

Opinion of the Economic and Social Committee on 'The impact of the enlargement of the European Union on the single market (SMO)'

(1999/C 329/11)

On 29 January 1998, the Economic and Social Committee, acting under the third paragraph of Rule 23 of its Rules of Procedure, decided to draw up an opinion on 'The impact of the enlargement of the European Union on the single market (Single Market Observatory)'.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 July 1999. The rapporteur was Mr Vever.

At its 366th plenary session on 22 and 23 September 1999 (meeting of 22 September) the Economic and Social Committee adopted the following opinion by 77 votes to three, with one abstention.

1. Preliminary comments

1.1. The 'common market' has not stopped growing since the European Community was established with six founding members. Successive accessions have taken the number of Member States to 9, 10, 12 and now 15. These enlargements have been very positive for the single market, enhancing its size, impact and economies of scale, without diluting either the areas it covers or its achievements. With enlargement have come bids to strengthen policies, driven by European Commission programmes implemented by the Member States working to the deadlines of first 1993 and then 1999.

1.2. During the same period, the single market has also embraced other non-EU European countries in many economic and commercial areas, through cooperation and association agreements centred on freedom of movement and the adoption of entire sections of the corpus of Community single market legislation. The countries concerned are the members of the European Economic Area (the 15 EU Member States plus Norway, Iceland and Liechtenstein) and also Switzerland, via a bilateral arrangement. While extending the advantages and requirements of the single market to the four non-EU members, these agreements also greatly facilitated the transition-free accession of Austria, Finland and Sweden in 1995, as the EEA had enabled them to gradually incorporate most of the body of Community legislation. Turkey too is linked to the single market by a customs union agreement, concluded in 1962.

1.3. Today's European Union is facing a new vista of political enlargement, this time on a much broader scale. The new process concerns 12 applicant countries: 10 central and eastern European countries (Poland, Hungary, Czech Republic, Slovakia, Estonia, Latvia, Lithuania, Slovenia, Romania and Bulgaria) and two Mediterranean countries (Cyprus and Malta). They too are already linked to the single market by association

agreements providing for a high degree of free trade and the gradual adoption of Community legislation. When the time is right, there may be further applications from would-be EU members in south-east Europe, marked in recent years by a number of local conflicts, notably in Kosovo in 1999. Turkey may also join the Union in the future, once it has complied with the EU's political conditions.

1.4. Against a geopolitical backdrop undergoing radical change, the ESC's opinion has a two-fold objective:

- to take stock of preparations for enlargement and the impact of enlargement on the single market, by drawing on the experience of socio-occupational representatives on both the EU and applicant country sides;
- to recommend means of facilitating the integration of the applicant countries into the single market and ensuring that the future enlarged single market is managed effectively.

1.5. The Single Market Observatory has based its work on four hearings of socio-occupational representatives. Discussions were held in Brussels on 13 and 14 July 1998 with CEEC representatives and on 15 September 1998 with EU representatives. Two special hearings also took place, on 23 June 1998 in Berlin with German representatives and on 20 April 1999 in Prague with Czech representatives. Consideration was also given to the conclusions of the social partners' conference on enlargement, held on 18 and 19 March 1999 in Warsaw.

2. New prospects

2.1. The enlargement of the single market will open up new horizons, bringing significant opportunities but also greater demands if the full benefit is to be reaped.

Unprecedented opportunities

2.2. The political significance of EU enlargement is clearly of historic proportions. The peaceful and democratic unification of the continent, which is the natural extension of the long process that began with German reunification in 1990, is unprecedented and will ensure that there can be no going back on the political and economic changes in the East. It will also guarantee stability and cooperation for all the countries taking part and their neighbours. Enlargement will enable the Union to defend a common core of shared values while upholding cultural diversity. It will give the EU greater weight in world affairs, while providing an example to encourage other world regions to establish similar political or economic groupings.

2.3. Enlargement of the single market will bring many economic opportunities, including further investment, markets and trade, more producers and consumers, new openings for cooperation, sub-contracting and economies of scale, fresh growth prospects, new infrastructure projects both within the CEEC and at trans-European level, and better means of stepping up European competitiveness in the face of globalisation.

2.4. Enlargement of the single market should also be a positive factor in social terms — the full effects of which can emerge only gradually — by facilitating exchanges, by raising the standard of living and generating new jobs as a result of further growth, by spreading the benefits of European social legislation and, providing it is carried out in a well-ordered manner, by balancing migratory flows.

Equally unprecedented challenges

2.5. The challenges posed by further enlargement of the single market are quite as great as the opportunities and are much more complex than for previous enlargements.

2.6. It has to be borne in mind that single market integration has been an on-going process for the 15 Member States, influenced by successive treaty reforms, the adoption of further Community legislation and the introduction of the euro. The level of integration required of the applicant countries is much higher than ever before.

2.7. The current number of applicant countries is also higher than ever before. Revolutionary ways will have to be found to determine how best to organise and manage the single market in view of the eventual near doubling of the number of participating States, with many small countries,

broad linguistic and cultural diversity, and wide discrepancies in development. The challenges are manifold: added complications with decisions requiring unanimity, the monitoring of Community law and transposition into national legislation, new requirements for customs harmonisation, the management of Member State diversity, operation of the mutual recognition system, the safeguarding of economic and social cohesion, and preventing new national barriers.

2.8. The social dimension will need special attention, if complex demands are to be reconciled. On the one hand, care must be taken not to provoke excessive migratory movements, and to avoid upsetting the EU job market as a result of the much lower social costs in the applicant countries. The quality of existing social legislation in the Union must also be maintained. On the other hand, economic growth and employment in the candidate countries will need backing, bearing in mind the need for a transitional period to integrate Community social legislation in its entirety. Timetables should be drawn up for the gradual and balanced completion of the necessary adjustments.

2.9. It will be imperative to ensure that enlargement does not damage the cohesion of the single market, particularly since the European Union does not currently have a further programme for single market completion, and is restricting itself largely to the adoption or transposition of the directives covered by the previous programmes, with the exception of certain additional target areas. Ill-prepared enlargement would weaken single market cohesion. It would undermine the economic and social expectations to which every European, from east or west, has a right. An orderly enlargement process, however, means making the most of the preaccession period to carry through changes and reorganisation. Step by step, this will increase the single market's dynamism and scope, justifying all the effort invested to ensure this historical process is a success.

3. Evaluating the situation

3.1. Enlargement of the single market to include the applicant countries is already well under way. This can be seen not only from the agreements reached and the on-going negotiations but also on the ground. Most of the applicant countries' external trade nowadays is with the European Union and is for the most part tariff free.

Progress made

3.2. Significant progress was apparent at the hearings. First and foremost was the acceptance of the process of change

in the applicant countries. This goes hand in hand with acceptance of the rationale behind the European single market and its demands and regulations, which are inextricably linked to its benefits and opportunities. The conditional nature of European aid was also understood and accepted. In this context, the smooth running of the single market and its enlargement to central and eastern Europe were not felt to be a contradictory concepts.

3.2.1. Current efforts are focusing on the improvement of economic factors, especially regarding growth and price stabilisation. Trade between central and eastern Europe and the European Union is continuing to expand. It now accounts on average for 60 % of CEECs' external trade (equivalent to the level of trade among member countries) as against barely 30 % in 1993. Taken together, these countries have now become the EU's second largest trading partner after the United States. Investment, technology transfer and EU financial aid in central and eastern Europe are already producing dividends, leading to higher productivity, a new business and management culture, and the modernisation of infrastructure (housing, transport, energy, etc.) and of industrial production. They have enabled the on-going development of the banking and insurance sector and of other service activities such as business and audio-visual services. Furthermore, the quality of products and services has improved, there is a new trend towards decentralisation, and pollution (water, air, industrial waste, nuclear waste) has already been reduced considerably. There is more cooperation on technical standardisation, health and safety standards have risen and consumer organisation and protection has been strengthened.

3.2.2. The socio-occupational representatives from the EU Member States emphasised their active and positive commitment to enlargement of the single market and their desire to step up their presence and investment and well as partnerships and mutual exchanges.

3.2.3. Their counterparts in the applicant countries stressed that they were not looking for extra protection as such but for more effective means of adapting to the wider market and competition, and for better access to the European single market. They were ready to make the necessary efforts to bring about change; they were confident of their ability to play a full role in the single market and stressed the need to develop the complementary features they could offer the European Union, to benefit the enlarged single market, which was already having a positive impact on both sides.

The problems

3.3. Though there was clearly agreement on the mutual benefits of enlarging the single market and on the progress being made, certain points of concern were nevertheless raised.

3.3.1. On both sides, these related first and foremost to the unknown elements in the political process that had begun. There were still question marks hanging over countries' differing rates of progress in the negotiations, accession timetables, the scale of the successive enlargements and the overall and even final extent of the enlargement process. The many difficulties involved in the process, which looks to be longer than expected, were also emphasised, including the changeover to a new mindset and a complete turnaround from an administered, controlled economy to one based on initiative and accountability. Clarification of the operational conditions for future enlargements would definitely help socio-occupational operators to prepare more effectively.

3.3.2. Mutually-felt economic concerns included the risk of distorted trade and competition conditions, difficulties in adapting rules and structures, environmental protection problems, the cost of meeting standards, inadequate workforce training and qualifications, the need to modernise the production apparatus and commercial channels and the necessary changes to the workforce, often superfluous in agriculture but wanting in other sectors. The difficulties appeared to be all the greater for countries that had delayed reform. Mention was also made of insufficient cooperation between central and eastern European countries (their mutual trade remained at a fairly low level, even dropping as a percentage of their external trade from 15 % in 1993 to 13 % in 1997) in spite of some progress in cross-border regions. All in all, there was an overwhelming feeling that there was a lot to do at once and that precautions would have to be taken and stages marked out in the process.

3.4. The applicant countries raised many further issues.

3.4.1. In general, the difficulties mentioned related to the complexity and constraints of implementing the corpus of Community legislation, particularly since the countries of central and eastern Europe have 40 years to catch up on. Emphasis was placed on a competitive lag in the face of heightened competition, trade balance deficits, restricted access to the EU market for farm products, restrictions on Community aid, concern to avoid a brain drain, and problems relating

to the development of a black economy. One observation was that infrastructure (e.g. transport, telecommunications, energy, water) is often still underdeveloped, which hinders the expansion of trade. Mention was also made of the need to make improvements in administration and in the public sector, which is suffering in particular from the massive divergence between public and private sector salaries. There was also a concern to avoid the development of differences in the way the applicant countries are treated, so that they are not branded as fast- or slow-track applicants.

3.4.2. Special attention was given to the difficulties facing SMEs. Most find it hard to expand, are not ready for the global market, lack capital and access to credit, receive little financial aid from the EU, and are ill-informed about the real significance of accession. The complexities of applying Community legislation, and the cost to companies of change in particular, is a highly sensitive issue for SMEs. There is also a desire to avoid a changeover from domination by national public monopolies to abusive domination of certain sectors by private (in particular foreign) monopolies or oligopolies. Local businesses must therefore be given the means to develop and restructure in order to hold on to their market positions.

3.4.3. Mention was made of the lack of practical support in providing socio-occupational interest groups, businesses and consumers with better information on the changes implied by integration into the single market. The need is not so much for financial support as for assistance from experts and speakers, through missions and local secondments, not to mention the use of new means of communication such as the Internet. The EU, its organisations and its businesses should follow the US example and take more initiative in these areas. Particular consideration must be given to increasing public understanding of, involvement in and commitment to the enlargement process in the applicant countries.

3.5. The EU Member States too raised several further issues.

3.5.1. Emphasis was placed on delays in adjusting regulations and liberalising the economy in the applicant countries: persistence of non-tariff barriers to trade, restrictions on freedom of establishment, disregard or challenging of the legal and fiscal framework, maintenance of price regulating mechanisms, failure to open up public procurement, complexity and level of taxation, property purchase restrictions, delays in privatisation (especially in the insurance sector),

inadequate and often obsolete financial and distribution systems, accounting difficulties in relation to technical and accounting standards, restrictions on location (licences, branches), shortcomings in intellectual property protection. Mention was made of the high level of State aid, which has a negative impact on the surplus capacity of certain sectors (e.g. textiles, steel) at European and world level. Problems with customs procedures also figured, especially for goods in transit from former USSR countries. Factors such as price dumping, failure to abide by environmental standards and illegal labour were felt to distort competition. Reference was made to friction on the western labour market (especially in the new Länder and in Member States located on borders), the risk of social tension if care is not taken, and problems for the border regions of central and eastern European countries if they are not given assistance. The issue of the relocation of businesses and activities to the countries of central and eastern Europe also came up.

3.5.2. Some representatives questioned the institutional capacity of administrations in the applicant countries when faced with the difficulties of adjustment and abnormal competition. Procedures were felt to be too bureaucratic, legal remedies were absent, the monitoring authorities lacked competence and independence, customs protectionism was a recurring issue, certain regulatory, standardisation and certification bodies lacked efficiency, there were difficulties relating to mutual recognition, and fraud and corruption were a problem.

Shared needs

3.6. The fears expressed by both sides must be addressed, and one priority must certainly be to step up dialogue, especially as the fears concern immediate problems whereas the benefits may sometimes be felt to relate more to the medium and long term.

3.7. The joint aim should be to ensure that the enlargement of the single market is conducted under balanced and well-ordered economic and social conditions, in accordance with the order of priorities on both sides, while keeping up the momentum so as to avoid excessive delays. Enlargement must not have the effect of lowering Community standards on social, environmental and consumer matters, but rather of disseminating those standards in the applicant countries to promote common development that strikes the right balance between the economic competitiveness of a wider single market and the quality of life of the European public.

3.8. The issue of the conditions for integrating the applicant countries into the economic and monetary union must also be raised in relation to the enlargement of the single market. Obviously, participation in the single currency can only come as the final stage in the integration of the new members, and will involve appropriate transition periods following accession. However, although this stage is still a long way off, it must not be ignored in the preparations for enlargement, but must be included among the long-term objectives. The euro is now an essential feature of the single market and it has been clearly agreed that no opt-out will be allowed for the new Member States once they meet the economic criteria for joining the EMU. The European Union would therefore be justified in providing for appropriate pre-monitoring of the applicant countries' economic policy guidelines, in accordance with this long-term perspective. It should also make its aid conditional on minimum requirements, taking into account specific levels of development and the long list of hurdles the countries must overcome to qualify for the EMU.

3.9. The socio-occupational interest groups will have a special role to fill in facilitating this vast process of integration: enlargement of the single market concerns them directly, over and above the responsibilities falling to governments and administrations. The success of the process will depend largely on their direct involvement.

4. Priorities for the applicant countries

4.1. The Committee stresses the need for the applicant countries to hold firm in the process of adapting to the single market. The first dividends, in terms of economic development and an improved standard of living, are already emerging. The aim must be to apply the corpus of Community legislation in its entirety, in order to preserve the cohesion of the enlarged single market and to ensure that it functions properly. Transition periods could be allowed in certain cases and subject to certain conditions, but the scope and duration of such arrangements should preferably be kept to a minimum once the countries actually accede to the European Union. Ensuring the body of Community legislation is taken on board under the best conditions as rapidly as possible means not just adopting the necessary national legislation and regulations, but above all promoting the economic and social reforms these regulations imply, and, where possible, checking the effectiveness and quality of the transposition of the regulations.

Priorities for action

4.2. The first move must be to continue and consolidate the progress already made, in particular on rigour in economic management, improved productivity and quality of goods and services, business culture, and consumer education.

4.3. The Committee also stresses the need to tackle the problems cited by stepping up reform in the following areas:

4.3.1. More effort must be made to further economic liberalisation, on which accession depends, by means of a series of measures. These should include bolstering the reform of the state and administration, stepping up decentralisation, strengthening independent and representative socio-occupational organisations with contractual powers, continuing and speeding up privatisation, developing price liberalisation, launching tax reforms suited to market economics, applying monetary regulations, and giving more rein to economic operators. The legal procedures needed for the economy to function properly (e.g. debt recovery, etc.) must be firmly in place, which means making the legal systems more efficient. Competition policy must comply with the provisions currently in force in the European Union. This means that all the applicant countries must have efficient national bodies to monitor competition conditions. Standardisation must be stepped up, by intensifying the transposition of European standards, certification and mutual recognition. Customs procedures must gradually be brought into line with those of the EU, and goods in transit from third countries (especially the former Soviet Union) must be monitored effectively.

4.3.2. The modernisation of structures must be accelerated, with a particular emphasis on developing infrastructure (transport, water, energy, telecommunications) and linking it more effectively to that of the EU Member States as part of the trans-European networks. A major effort must also go into bringing research and innovation up to scratch. Sales and after-sales structures must also be brought up to date, to bolster economic efficiency.

4.3.3. Better support must be made available to small and medium-sized enterprises through a series of measures: imparting a spirit of enterprise, providing training on modern management methods, attracting capital and encouraging profit-making, developing access to credit, a favourable fiscal and quasi-fiscal environment which does not hinder their development, simplifying regulations, and providing businesses operating on the international market with information and support.

4.3.4. Environmental protection must be improved, in particular using Community aid, even though projects will often prove lengthy.

4.3.5. The foundations must be laid for social progress by building up the social dialogue, gradually implementing Community social legislation and developing vocational training. It is desirable to control and channel migratory movements, first to enable the applicant countries to hold on to the

workforce they have trained, and second to take pressure off the western labour market, where necessary allowing for sufficiently long transition provisions in the area of labour. The fight against the black economy must be intensified; much will depend here on the success of the economic reforms.

The best initiatives

4.4. To rise to the various challenges, the Committee recommends that the applicant countries take a pragmatic approach, based on practical initiatives in a series of key areas. These initiatives must fully involve the economic and social operators, who all too often feel that neither their governments nor the European Union involve them sufficiently in the enlargement process.

4.5. Preparing the applicant countries for the single market will take more than bilateral efforts between each country and the EU. A common area should also be marked out for free trade and cooperation between the countries of central and eastern Europe, as under CEFTA (the Central European Free Trade Agreement), which was launched for the Visegrad countries several years ago. Cooperation and free trade must be taken further within the CEFTA zone and the area should be extended to include neighbouring EU applicant countries. The inclusion of Romania in CEFTA marks a major step in the right direction. This will require cooperation between border regions and the encouragement of initiatives by socio-economic operators to that end. EU support programmes should take this need into consideration and promote more of this type of cross-cooperation.

4.6. The corpus of Community legislation must be adopted in its entirety but cannot be taken over all at once. Some measures will prove more urgent than others during the pre-accession period. Rather than pushing all the issues forward randomly, it would be preferable to move quickly to see that small but significant areas work properly, before then expanding the limits gradually to cover new packages of measures every year.

4.7. Monitoring the transposition of the legislation will involve developing strong independent authorities — both administrative and legal — in the countries of central and eastern Europe, to watch over transposition and the progress of the reforms. Structures should also be set up to liaise between these monitoring authorities and the Union, involving the professional sectors concerned.

4.8. To trace the applicant countries' progress on single market integration, the Committee recommends that regular scoreboards be drawn up, at least once a year, charting the

implementation of Community legislation in the applicant countries, like those set up in the EU in recent years to monitor the fifteen Member States' progress on single market completion. Socio-occupational representatives should be consulted on and involved in their preparation and monitoring. It is particularly important to have their views on the application of reforms in the field and not to judge simply by what appears in legislative and regulatory texts.

4.9. The Committee also recommends proposing that the applicant countries set up single market coordination centres and single market contact points for businesses and the general public, along the lines of those recently set up in the EU Member States. This could have several advantages:

4.9.1. In general terms, this initiative would have a major psychological and practical impact by confirming that those countries are now within the orbit of the single market, by involving them directly in the management of the enlarged single market, and by offering them practical means of helping their authorities, businesses and public to adapt more easily.

4.9.2. Single market coordination centres in the applicant countries would provide an informal means of finding bilateral solutions to many of the practical obstacles to trade between the EU and the applicant countries, especially problems of red tape (in either the EU or the applicant countries).

4.9.3. The parallel establishment of single market contact points for businesses and the public would provide a means of building up practical information on the opportunities offered by the single market, especially for small and medium-sized enterprises, consumers and the social partners, and thus make up for the shortage of information mentioned in the hearings.

4.9.4. Social and occupational interest groups would benefit directly from the establishment of coordination centres and single market contact points in their countries, and they should play a front line role in helping them to work well.

4.10. In general terms, the Committee also stresses the importance of promoting social dialogue in the applicant countries and between the social partners on both sides, as recommended by the European social partners conference in Warsaw in March 1999. The establishment of economic and social councils or committees like those in several Member States could also have a positive impact.

4.11. The development of customs cooperation between the applicant countries of central Europe and the EU in all areas should be a top priority for the cohesion of the single market, without waiting for alignment on the common commercial policy: the operation of customs posts (tightening up border controls with regard to third countries, coordinating with the European Union), improvement of procedures, better reciprocity in terms of the treatment granted by the EU, monitoring of free trade areas and free ports, fight against fraud and counterfeiting, monitoring of the rules of origin, reliability of the statistical system, gradual alignment on the common commercial policy. This cooperation should be founded on administrative assistance agreements, inspection visits and customs training programmes. To that end, the Committee recommends the setting-up of a customs cooperation observatory, involving socio-occupational interest groups, to help monitor application in the various areas.

4.12. Attention must be given to the issue of economic and trade relations between the central and eastern European applicant countries and their former-Soviet Union neighbours, on a number of counts: recent and on-going developments in commerce and trade with those countries, the impact of integration into the single market on that trade, future prospects for economic relations between the enlarged European Union and the countries of the former Soviet Union.

4.13. The issue of economic and trade relations between the applicant countries and non-EU European countries that are linked to the single market by association agreements (e.g. the three EEA partners, Switzerland and Turkey) must also be examined. It would be useful to pool ideas on methods and results of integrating single market legislation in the associated countries. There should also be a forward-looking debate into the future of these relations following enlargement.

5. Priorities for the European Union

5.1. The European Union too must prepare for the enlargement of the single market by reforming its institutions, speeding up its completion in key areas and involving the applicant countries in the debate on the future management of the enlarged single market. By meeting these challenges, the European Union will ensure that rather than running counter to the strengthening of the Union, enlargement of the single market will further and improve its functioning, precisely because of the greater demands involved.

Essential institutional reform

5.2. It is a prime requirement that the European Union should reform its institutions and decision-making procedures in order to adapt to further enlargement. The unanimity rule, which will be a real barrier to decisions with almost double the number of Member States, should be kept only for a few exceptional cases. The extension of the majority voting system seems inevitable if the single market is to operate properly with 20, 25 or 30 members.

5.3. The Committee welcomes the decision taken by the European Council in Cologne to hold an intergovernmental conference in 2000, with the intention of producing results within that year. Its aim will be to revise the Treaty in key institutional areas, and thus increase the coherence and decision-making capacity of the European Union in time for the next round of enlargements.

Completion of the single market

5.4. The European Union should keep up the momentum to complete the single market by devising a follow-up to the programme that ended in 1998, in accordance with procedures to be agreed. There must be no let-up as there is still a lot to do. The Committee points out the need to remedy the delays in harmonising legislation, especially regarding the definitive VAT regime, the elimination of trans-national double taxation, a scheme to facilitate mergers, a workable and attractive European company statute, the liberalisation of financial services, the opening up of public procurement, transport, telecommunications and public monopolies, and the standardisation of intellectual property rights with a genuine Community patent. Adjustments will also have to be made for electronic commerce and on-line services, which are revolutionising trade conditions, and for the increased need for standardisation in view of the introduction of the euro, particularly in the tax field.

5.5. The Committee also stresses the need to take great care to ensure that directives for which the deadlines have passed have been properly transposed in all Member States. This is not always the case: at the end of 1998, 15 % of single market directives had still not been applied in all Member States. Those States should be aware that in demanding that applicant countries apply all Community legislation they have a particular responsibility to do so themselves and set an example.

5.6. The Committee would also stress the need to promote — with a view to the proper functioning of an enlarged single market — a better balance in the choice of legal instruments laying down the rules applicable to the single market, in order to make the common rules more effective. The Committee draws attention to the recommendation in its earlier opinion that, when the common interest of single market cohesion is directly involved, European legislation should place more emphasis on regulations, which are applied directly and uniformly, instead of resorting too systematically to directives.

5.7. The Committee also stresses the need for the greatest vigilance to ensure that mutual recognition arrangements operate much more effectively. They will have even greater importance after enlargement, and too many problems of practical application still persist, as the European Commission very appositely pointed out in a recent communication on the matter.

5.8. The Committee takes the view that work to simplify Community legislation and especially to transpose it rapidly into effective new regulations must also be stepped up. This is particularly important for the SMEs in the applicant countries that must apply Community legislation.

5.9. Efforts must also be made to prevent new obstacles from arising at national level, an issue that will gain importance with the increase in the number of Member States. The Member States could ensure that their national legislation is more euro-compatible by agreeing on a code of good practice for the single market, as the ESC recommended at an earlier stage. Euro-compatibility would aim to balance the need to preserve the inevitably greater political, cultural and social diversity of the enlarged European Union with the smooth running of the single market.

6. Shared priorities for the applicant countries and the EU

Supporting the applicant countries

6.1. EU aid to the applicant countries is extremely important. It is impossible to ignore the fact that, following the Berlin agreement on Agenda 2000, the multiannual budget stretching until 2006 provides only very limited resources compared with the scale of the need in the applicant countries, if they are to integrate successfully into the single market. The Committee therefore stresses that it is essential to take extra care to ensure that optimum use is made of aid. Its impact must be assessed systematically; it must be targeted more

accurately on key areas (in particular improving the framework of activities for companies and supporting the authorities that are responsible for applying and monitoring application of Community legislation); checks must be conducted to ensure it is used properly, in accordance with conditionality criteria; care must be taken to avoid distorting competition; and more must be done to combat fraud. In general, the sights must be set not on assistance but on development, with a view to gradually phasing out rather than maintaining or increasing the aid, encouraging greater use of loans or interest rate subsidies and promoting private capital investment, a decisive factor in development. Finally, the trend for greater support to be given under the Phare programme to social measures needs to be both further extended and enhanced.

6.2. Consultation and cooperation between the EU and the applicant countries for the purposes of integration must not be restricted to states, governments and administrations. It must also directly involve socio-occupational organisations and businesses. The Committee stresses that the establishment of strong and representative socio-occupational organisations in each of the applicant countries, playing an active part in a responsible economy mirroring the European economic and social model, is a necessary condition for the successful enlargement of the single market.

6.2.1. First of all, the Committee considers that the socio-occupational organisations of the EU countries must be encouraged, with the support of Community programmes, in particular PHARE, to support their counterparts in the applicant countries, in terms of training and adaptation to integration into the single market. Partnership agreements, for mutual cooperation and support, not least to facilitate trade, should be developed within the framework of these organisations.

6.2.2. Special emphasis must be placed on support for SMEs. The main European programmes for companies (framework programme for research, SME and craft sector support programme, European Investment Bank loans, etc.) should be more open to the applicant countries, helping them optimise their financing (access to risk capital, interest rate subsidies, guarantees from European financial institutions, etc.), encouraging them to use the European legal instruments that will facilitate integration into the single market (e.g. European patent, Community trade mark, EC certification, etc.), and promoting transnational partnerships with EU companies.

6.2.3. Consultation between socio-occupational organisations must also be developed within the framework of the European social dialogue, following on from the first social partners' meeting held in Warsaw in March 1999 with Commission backing.

A joint debate on the future of the single market

6.3. It will not be enough simply to ask the applicant countries to apply the single market in its current state. They must be given the opportunity to prepare for coming changes in the single market and to share their views on the common objective for the single market in 10 or 20 years' time. A single market with 25 or 30 Member States will have requirements and features that differ from those of the current single market of 15 countries. Therefore, the Committee thinks it essential to:

6.3.1. involve the applicant countries in the debate on the future of the single market, in particular through invitations to sessions of the Internal Market Council;

6.3.2. invite observers from the applicant countries to participate in the committees and bodies responsible for monitoring internal market workings;

6.3.3. include applicant countries and their socio-occupational representatives in the debate on issues surrounding administrative simplification and the prevention of new barriers;

6.3.4. launch a joint debate on the reform of the Community policies (including CAP) that are set to outlive Agenda 2000, into the years beyond 2006;

6.3.5. start a forward-looking study into complementarities and trade flows between the enlarged single market and its regional neighbours, including the EEA and Switzerland, the former Soviet Union and the countries of the Mediterranean basin.

Brussels, 22 September 1999.

7. Economic and Social Committee initiatives

7.1. The Economic and Social Committee is aware of its specific responsibility to support the applicant countries in integrating both into the single market and into the EU. As the representative of civil society organisations, its primary duty is to ensure the effective participation of the socio-occupational operators of east and west in this major process.

7.2. To this end, the Committee intends to work on the following initiatives over the coming years:

7.2.1. The Committee will continue to develop existing contacts through the bilateral committees set up with socio-occupational partners in the applicant countries, monitoring developments and checking on specific priorities;

7.2.2. The Committee will continue to hold annual meetings with the socio-occupational representatives of central and eastern Europe, in order to track progress on the various recommendations made in this opinion;

7.2.3. The Committee's Single Market Observatory will carry on paying close attention over the coming years to the smooth running of the process of involving the applicant countries and their socio-occupational organisations in the enlargement of the European internal market. In particular, it will gradually extend the scope of its PRISM survey (Progress Report on Initiatives in the Single Market) to cover initiatives and good practice developing in the field, for the purposes of promoting the single market.

The President
of the Economic and Social Committee
Beatrice RANGONI MACHIAVELLI

APPENDIX

to the Opinion of the Economic and Social Committee

Enlargement/Statistics

Figures from year 1997

	Czech Rep.	Slovakia	Poland	Estonia	Latvia	Lithuania	Hungary	Slovenia	Bulgaria	Romania	CC-10	EU15
Population (million)	10,3	5,38	38,64	1,5	2,5	3,7	10,3	2	8,3	22,75	105,37	374,565
Area in km ²	78 866	49 034	312 685	45 227	64 589	65 301	93 030	20 253	110 994	238 391	1 078 370	3 236 180
GDP (billion EUR)	45,9	17,2	119,7	4,2	4,9	8,4	39,6	16,1	9	30,6	295,6	7 130,4
GDP/capita (100 EUR)	45	32	31	28	20	23	39	81	11	14	28,1	189,83
GDP/capita in PPP (100 EUR)	63	47	40	37	27	30	47	68	23	31	—	—
GDP/capita (% of EU-15)	23	17	16	15	10	12	21	43	6	7	—	—
GDP growth (% per year)	1	6,5	6,9	11,4	6,5	5,7	4,4	3,8	-6,9	-6,6	—	—
Food price index	104,4	105,4	112,6	89,3	102,5	106,1	117,5	108,6	1 224,6	249,7	—	157,1
Av. monthly wage (USD)	337,4	274,6	302,0	249,5	203,4	255	305,0	989,0	94,0	118,0	—	—
Unemployment (%)	4,7	11,6	11,2	10,5	14,4	14,1	8,1	7,3	15	6	—	10
Trade balance (MEUR)	20,084	7,754	22,707	2,567	1,429	3,382	16,842	7,382	3,126	7,434	92,707	10 737
Inflation (%)	8,6	6,1	15	11,2	8,4	8,8	18,3	8,3	1 082,3 ⁽¹⁾	154,8	—	—
Export to EU (%)	59,90	45,00	63,50	48,60	48,90	36,70	69,90	63,60	44,10	56,60	—	—
Import from EU (%)	61,50	39,51	63,00	59,10	53,20	47,70	62,40	67,40	42,10	52,30	—	—
VAT (%)	—	—	—	18	—	—	25/12	—	—	—	—	—

MEUR = Million Euro

PPP = Purchasing Power Parity

CC-10 = Ten new candidate countries summarized (Cyprus excluded in the statistics)

⁽¹⁾ 1996: 123 %