than the average per capita GDP of the EU 15, with major differences also between the applicant countries themselves; whereas this situation is not expected to change at least in the medium term; whereas the CCEE will need structural support and whereas, under current rules at least, they will be eligible for finance from the Structural Funds and the Cohesion Fund,

M. whereas the Union's financial contribution to the economic recovery of the applicant countries should not undermine its efforts to reduce regional and structural disparities between its current Member States and whereas this will place a considerable financial burden on the Union and can be financed only if either additional own resources are mobilized or the policy pursued to date geared to evening out regional and structural disparities between the regions of the Member States is reformed;

N. whereas the pre-accession stage has in effect already begun, in view of the political declarations made by the Union at Copenhagen, Corfu, Essen, Cannes and Madrid and the resolutions of the European Parliament, including that of 17 April 1996;

O. whereas preparation of the CCEE 10 for full participation in EU-funded and other policies is conditional on a pre-accession period which should be based on the same general principles but in terms of its duration and specific arrangements geared to the needs of each particular country, and should be accompanied by an increase in budgetary expenditure and lead to the certainty of accession,

P. whereas the numerous financial sources and instruments should be taken into account; whereas, in order to ensure optimum effectiveness and transparency in the allocation of resources, it should be stressed that the applicant countries have limited capacity for contributing to funding themselves, that coordination of the financial sources should be strengthened (EU, the Member States, other international bodies and financial institutions) and that there is a need for practical measures to prevent and combat fraud,

Q. whereas enlargement should go hand in hand with the deepening of the Union in order to ensure that the effective functioning of the Union is not impaired by the accession of new Member States;

R. whereas, for the present at least, the question does not arise of enlargement to include the countries of the former Soviet Union, though it is essential to maintain and, where possible, improve and redefine relations with those countries,

S. having regard to the importance of the existing interlinking of INTERREG and PHARE, in cross-border cooperation, which is not only promoting the transfer of know-how but is helping to build practical bridges with future Member States,

1. Believes that enlargement of the European Union to include the countries of Central and Eastern Europe presents a momentous opportunity for the European Union to contribute to peace, security and prosperity throughout Europe; considers, at the same time, that this enlargement presents a major economic and financial challenge and that no decision can be taken on the outcome of the enlargement procedure until the

full financial consequences of a future accession are available;

2. Points out that the Treaty and the political decisions taken by the European Council and supported by the European Parliament require the Union to provide itself with the means necessary to absorb the candidate countries and maintain the momentum of European integration, i.e. all Community policies;

3. Stresses, therefore, the need for consistency between political goals and economic resources and, consequently, the need to ensure the optimum conditions for accession in order to minimize negative repercussions for particular sectors including within the European Union;

4. Recalls that, in addition to fundamental requirements regarding democracy and the effective rule of law, the conditions for accession include a viable social market economy and the ability to withstand competitive pressure, which imply that the applicant countries must be able to meet the obligations of full Member States and, above all, endorse the objectives of economic and monetary union;

5. Notes with regard to the transition to a market economy, that the applicant countries have made progress by phasing in rules promoting free competition, the liberalization of trade and exchange arrangements;

6. Notes, however, the need to continue the structural reforms relating to the privatization of large-scale enterprises, the safeguarding of fair market conditions, the re-casting of the public sector and, in particular, the reform of the finance system; stresses that these changes will require a long time, a legal base and the mobilization of large amounts of capital;

7. Calls on the applicant countries in this context to intensify their efforts and create the appropriate conditions to encourage private initiative to make an effective contribution to the process of economic recovery;

8. Considers that this enlargement will be a challenge to the CAP given that, besides the significant differences between them, agriculture in the majority of the countries of Central and Eastern Europe is a major economic sector;

9. Notes that the current prices for agricultural produce in the CCEE 10 are lower than in the EU 15, and that in many of those countries spending on food accounts for a significant portion of the family budget; considers that any steep rise in prices in the short term could reduce the propensity to save, could disrupt the procedure of economic development and might give rise to severe social problems;

10. Notes that current farm subsidies in the CCEE are lower than the corresponding CAP subsidies; considers, therefore, that if the current provisions of the CAP are applied to those countries and the effect is to boost farm production, this will lead to the creation of large surpluses of agricultural produce;

11. Notes that there are wide discrepancies between the findings of various analyses made of the cost of enlargement in the agricultural sector; considers that these discrepancies are due to the different hypotheses used to forecast the development of production in the applicant countries and the time-scale applied;

12. Emphasizes that a further profound reform of the CAP is absolutely necessary in order to guarantee the continuation of a truly European policy for the rural environment and for those who are working in this sector, and in order to prepare the European Union for the accession of the CCEE;

13. Considers that within the next few years, regardless of the enlargement of the EU, a number of developments will have a significant impact on agriculture and that the CAP must take account of these developments; they include the foreseeable increase in the demand for agricultural products on the world market, based on rising purchasing power, the demands made on agriculture by modern industrial society as regards product quality and environmentally sound farming methods, the start of the next round of trade negotiations under the auspices of the WTO and the new financial framework for the EU budget which is to be established from 1999;

14. Notes that the disparity with the per capita GDP in the Union remains very wide and it will take a great many years and a high level of development to reduce that disparity substantially;
15. Observes that the Framework Regulation on the Structural Funds and the Regulation establishing the Cohesion Fund are to be revised by the Council, on a proposal by the Commission, by the end of 1999 and notes that despite the significant differences between the CCEE 10 themselves, all these countries will be eligible for funding from both the Structural Funds and the Cohesion Fund if the current eligibility rules are maintained;
16. Notes that a simple statistical prediction of the data and rules applying to the present Member States reveals that additional expenditure will be needed; considers that in assigning resources from the Structural Funds, whether or not altered, account must be taken, *inter alia*, of the absorption capacity of these countries;
17. Notes that, according to Commission data (given that structural sector appropriations in 1999 will represent 0.46% of the EU's GDP and provided that the ceiling of 1.27% of GDP is not exceeded by the year 2006, that is to say beyond the next financial perspective, and a continuous and stable economic growth of 2.5% is established) such an approach will allow a global structural policy to be pursued for all the Member States (old and new), with an average annual budget of ECU 37 billion, i.e. an increase of ECU 9 bn over the ECU 28 bn earmarked for the period 1994–1999. This sum does not include expenditure on a strengthened pre-accession policy for those applicant countries covered by that policy; points out, however, that this calculation presupposes constant growth in the Member States as otherwise the additional resources will be significantly less;
18. Points out, moreover, that while accession of the CCEE 10 to the Union en bloc seems to be an unrealistic hypothesis, should it happen it would bring about a change in the relative position of the present Member States of the EU 15 in terms of per capita GDP; notes that, under present Community rules, certain regions of the Union would not fulfil the eligibility criteria; points out that, in this case, such a change in the macro-economic indicators is not necessarily a reflection of an actual improvement in the situation in the countries in question and considers that efforts to promote economic and social cohesion within the present Union should be continued; also stresses, however, that it will not be possible to finance the integration of the CCEE 10 into the Structural Funds without reducing payments within the present EU unless additional EU revenue is made available to cover it;
19. Considers, therefore, that the continuation of the structural policy is an essential condition of enlargement; believes, however, that ways should be sought of making the policy more effective and of multiplying its impact, particularly by providing incentives in order to boost private sector involvement in the funding of infrastructure projects and by using the instrument of credit financing and the associated interest subsidies;
20. Considers overall, in regard to the internal market, that the harmonization of the applicant countries' legislation in the various sectors is an important and essential condition in keeping with the requirements and guidelines set out in the Commission's White Paper;
21. Points out that much of the pre-accession strategy is financed through the PHARE programme; notes, however, that the large number of states benefiting from that programme and the wide range of activities that it covers diminish its effectiveness as an instrument of pre-accession strategy, on the one hand, and, on the other, makes it difficult to assess its results and therefore considers that the programme should become more targeted by redefining its priorities; believes that the programme's resources should concentrate mainly on financing infrastructure projects and structural reforms to the economies of the applicant countries, which will enable the funds to be better targeted; if this does not occur, moreover, considers that supplementing the programme with a new, purely structural Community instrument — without reducing financial commitments to other areas of heading 4 — would enhance the measures being taken as part of the Community's pre-accession strategy;

22. Stresses the need to link the accession strategy for the CCEE 10 to more substantial cooperation with the neighbouring CIS States and to use the specific instruments of cross-border cooperation to this end;
23. Stresses that, in the light of the current financial forecasts, the accession of the CCEE 10 will give rise to additional needs, creating difficulties which will be exacerbated if the process of accession is accelerated; considers that an accelerated accession process, coupled with significant and long-term derogations (apart from specific short-term transnational provisions) from the Union's main policies which have financial implications, will impede the smooth operation of the single internal market and the full application of Community law and must not conflict with the basic principles on which the Union operates; considers, therefore, that the success of enlargement is dependent on careful preparation and an effective pre-accession strategy;
24. Stresses, however, that it is in the interest of stability, security and democracy in Europe that the process of enlargement is successful; emphasizes therefore that the Union's decisions must be consistent and ensure that on the one hand agricultural and structural policy is reformed in time and on the other hand the funds which remain necessary are available; reiterates, therefore, its call to the Intergovernmental Conference in its resolution of 13 March 1996 embodying (i) its opinion on the convening of the Intergovernmental Conference, and (ii) an evaluation of the work of the Reflection Group and a definition of the political priorities of the European Parliament with a view to the Intergovernmental Conference ((OJ C 96, 1.4.1996, p. 77.)), for a reform of the own resources system, to be concluded by the time the financial perspective expires in 1999;
25. Points out that the present decision-making procedure on own resources is inflexible and time-consuming; notes that the present system threatens to be restrictive in funding an effective enlargement and expresses its concern that a possible insufficiency of resources will de facto undermine enlargement;
26. Emphasizes that, from an economic point of view, a successful enlargement will be beneficial for all parties concerned; to the extent that the economies of the CCEE develop, their contribution to the Union's own resources will increase and the present Member States will also derive economic advantages from the expansion of trade with those countries;
27. Notes in this context that the applicant countries must take appropriate measures in due time, including those relating to the reform of their taxation systems; believes that a reliable estimate of the basis for tax assessment will ensure that the data is comparable with the data in the rest of the Member States of the Union and will enable a reliable calculation of their contribution to the own resources system to be made;
28. Stresses that administrative expenditure must make a distinction between expenditure on infrastructure and expenditure on human resources; considers, with regard to human resources, that a distinction must be made between expenditure relating to members of the institutions and bodies of the Union (MEPs, members of the Commission, the Court of Justice, the Court of Auditors, the Economic and Social Committee and the Committee of the Regions) and expenditure relating to staff; points out that the most recent enlargement has shown that part of the expenditure on staff could well be used as a decentralizing force; considers that this decentralizing approach to Community administrative expenditure could help to reduce the geographical concentration of expenditure on buildings and related spending; considers that the remaining administrative expenditure relating to the pre-accession period should be earmarked mainly for the translation of Community law; notes, moreover, that the multiplication of languages entailed in increasing the number of Member States will create technical difficulties which will have to be solved; requests options to be included under the study called for in paragraph 34;
29. Stresses that there must be equal treatment for all the applicant countries; notes that, in regard to economic criteria, the dynamic nature of the progress and changes achieved must be taken into account to ensure a flexible and credible strategy based on an assessment and the accession of each country separately and not on a global or group accession to the Union of the applicant countries;

30. Stresses furthermore that between the opening of the negotiations and their completion and between the last ratification and the point at which the new Member States are fully integrated into Community policy, taking into account transition periods, fundamental changes will have occurred in the general economic situation both in the Union and in the CCEE themselves, but that the extent to which the economy is likely to have evolved is unpredictable, so that at this stage any financial projection must, to say the least, be conjectural;

31. Calls on the Commission to submit appropriate proposals so that accession negotiations may take place on the basis of clearly defined pre-accession phases tailored to the specific needs of each applicant country and which, at all events, hold forth the certainty, in a clear and legally safeguarded manner, that the country in question will become a full member once it fulfils the conditions for accession; stresses that any post-accession transitional arrangements and derogations must not be of a magnitude or duration that would hinder the efficient operation of the internal market; accordingly, they should not be of a general nature, should be restricted to the minimum necessary and be specific and, where possible, of short duration;

32. Calls on all its relevant committees to contact the corresponding committees in the applicant countries of Central and Eastern Europe with a view to jointly laying the ground for effective implementation of the Community budget following future accession; calls on the joint parliamentary committees to give priority to this area of activity;

33. Also calls on the Commission to submit proposals in good time to carry out the necessary reforms of the Union's current policies; points out that these reforms should take account of developments in the Union's international relations, and should in so far as possible avoid and limit abrupt changes in economic and social parameters;

34. Calls, finally, on the Commission to draw up a detailed, ongoing study based on hypotheses that are as realistic as possible, in particular concerning the further CAP reform and reform of the Structural Funds, with a view to producing data that are less likely to be erroneous and are capable of forming a reliable basis for decision-making; urges the Commission to establish as soon as possible its opinions on the accession of the countries of Central and Eastern Europe, including the question of linguistic diversity, in order to present these documents immediately after the end of the IGC and to enable the negotiations for accession to start six months after the end of the IGC;

35. Instructs its President to forward this resolution to the Council, the Commission, the governments and parliaments of the Member States and the parliaments of those countries which have applied for accession.