

Opinion of the Economic and Social Committee on the 'Commission Communication "Agenda 2000"'

(98/C 19/29)

In a letter dated 17 July 1997, the European Commission asked the Economic and Social Committee for an opinion on the above-mentioned communication.

At its meeting of 10 July 1997 the Plenary Assembly decided, in accordance with Rule 19(1) of the rules of procedure, to set up a subcommittee to prepare the Committee's work on the matter.

The subcommittee adopted a draft opinion on 24 October 1997 (co-rapporteurs: Mr Cal and Mr Moreland).

At its 349th plenary session (meeting of 30 October 1997), the Economic and Social Committee adopted the following opinion by 126 votes to 18, with six abstentions.

1. The Commission proposals

1.1. The set of papers entitled 'Agenda 2000' has been submitted by the Commission in response to requests from the European Council. It includes the financial perspectives for the period 2000-2006, opinions on the accession applications from central and eastern European countries, and guidelines for proposals which are to be fleshed out later concerning the common agricultural policy, economic and social cohesion and the various internal policies. The adoption of an overall approach to these key issues for the future shape of the Union will enable all the Community bodies to analyse the challenges facing the EU and to take the decisions needed in order to provide the right conditions for addressing these challenges.

1.2. The Commission's approach is coloured by the remit given to it, by EU budgetary restrictions and by the revised Treaty signed in Amsterdam. This revision did not go far enough as regards the internal institutional reforms needed to adapt the Community decision-making process to a much larger Union. Accordingly, the Commission proposes that a further intergovernmental conference be convened in the year 2000 with the specific aim of adapting the workings of the institutions to future enlargement.

1.3. The Commission proposes reinforcing the pre-accession strategy as of now, and establishing a new instrument (the accession partnership). This will facilitate a bilateral approach to the various aspects involved in preparing the countries that embark on accession negotiations, and will see that the budget resources made available to the applicant countries under the new financial perspectives are managed in a coherent and integrated manner, with scheduling covering several years.

1.4. In order to meet the estimated needs for pre-accession aid, the Commission proposes that the financing currently granted mainly through the Phare pro-

gramme be supplemented by contributions from the Community's agricultural and Structural Funds, producing a total annual figure of ECU 3 000 million throughout the period.

1.5. For the post-accession period, the Commission works on the assumption that a first wave of countries will join in 2002-2003. The financial perspectives include the sums which will be made available to the new Member States; these sums will rise steadily to reach some ECU 15 700 million in 2006.

1.6. The Commission's financial perspectives include figures for the common agricultural policy and economic and social cohesion. They assume that the CAP reform will be extended, that the EU will anticipate the effects of the next round of WTO negotiations, and that the Structural Funds will be applied in a more concentrated manner than hitherto. This will mean the transfer of ECU 38 000 million of Structural Fund resources to the new Member States over the period, in addition to the ECU 7 000 million granted as pre-accession aid.

2. General comments

2.1. The present opinion does not seek to analyse in detail the policies and practical measures which the Commission is proposing for the CAP, economic and social cohesion, internal policies and enlargement. These will be dealt with in a more detailed additional opinion which the subcommittee will draw up in the light of the opinions and information reports drafted by the relevant sections. The present opinion is addressed to the Luxembourg European Council, which will decide on the opening of negotiations with those applicant countries which it considers already fulfil the requisite conditions. Preliminary consideration is also given to the proposed financial framework for the period 2000-2006; and the Committee will deal at a later date with the proposal for an interinstitutional financial agreement when it is presented by the Commission.

2.2. In view of current conditions and the scale of the challenges facing Community policy, the package of proposals submitted by the Commission provides a practical and detailed basis for pursuing discussions on the future of the Union and preparing the ground for the requisite decisions. The Committee is pleased to see references to sustainable development in Agenda 2000 and hopes that more decisive and deliberate consideration will be given to these across the whole range of Community policy.

2.3. The first financial framework was influenced by the single market project and the Single Act, which placed a new emphasis on economic and social cohesion. The second financial framework was influenced by plans for economic and monetary union and the revised Treaty that was signed in Maastricht. The new third financial framework will be affected by the plan for the accession of a succession of new countries to the EU, and by the revised Treaty that was approved in Amsterdam.

2.4. However, the Committee thinks that when drawing up its financial perspectives, the Commission should have given more thorough and systematic consideration to the entry into force of the third stage of EMU, and to the impact which these new challenges will have on employment. If the situation evolves in accordance with the perspectives presented by the Commission, in the first few years of the 21st century there will be some EU Member States participating in the single currency, others which are not participating, new Member States with differing transitional periods, applicant countries engaged in accession negotiations, and applicant countries taking part in the 'accession partnerships' and in the European conference which is to be convened.

3. Situation and challenges regarding the EU integration process

3.1. In order to become stronger in these new circumstances, and bearing in mind the need for the European citizen to identify more with the challenges of deepening and enlargement, the EU must remain true to its principles and must press ahead with economic and social integration. This new stage in the EU's development will not succeed if measures are taken which jeopardize the past achievements of the various Community policies.

3.2. The Commission's proposals for the common agricultural policy seek to continue the reform that began in 1992, and to anticipate the next round of WTO negotiations. A reduction in prices will be partly offset

by an increase in income support and the creation of a horizontal rural development instrument distinct from the current Structural Funds. This proposal will be analysed more thoroughly in the ESC opinion on the subject.

3.3. The Commission's proposals for economic and social cohesion have caused concern among some of the current beneficiaries, who fear that cutting the volume of transfers and support between the existing Member States could threaten the progress already made in closing the gap between their economies and the economies of the most advanced EU countries and regions. Before accepting the Commission's proposals, the Committee seeks reassurance that these proposals will not reverse progress on economic and social cohesion within the EU. The Committee will analyse these proposals further in a separate opinion.

3.4. In the current situation, the question of employment is crucially important. The Committee has often spoken of the need to give the problems of employment and greater competitiveness the priority which the EU public demands. Boosting the competitiveness of the EU, whether with its present or future membership, is a prerequisite for ensuring that employment evolves in a positive way and for achieving sustainable development. These points were brought out in the recent ESC opinion intended for the European summit on employment.

3.5. Enlargement of the EU as now being postulated involves a huge challenge, as it concerns countries whose economic development levels are far below those of the current Member States. Although the Commission more often refers to the per capita GDP of the applicant countries taken together as being around 32 % of the Community average, the fact is that this figure is based on 'purchasing power parities' and serves only to compare living standards. To make a more accurate assessment of the economic and social problems arising from enlargement, this figure should be calculated on the basis of 'exchange rates'. When so doing, Eurostat data show that the GDP of all the applicant countries represents less than 4 % of Community GDP, and the average per capita GDP is around 13 % of the Community average; this shows clearly the scale of the progress which still has to be made to boost these countries' competitiveness and to integrate them in the single market.

3.6. The extension of the single market, with no controls at internal borders, is a key issue in the negotiating process. The disparities in development and social protection between the applicant countries and the existing Member States will invariably justify a transitional stage for their economic integration, involving the application of the customs union, the strengthening of social support mechanisms, and the setting of limits on free movement of persons and agricultural goods and on the application of environmental and social regulations. The use of EU financial aid should be stepped up in the applicant countries in the pre-accession phase in order to help create and stabilize employment. The Commission should prepare a white paper on the social situation and policies of the applicant countries as a way of ensuring adequate consideration of the social dimension from the pre-accession stage onward.

3.7. The Commission recognizes the difficulties which the economies of the applicant countries must overcome if they are to compete and develop in the single market. However, the opinions on the individual countries concentrate on the conditions for applying the 'acquis communautaire' and do not pay sufficient attention to the issues raised by the economic transition which these countries are undergoing — issues which require a different approach from those facing the least developed regions of today's EU, which are engaged in a catching-up process. It would therefore be more sensible to define the absorption capacity of these countries' economies not only in terms of their respective GNPs but also in terms of the related gross fixed capital formation, in order to boost investment while bearing in mind the needs in terms of human capital.

3.8. For payments, the Commission proposes to keep the existing own resources ceiling of 1,27 % of GDP, as decided by the EU-12 in Edinburgh. This should bring in roughly ECU 67 000 million more during the reference period, if the anticipated economic growth rate proves correct. The Community budget would thus increase from ECU 98 000 million in 1999 to ECU 115 000 million in 2006 (commitment appropriations). Although such an increase might be felt insufficient given the scale of challenges that will face the EU at the start of the 21st century, the Committee endorses the Commission's proposal to retain the present ceiling.

4. Challenges for enlargement and financial perspectives

4.1. In its opinion on enlargement⁽¹⁾, the Committee recommends that negotiations should open with all the

applicant countries simultaneously, as this would give a highly encouraging signal to the enlargement process and make it easier to track each applicant's progress in applying the 'acquis communautaire', in improving its competitiveness in the single market, and in consolidating its democratic system.

4.2. The applicant countries will be able to join as and when negotiations are concluded, without having to wait for the conclusion of negotiations with the other countries. The membership criteria should be as objective as possible. They should be based not only on the EU's ability to 'assimilate' the new Member States, but also on the latter's ability to respect the principles underpinning the current stage of EU integration, which is not the same as it was at the time of earlier enlargements.

4.3. The Commission proposes to set up a European conference for establishing joint measures in the fields of foreign policy and the fight against drugs and crime. The conference should be convened as soon as negotiations begin, and should involve all the applicant countries. It should also provide an opportunity for detailed talks on the broad lines of the Phare programme, and of other resources made available to the applicant countries, in order to improve coordination of this assistance and gear it more effectively to the needs of the countries concerned.

4.3.1. The accession partnerships will provide the instrument for deepening relations between the EU and the applicant countries. These partnerships must be reinforced and deepened so as to provide better coverage of all the key issues surrounding application of the criteria for opening negotiations, and not only questions related to the 'acquis communautaire'.

4.4. Bearing in mind the question marks over the likely accession dates of the various countries, and their progress in adopting and respecting the 'acquis communautaire', the Commission should draw up a short range of financial perspectives based on different assumptions as to when accession will take place. It would avoid uncertainty and the need for future debate to cater now for more than one assumption regarding the most critical variable factor within the period of the next financial framework.

4.4.1. Pre-accession aid could thus be concentrated on the economic restructuring of the applicant countries, as part of the proposed partnership; the intergovernmental conference for the revision of the Treaty could be held in the meantime; and consideration could be given to the problem of the contributions of existing Member States which benefit less than the rest from Community transfers.

⁽¹⁾ Opinion on the enlargement of the European Union, adopted on 29 October 1997.

4.4.2. In relation to the question of the costs and benefits for the various Member States, the Committee agrees with the Commission that the benefits which each country gains from participating in the integration process cannot be measured simply in terms of the respective financial flows from and to the Community budget. However, the Committee considers that these issues need to be widely debated, given the importance which the convergence criteria have given to the budgetary aspects. The Commission's proposed revision of the financial perspectives does not alter the system of own resources. Any such alteration would require a unanimous vote and could need parliamentary ratification in some Member States. Nonetheless, this does not make it any less important to create the conditions for securing a broad consensus on the general outline.

4.4.3. The Edinburgh Council decisions brought greater equity as regards costs, in that contributions to the Community budget have become more proportionate with national wealth. However, the situation as regards benefits is more complex. Expenditure on economic and social cohesion benefits the neediest countries and regions, but expenditure on internal policies is distributed differently and has a regressive impact in cohesion terms. Expenditure on the CAP in particular tends to favour the countries in which this policy has applied longest, and which have a higher aid capitation, although the 1992 reform has reduced this imbalance.

4.4.4. Consequently, the distortions which emerge in calculations of the net balance of contributions to and from the Community budget are not so much a matter of resources (Member States' contributions) as of the relative weight of the various expenditure headings. Agriculture still represents the lion's share (around 50 % of the total) and structural policies account for around a third of the total.

4.4.5. Alongside these 'accounting' considerations, it must be remembered that the most developed Member States also draw the greatest economic and trade benefits from economic integration, the establishment of the single market and other internal policies. This is why structural actions were stepped up in the past, enabling the least developed countries of the EU to experience economic growth at a rate higher than the Community average. Studies also show that enlargement will produce the greatest economic and trade benefits in the most

developed and the geographically closest countries. These considerations must not cloud the fact that the main reasons for enlargement are political rather than economic.

4.4.6. One of the principles of economic and social cohesion is solidarity, and the financial perspectives for the EU-15 must continue to support the neediest countries and regions, in order to enable them to consolidate the progress they have already made and help them to tackle the additional tasks which the third stage of EMU will require, as competition conditions become more difficult. However, under the Commission's Agenda 2000 proposals, economic and social cohesion is the only budget heading which will be reduced in size for the existing Member States during the reference period (down ECU 10 100 million over the reference period as a whole in relation to the 1999 situation). Moreover, it is inconsistent for the Commission to propose that expenditure should be maintained at ECU 2 900 million (1997 prices) particularly when it cannot yet be established which countries will meet the GNP criterion at the beginning and at the mid-point of the six-year period.

4.4.7. The Commission should analyse the financial perspectives for the existing Member States, taking into account the effects on the individual Member States of these issues and transfers from the Structural Funds. This will provide a sound basis for discussions concerning the future of the Community budget. Clearly it is essential that the Community budget takes full account of the support required for the neediest countries and regions to tackle the third stage of EMU and the objectives of economic and social cohesion so that economic disparities can be reduced and eventually eliminated.

4.5. A balance has to be struck — although this will not always be easy — between the principle of Community solidarity, budgetary discipline and restrictions, and the social and political costs and benefits of EU enlargement. This is a political decision, and as such is a matter for the European Council. However, the Committee calls for the Council to build on the Commission proposals and carry through a politically ambitious exercise commensurate with the building of a more solid, more integrated and more

united European Union over the last fifteen years, which has been perceived by many of its citizens as a shared

project for the future, and not as an extreme, short-term defence of national interests.

Brussels, 30 October 1997.

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of the Economic and Social Committee*
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APPENDIX

to the opinion of the Economic and Social Committee

The following amendment, which received at least one quarter of the votes cast, was defeated during the discussion:

Point 4.4.1

In the first sentence, replace 'the Committee agrees' with:

'the Committee acknowledges that it would be reasonable for the balance of receipts from and contributions to the Community budget to correspond overall to the relative prosperity of the Member State concerned. The Committee agrees ...'.

Reason

The point of the amendment is that the Committee is bringing the so-called 'net contribution' debate back to the principle of economic capability generally accepted in the EU. This debate should concern, not absolute net balances by Member State, but the results of contributions to and receipts from the EU budget, which in overall terms are proportional to the relative prosperity of the Member State concerned within the EU.

Result of the vote

For: 41, against: 105, abstentions: 18.
