

T.C.  
MARMARA UNIVERSITY  
EUROPEAN UNION INSTITUTE

A COMPARATIVE ANALYSIS OF BALTIC  
STATES' MEMBERSHIP TO THE EU

T.C. YÜKSEKÖĞRETİM KURULU  
DOKÜMANTASYON MERKEZİ

THESIS ADVISOR: DR ESRA HATİPOĞLU

MERAL BALCI

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## ABSTRACT

The enlargement of the European Community-then the European Union- and the enlargement periods of the Community and its approach to enlargement in historical perspective are briefly discussed in this work.

EU membership of the three Baltic States can significantly contribute to long-term stability in Europe's North. Even if the Baltic States have made considerable progress in their economic and political integration with the EU, they still need to strengthen their reform policies in the areas of state institutions, citizenship, environmental policies and justice and home affairs. On the other hand, it is the EU, which must continue with its financial and technical support for the Baltic States. One problem here is that the EU, due to the incremental nature of its enlargement policy, lacks a coherent strategy for the full integration of the Baltic States in the not too distant future. Such a strategy would necessarily include the development of the future relationship with Russia since this would politically facilitate the Baltic states' accession to the Union, increase their security and reduce potential conflict with Russia over borders, minorities and perceived economic losses once Estonia, Latvia and Lithuania are members of the EU.

The Baltic countries will bring a large number of ethnic Russians-about 1.5m, a fifth of their total population- into the EU. The biggest problem for all the Baltic States is a different one; tackling the Soviet legacy. These three were part of the Soviet Union itself, not just region it controlled.

Working that out of the system is though. But it will be a lot easier if the Baltic States are safely anchored in a democratic, prosperous West while they get on with the job. They are close to being so; and, given their battered history and precarious geography, that is more than most people hoped a mere ten years ago.

## INTRODUCTION TO ENLARGEMENT

“Only a fool who has learned nothing from the millennia of European history can believe that tranquility, peace and prosperity can flourish for ever in one part of Europe, without regard for what is happening in the other parts”.

(Vaclav Havel, European Parliament, March 1994)<sup>1</sup>

From six members at the outset, the EU expanded to nine in 1973, ten in 1981, twelve in 1986 and fifteen in 1995. Applications have been received, or are expected imminently, from a further thirteen states: the Luxembourg Group states; Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia, the Helsinki Group states; Bulgaria, Latvia, Lithuania, Malta, Slovakia, Romania and Turkey. The Balkan War has delayed the candidacy of the South Eastern European Countries, although Albania and Macedonia have been admitted to the Council of Europe, a significant staging post to European integration.<sup>2</sup>

The Commission presented ‘a road map’ for progress towards enlargement, which should allow the conclusion of negotiations with the best prepared candidates in the course of 2002, with the prospect of a first group of countries joining the EU by June 2004.<sup>3</sup>

Since globalization affects ever more areas of our lives, it is obvious that it influences the development of the European Union as well. The Economic and Monetary Union, changing defence needs, the importance of telecommunications and advanced science, the global organization of trade through the WTO, the ageing of the

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<sup>1</sup> *Enlarging the Union* (1996). London: Federal Trust Papers, No: 5 p.1

<sup>2</sup> *Ibid.* p.4

<sup>3</sup> Geoffrey Edwards & Georg Wissala.(2000). *The European Union-Annual Review of the EU 2000/200*. USA: Blackwell Publisher Inc.

population in Europe and other parts of the world are all problems which will bring massive change to the EU.

However, uncertainty caused by constant change is balanced by certain stable elements characteristic of the EU. These stable factors are crucial because they will guarantee tangible and intangible benefits for both the candidate countries and the EU: the maintenance of community values, widening the zone of stability and peace as well as the strengthening of the internal market and economic development.

By virtue of these three Baltic States' accession, the European Union gains strong partners determined to help shape internal and external policies of the European Union as well as to maintain peace in this part of the region. This, after all, has always been the motivation behind the European integration process.<sup>4</sup>

EU membership of the three Baltic States can significantly contribute to long-term stability in Europe's North. Even if the Baltic States have made considerable progress in their economic and political integration with the EU, they still need to strengthen their reform policies in the areas of state institutions, citizenship, environmental policies and justice and home affairs. On the other hand, it is the EU, which must continue with its financial and technical support for the Baltic States. One problem here is that the EU, due to the incremental nature of its enlargement policy, lacks a coherent strategy for the full integration of the Baltic States in the not too distant future. Such a strategy would necessarily include the development of the future relationship with Russia since this would politically facilitate the Baltic states' accession to the Union, increase their security and reduce potential conflict with Russia over borders, minorities and perceived economic losses once Estonia, Latvia and Lithuania are members of the EU.<sup>5</sup>

This thesis aims to study the enlargement of the European Community-then the European Union- and the enlargement periods of the Community and its approach to

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<sup>4</sup> Aleja Ujazdowski (2000). *Accession Negotiations-Poland On The Road To The European Union*. Warszawa. p.76

<sup>5</sup> [http://www.northern\\_dimension.org/nd7.html](http://www.northern_dimension.org/nd7.html)

enlargement in historical perspective. Moreover, it will also claim that the three Baltic States consider the membership as a shield, which will protect them from the Russian threat besides the economic and social development.



## 1. EU'S APPROACH TO ENLARGEMENT IN HISTORICAL PERSPECTIVE BEFORE 1989

The recurrent dream of a unified Europe is part of our cultural heritage. Therefore we are familiar with the attempts to create a united Europe mainly by force, for conquest and universalism go often hand in hand<sup>6</sup>. However, unification was achieved peacefully throughout Europe. After being unified of most European countries, "enlargement process" took place in the agenda. Enlargement is one of the most important opportunities for the European Union as it prepares for the 21<sup>st</sup> century. It is a unique, historic task to further the integration of the continent by peaceful means, extending a zone of stability and prosperity to new members.

In March 1998 the EU formally launched the process that will make enlargement possible. It embraces the following thirteen applicant countries: Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, Slovenia and Turkey.

At its summit in Luxembourg in December 1997, the European Council decided that the enlargement process should encompass the European Conference, a multilateral framework bringing together ten central European countries, Cyprus and Turkey, which was launched on 12 March 1998;

- The accession process, covering ten central European countries and Cyprus, which was launched on 30 March 1998;
- The accession negotiations, which the European Council decided to open on 31 March 1998 with six countries, as recommended by the European Commission: Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia.

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<sup>6</sup> Dominik Lasok.& Bridge, J.W. (1991). *Law & Institutions of the European Communities*. London: Butler & Tanner Ltd., p.3

- Malta, which had 'frozen' its application for membership in 1996, reactivated it in October 1998.<sup>7</sup>

The EU can already look back on a history of successful enlargements; The Treaties of Paris (1951), establishing the ECSC (The European Coal and Steel Community), Rome Treaty (1957), establishing the EEC (The European Economic Community), and EURATOM. Six founding members signed these 3 treaties: France, Germany, Italy, Luxembourg, Belgium and the Netherlands.

The EU then underwent four successive enlargements; Denmark, Ireland, and the United Kingdom (1973), Greece (1981), Portugal and Spain (1986), Austria, Finland and Sweden (1995). Since the accession of each new member has to be agreed by each existing member state, it is important to realize that the general consensus among the Fifteen on the principle of enlargement hides wide differences about the scope and timing of specific enlargements, and on what policy and institutional reforms should be made by the Union to accommodate the new members.

Germany has been most enthusiastic about eastern enlargement, having most to gain economically from exploiting a wider European single market, and the greatest interest in “projecting security” eastwards. Although unification was handled in ways that created great strains in Germany itself and for Germany’s EU partners, the worst effects are now past, and German leadership of the movement towards a wider and deeper Union can again be effective. The *Benelux* countries share much of the German approach; *Denmark* has reservations about the deepening federal character of the Union, but will be broadly supportive. *France*, has been less enthusiastic than Germany about eastern enlargement, through cultural links with Romania could be important in determining the outcome of that candidacy. Furthermore, France is more enthusiastic about building within NATO an effective European pillar for defense cooperation, and, given its long-standing and close alliance with Germany, is now prepared to accept at least some of the main institutional changes that enlargement will necessitate. The *United Kingdom* remains after 23 years of membership a problematic member of the Union. The UK supports enlargement, as a mean of enhancing European security, and

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<sup>7</sup> [http://www.europa.eu.int/comm/enlargement/intro/index\\_en.htm](http://www.europa.eu.int/comm/enlargement/intro/index_en.htm)

the UK will be keen to reform the institutions of enlarged EU to reduce the powers of small states. However, political developments within the UK may bring a change of European policy. *Italy* favors enlargement and a federal European Union. But the current domestic political confusion and continuing economic problems are major inhibitions on Italy playing a strong role. The southern members are the most reluctant to accept eastern enlargement, as their industries fear intensified competition. *Spain, Portugal, Greece, and Ireland* currently benefit most from EU budget transfers, and on the accession of Austria, Finland and Sweden in 1995 were granted further benefits from the structural funds and the new Cohesion Fund.<sup>8</sup>

## 1.1 The Enlargement Periods of European Union

### 1.1.1 First Enlargement – 1973 (The United Kingdom, Ireland, Denmark)

The meetings of European Finance Policy in November 1959, the formation of European Social Fund and the enterprises about the foundation of Common Agricultural Policy were the most important developments between the establishment of the European Community and the application of the British Government.<sup>9</sup> All these important developments changed the British Government's idea about the membership of European Communities.

In July 1961 the Macmillan Government applied for membership of the EEC. The negotiations (the British team was headed by the Lord Privy Seal, Mr Edward Heath) dragged on, but when the British side, leaving some problems to further negotiations, was ready to sign in 1963 the French President, General de Gaulle, vetoed the British entry. (Signing of the Nuclear Weapons agreement which had been signed between the

<sup>8</sup> *Enlarging the Union* (1996). London: Federal Trust Papers, No:5 p.17

<sup>9</sup> Brussels Jean Monnet Working Paper No:8 Autumn 1998,  
[www.ulb.ac.be/tee/labopesc/publications/monnet.html](http://www.ulb.ac.be/tee/labopesc/publications/monnet.html)

USA and the UK in December 1962 was another cause of collapsing relationship between France and the United Kingdom). The French government did not want the Americans in European continent. All these prevented Great Britain's membership until the resignation of President de Gaulle.<sup>10</sup> In 1967 the Wilson Government renewed the application but it was vetoed again by France before negotiations could take place. The third attempt was made by the Heath Government in 1970 and the negotiations with Great Britain for entry started in Brussels and were successfully concluded in 1970 and Treaty of Brussels was signed in January 1972.<sup>11</sup>

Similar treaties with Ireland, Denmark and Norway were signed. All these treaties came into force in 1 January 1973. The referendums supported the membership of these countries except Norway.

Norway had feared any kind of international involvement including Nordic cooperation. It did not want to be dominated by Sweden. However, economic factors and the importance of having access to EEC markets determined the government's decision to apply. Since there was opposition to the issue, the government decided to hold a consultative referendum and declared that the result would be binding. Result - 53%- showed that the majority was against the membership in September 1972, and the government resigned. After this incident, other governments in Norway did not wish the repetition of the same incident. Therefore, the issue was removed from Norwegian political agenda. It emerged later in 1988. Thus the number of members increased from 6 to 9 except Norway.

With these new members, community's borders were enlarged, population of the community was increased, and the laws of the community were renewed.

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<sup>10</sup> Rıdvan, S. Karluk (1996). *Avrupa Birliđi ve Türkiye*. İstanbul: İstanbul Menkul Kıymetler Borsası. p.10

<sup>11</sup> Dominik Lasok.& Bridge, J.W. (1991). *Law & Institutions of the European Communities*. London: Butler & Tanner Ltd., pp.3-18

### 1.1.2 Second Enlargement – 1981 (Greece)

European Communities made its second enlargement towards the south with the membership of Greece in January 1981. Greece was the tenth member of the Community. Greece had applied for partnership in June 1959 after 1.5 years of Rome Treaty. It was the first country, which used its right of article 238.<sup>12</sup>

The labor party won the elections in Britain in 1974. The negotiations about the decrease of Britain's participation share by communities started. After the negotiations, the British participation share decreased.<sup>13</sup> A summit, whose aim was the institutionalism of the State and Government Presidents' Summit, was performed in Paris under the name of "European Council" in 1974. The European Council's first assembly was held in Dublin in 1975. Assembly charged Leo Tindemans for realization of the European Union idea (Tindemans Report).

Greek Government applied to the Community for membership in December 1975. Colonel's Junta had been overthrown and democratic regime started, so negotiations started in 1976. Meanwhile, the Greek lobby worked hard to convince the Community to accept its membership although Greek economy was not at the desired level for the Community. The lobby was successful. The Treaty of Athens came into force in 1981. In the same day, the Greenland decided to leave the Community. So, the second enlargement resulted with Greek membership and the Greenland's separation.

### 1.1.3 Third Enlargement – 1986 (Spain and Portugal)

European Communities made its third enlargement when Spain and Portugal became members in January 1986. Spain had had a target to unify with the Community

<sup>12</sup> Rıdvan S. Karlık (1996). *Avrupa Birliđi ve Türkiye*. İstanbul: İstanbul Menkul Kıymetler Borsası. p.13

<sup>13</sup> Christopher Preston (1997). *Enlargement and Integration in the European Union*. London: Routledge. p.129

since 1962, so tried to make efforts to realize this. According to Rome Treaty, Preferential Trade Agreement, which accelerated Spain-European Community relations, was signed between Spain and the Community in 1970.<sup>14</sup>

After the death of Franco, with the new democratic regime, new Spanish government applied for full membership in 1977. The council accepted their application in 1978. Portugal also applied for full membership in 1977. Negotiations with Spain and Portugal started in 1979. These two countries worked hard to harmonize with the Community. The financial aides supported all these efforts. After required developments, Treaty of Madrid and Treaty of Lisbon were signed in 1985. Both treaties came into force in 1986. Thus, Number of the members of the Community reached 12.

The southern enlargement of the EC created new discussions between the member states since the economies of the new members were weak, inflation rates were high and the value of their money was low. Moreover, their economies were based on agriculture while EC economies based on the industry. There was a big gap between EC and the new southern members.

#### **1.1.4 Germany's De-Facto Enlargement – 1990**

Germany was divided into two by the USA and the USSR after the end of the Second World War. While the USA had taken the Western part, the USSR had taken the East. After many years, whereas Western part was living in welfare, the Eastern one, under the control of the USSR, was in poverty. At the end of 80's, democracy winds which broke out in the USSR and covered all Eastern European countries including the Russian satellite states made the Berlin Wall collapsed in 1989. Then two Germany were unified in 1990. The Community was enlarged without having any new partner. Thus, number of the members did not increase, but Germany's influence became stronger, number of the German representatives increased from 81 to 99.

<sup>14</sup> Rıdvan.S. Karluk, (1996). *Avrupa Birliđi ve Türkiye*. İstanbul: İstanbul Menkul Kıymetler Borsası. p.14

### **1.1.5 Fourth Enlargement – 1995 (Austria, Sweden, Finland)**

Austria, Sweden, Finland and Norway have applied to the Community for the membership in short intervals. The Swedish government applied for membership to the Community in July 1991. Then in 1992, the Finnish, Swiss and Norwegian governments applied to the Community for membership.

Although Austria had made the application of membership in 1989, the negotiations with this country started with the other three candidates in 1993 as Belgium was against Austria's membership since Austria was unwilling to leave its sovereignty because of its neutrality policy. Meanwhile, the Community decided to establish the European Union as soon as possible. Therefore, Maastricht Treaty was signed in 1992, and came into force in January 1993 by founding the single market and the European Union.

When Belgium left its veto, the Membership Treaties were signed with Austria, Sweden, Finland and Norway in May 1994. The referendums supported the membership of these countries except Norway again. The Norwegian public showed their refusal for the membership again. It was the second refusal of the public. The first one was with the Great Britain's membership in 1973.

In 1994, Corfu Summit was held to negotiate the applications of Malta and the Greek Part of Cyprus. Then in the same year Essen Summit was assembled. To invite the old Comecon countries to the Union was one of the objects of the Summit. As these countries had poor economic conditions, accepting their membership would bring some difficulties to the Union after the Southern enlargement. Accession Treaties with Austria, Sweden and Finland came into force in January 1995. Thus, number of the members became fifteen. European Union enlarged to the North and Central Europe and EFTA came to an end as its three members joined EU.

## **2. EU'S APPROACH TO ENLARGEMENT AFTER 1989**

### **2.1 Central and Eastern European Enlargements**

Europe has witnessed some major events in recent years. The break-up of the Soviet Union and the resulting end of the Cold War have profoundly altered the existing geopolitical order, marking the end of the old models for the international balance of power. The process of European integration has also gathered pace sharply. Against this new backdrop, the process of enlargement to include central and Eastern Europe, Cyprus, Malta and Turkey represents an historical undertaking for the European Union.

The issue of enlargement will dominate EU policy in the coming years. The central and eastern European countries, Cyprus, Malta and Turkey are, in principle, all starting out on equal terms. However, economic and political realities in these countries are often very different. This presents the Union with unprecedented institutional and political challenges.

The Copenhagen European Council in 1993 confirmed the legitimacy of Central and Eastern European applications for membership. This marked the start of one of the EU's most ambitious projects in its history. In 1997 the Amsterdam European Council called for accession negotiations to begin in 1998. The Luxembourg European Council received applications from ten countries. Negotiations got under way in March 1998 with the first wave of six countries: Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia. These will be followed by a second wave of five countries: Bulgaria, Latvia, Lithuania, Romania and Slovenia. In September 1998 Malta reactivated its application and the Cardiff European Council launched the EU strategy to prepare Turkey for accession. In March 1999 the Berlin European Council reached agreement on the creation of new pre-accession financing instruments. In December

1999 the Helsinki European Council reaffirmed the importance of the enlargement process, in which the 13 candidate countries (including Turkey) participate on an equal footing. It also decided to convene bilateral intergovernmental conferences in February 2000 with a view to opening negotiations with Romania, Slovakia, Latvia, Lithuania, Bulgaria and Malta on the criteria for membership of the European Union and the corresponding changes that will be made to the treaties. The European Council also announced the adoption of appropriate measures enabling the Intergovernmental Conference for revision of the treaties to be officially convened in February 2000. The negotiations with Romania, Slovakia, Latvia, Lithuania, Bulgaria and Malta were officially launched on 15 February 2000.

In December 2000, the Nice Council ratified the institutional amendments required to enable the Union to receive those applicant countries that were ready from the end of 2002, allowing them to participate in the 2004 European elections.

The Council also decided that the future of Europe would be the subject of a full and wide-ranging debate that would involve the applicant countries. The results of this debate would initially be brought together in a report to be submitted at the Gothenburg European Council (June 2001).<sup>15</sup>

### **2.1.1 Historical Development**

The conclusions of the meetings of the European Council starting from Dublin European Council in 1990 are taken as indicators of EU policy on enlargement. The reason for this is that European Councils are meetings of heads of state or government of EU member states where the future policy of the Union is set in principle. The commission has examined the developments of the candidates, and the result of the examinations by each of the following submits:

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<sup>15</sup> <http://www.europa.eu.int/scadplus/leg/en/tvb/e400001.htm>

- Dublin European Council (28 April 1990)

The idea of concluding Europe agreements with the CEEC's date back to this summit. At this meeting it was decided to complete the first generation of trade and cooperation agreements signed with the CEEC's and negotiate a new generation of association agreements as soon as the economic and political situation favorable, on condition that democratization and transition to market economies are unhindered in the countries concerned. These agreements, later called 'Europe Agreements' would include an institutional framework for political dialogue. In the conclusions of the Presidency, the Council pays tribute to the uniting of Europe "which, having overcome the unnatural divisions imposed on it by ideology and confrontation, stands united in its commitment to democracy, pluralism, the rule of law, full respect for human rights, and the principles of the market economy".<sup>16</sup>

- Maastricht European Council (9-10 December 1991)

The European Council gave the green light to the accession of the applicant EFTA countries to the Community, after the conclusion of the negotiations on the Community's own resources and related issues in 1992. It asks to the Commissions to prepare a report on the situation of the applicant countries and the implication for the Union's future development, to be presented to the Lisbon European Council in 1992.<sup>17</sup>

- Lisbon European Council (26-27 June 1992)

The report by the Commission on "Europe and the Challenge of Enlargement" was approved and membership negotiations with the applicant EFTA countries were begun during this Summit. It was stated, "the principle of a Union open to European states that aspire the full participation and who fulfill the conditions for membership is a fundamental element of the European construction". Concerning the term "European", the Commission stipulates that the concept combines geographical, historical and cultural elements which all contribute to the European identity. The share experience of proximity, ideas, values, and historical interaction cannot be condensed into a simple formula, and is subject to review by each succeeding generation. The Commission

<sup>16</sup> Çiğdem Nas. "The Enlarging Policy Of The EU And Its Link With The External Dimension Of Human Rights Policy, Turkish Case", *Marmara Journal of European Studies*, Vol.5, no:1 , 1997, p.183

<sup>17</sup> Ibid.,p.184

believed that “ it is neither possible nor opportune to establish now the frontiers of the European Union, whose contours will be shaped over many years to come”.

Concerning the enlargement process, the conclusions of the Lisbon European Council stipulate that cooperation with Malta, Cyprus, and Turkey should be intensified on the bases of the relevant association agreements, with particular emphasis on political dialogue and underline that each of these applications must be considered on its merits. It was also agreed to intensify cooperation and political dialogue with the CEEC’s within the framework of the Europe Agreements in an effort to assist them in their preparations for accession to the Union. Here it should be noted that the term “preparing for accessions” is used only concerning the CEEC’s. The membership applications of with Malta and Cyprus are also mentioned.

Turkey is dealt with under a separate heading. The European Council underlines that the Turkish role in the present European political situation is of the greatest importance and that there is every reason to intensify cooperation and develop relations with Turkey in line with the prospect laid down in the Association Agreement of 1964 including a political dialogue at the highest level. The Commission, and the Council are given the task of working on the intensification of cooperation and development of relations with Turkey in the coming months. However, there is no reference to the membership application or preparation for accession in the case of Turkey. This observation is valid for the statements and conclusions of the other European Council meetings. The customs union, and increased cooperation and dialogue are terms used when Turkey is the issue. It is not considered in the same category as the CEEC’s, Malta and Cyprus, which are seen as future members of the Union in the medium to long term.<sup>18</sup>

- Copenhagen European Council (21-22 June 1993)

The Copenhagen meeting of the European Council is important in that the criteria for membership of the Union specified above were determined during this Summit. It is stated that the associated countries of Central and Eastern Europe may become

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<sup>18</sup> Ibid.,p.184

members of the Union if they so wish, provided they are fit to assume the obligations resulting from membership by satisfying the economic and political conditions required. The message of the European Council is that the EU intends to include these countries in the European integration process. However, they must first improve their economic and political standards before accession. For this purpose the Union will assist them politically and financially by way of;

1. The structured dialogue between the CEEC's and Community institutions in the form of regular meetings on a broad range of topics;
2. Opening up of Community markets to products originating from the CEEC's and development of trade among these countries, and between these countries and their traditional trading partners;
3. Aid to the CEEC's through the PHARE program, financing of trans-European network projects involving the CEEC's under the temporary lending facility of the European Investment Bank;
4. Opening up the further Community programs to the CEEC's;
5. Approximation of laws in the CEEC's to the Community legislation especially concerning competition rules, protection of workers, the environment and consumers.<sup>19</sup>

- Corfu European Council (24-25 June 1994)

The acts of accession with Austria, Sweden, Finland and Norway were signed at the Corfu meeting of the European Council, which follows the membership applications of Hungary and Poland. At the Corfu meeting the Council also announced that the next phase of enlargement will involve Cyprus and Malta noting that any solution of the Cyprus problem must respect the sovereignty, independence, territorial integrity, and unity of the island in accordance with the relevant UN resolutions and high-level agreements.

The European Council underlines the importance of the conclusions of the 1996 IGC negotiations before enlargement takes place, since the institutional amendments should be completed to ensure the proper functioning of the Union with 20 and possibly 28 Member States. The implementation of Europe agreements and the decisions taken in

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<sup>19</sup> Ibid., p.185

Copenhagen constitute the essential conditions for the accession of the CEEC's to the EU.<sup>20</sup>

- Essen European Council (9-10 December 1994)

At the Essen Summit the heads of the state and governments of member states met the heads of the state and governments and foreign ministers of the Central and Eastern European countries (CEEC) which are associated with the EU through the Europe agreements and held an exchange of views with them on the strategy for accession of these states to the Union. The European Council, while noting that the challenge of enlargement lying before the EU, included in its priority guidelines; "ensuring the lasting peace and stability of the European continent and neighboring regions by preparing for the future accession of the associated countries of Central and Eastern Europe and developing in parallel the special relationship of the Union to its other neighbors, particularly the Mediterranean countries.

The European Council decided to give a new impetus to the process of further preparing the associated CEEC's for accession, noting that the institutional conditions for ensuring the proper functioning of the Union must be created at the 1996 IGC, before accession negotiations begin. In line with this attitude, it adopted a comprehensive strategy for integrating the CEEC's to the EU and asked the Commission and the Council to work towards the conclusion of Europe agreements with Baltic States and Slovenia. At the political level the pre-accession strategy for CEEC's involves the creation of "structured relations" between the CEEC's and the EU institutions for the purpose of building mutual trust and providing a framework for dealing with issues of common interest.

The key element in the pre-accession strategy is the preparation of the CEEC's for integration into the internal market of the Union which involves the development of infrastructure, cooperation in fields having a trans-European dimension including energy, environment, transport, science and technology, common foreign and security policy, and justice and home affairs. In this context, the European Council asked the Commission to prepare a white paper together with a detailed analysis of the effects of

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<sup>20</sup> Ibid., p.186

enlargement concerning the Union's current policies and their future development, and study of the means of developing relations in the agricultural sector.<sup>21</sup>

- Cannes European Council (26-27 June 1995)

The Cannes European Council confirmed that the membership negotiations with Cyprus and Malta would start six months after the conclusion of the IGC, taking into account the outcome of the Conference. The European Council notes that the pre-accession strategy adopted by the Essen European Council, the main instruments of which are the Europe agreements and the structured dialogue took off in the first half of 1995. It adds that six Europe agreements are in force while the European agreements with the Baltic States of Latvia, Lithuania and Estonia have been signed on 12 June 1995.<sup>22</sup>

- Madrid European Council (15-16 December 1995)

The European Council stressed the "absolute equality of treatment" between candidate countries and called on the Commission to submit its opinions after the end of the IGC, towards the end of 1997. On the basis of these opinions the Council will take the decision to begin the initial accession negotiations, in principle at the same time as those with Cyprus and Malta.

In this Summit, the political agenda of the EU for next five years was set:

1. carrying out the adjustments to the TEU;
2. Making the transition to a single currency in the line with the timetable and conditions set;
3. Preparing for and carrying out the enlargement negotiations with the associated countries of Central, Eastern, and Southern Europe which have applied for membership of the EU;
4. Determining, in parallel, the financial perspective beyond 31 December 1999;
5. Contributing to establishing the new European Security architecture;

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<sup>21</sup> Ibid., p.187

<sup>22</sup> Ibid., p.187

6. Actively continuing the policy of dialogue, cooperation and association already under way with the Union's neighboring countries, in particular with Russia, Ukraine, Turkey and the Mediterranean countries.

It is observed that Turkey is not taken into account as a future member of the EU but as a neighboring country with which good relations based on dialogue, cooperation and association should be developed.<sup>23</sup>

### **2.1.2 The Way To The Accession**

The accession process, which is going to be fulfilled by, the European state must be as follows: A European State submits an application for EU Membership to the European Council. The Council of the European Union asks the European Commission to present an Opinion on the application. The Commission presents the Opinion on the candidate's application to the Council. The Council unanimously adopts a decision to start negotiations with the candidate state. Then, the Council chaired by the Council Presidency conducts negotiations with the candidate state. The Commission proposes, and the Council agrees to and unanimously adopts, guidelines for the EU position in the negotiations with the candidate state. Then the draft of the Accession Treaty is agreed on between the EU and the candidate state. The Accession Treaty is submitted to the Council and the European Parliament. The European Parliament approves the Accession Treaty with a simple majority vote. Then the Council unanimously approves the Accession Treaty.

After being approved of the Accession Treaty, the Member States and the candidate state officially sign the Accession Treaty. The Member States and the candidate state ratify the Accession Treaty. Upon ratification, the Accession Treaty becomes effective: so, the candidate state becomes a Member of the European Union.

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<sup>23</sup> Ibid., p.187

Most recently, the European Council stated the conditions for membership of the EU in the Copenhagen Summit. These are:

1. Political criteria for membership: (stability of institutions guaranteeing) democracy, the rule of law, human rights, and respect for and protection of minorities.
2. economic criteria for membership: the existence of a functioning market economy; capacity to cope with competitive pressure and market forces within the Union.
3. institutional criteria for membership: ability to take on the obligations of membership including adherence to the aims of political, economic, and monetary union.<sup>24</sup>

### 2.1.3 Main Actors of Enlargement

On the part of the European Union the main actors in the process of enlargement are:

- The member states which are a party to the negotiations, participate in the preparation and approve of EU common positions, and finally adopt the Accession Treaty.
- The Council of the European Union (including the Presidency) which presents the agreed common positions of the EU and conducts negotiations at the level of Ministers of Foreign Affairs or their deputies.
- The European Commission which carries out the law review procedure, presents proposals of EU common positions, resolves current problems arising during negotiations as well as organizes consultative, expert and clarifying meetings.

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<sup>24</sup> Çiğdem Nas. "The Enlarging policy of the EU and its link with the External Dimension of Human Rights Policy, Turkish Case" . *Marmara Journal of European Studies*, Vol.5, no:1, 1997, p.183

- The European Parliament, which is informed about the course of the negotiations and approves the final text of the Accession Treaty.
- The Economic and Social Committee and the Committee of the Regions which are EU auxiliary bodies providing opinions on European integration from the points of view respectively of employee and business organizations as well as the territorial self-governments.
- Citizens of the European Union who express their willingness to enlarge the EU, directly in a referendum or indirectly through their representatives in the national parliaments and in the European Parliament.



### 3. A SHORT ANALYSIS OF THE BALTIC ENLARGEMENT

#### 3.1 EU's Approach

The Baltic States (Estonia, Latvia and Lithuania) have acquired their independencies after the collapse of Soviet regime, at the end of 1980's. After the separation from the Soviets, they have restructured their economic and politic systems. Their common goal was the acquisition of the membership in the EU like VISEGRAD Countries. The Baltic States have signed the Trade and Economic Cooperation Treaty with EU, in May of 1992. The politic and economic advantages of EU membership have been affected on their decision.

A few locally managed businesses compete well in international markets (an Estonian firm that makes cross-country skis, for example, and a world-class soft-ware company in Latvia). Tallinn, Riga and Vilnius are deceptive showcases for their countries; tourists and visiting officials alike are charmed by the architecture, wowed by the multilingual friendliness, seduced by the good restaurants and hotels. But at the outskirts of the capitals the prosperity fades out in black housing estates, tatty factories, and bumpy roads. Out in the countryside, particularly in Latvia and Lithuania things look even worse. As in Russia, villagers suffer from poor public services, depopulation and alcoholism.<sup>25</sup>

In theory, joining the EU should solve the Baltic States' internal troubles, just as they hope that joining NATO will settle their external ones. At the moment Estonia is seen as one of the best qualified to join EU along with Slovenia and Hungary. Latvia is gaining ground. Lithuania is still lagging behind. In GDP per person there is not much of a gap between the three. The striking difference is in trade and investment. In Estonia's open economy, foreign trade as a percentage of GDP is about twice Latvia's

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<sup>25</sup> *The Economist*, "Knocking at the Clubhouse Door", September 1, 2001, vol: 360, no. 8237, p.25

and Lithuania's (see table below), and its foreign direct investment per person is higher too.<sup>26</sup>

**table : 1**

|                                    | GDP, \$bn at<br>ppp* | GDP per person \$<br>at ppp* | Trade<br>balance \$bn | Trade,<br>% of GDP | Foreign direct<br>investment, \$ per<br>person, 1992-2000 |
|------------------------------------|----------------------|------------------------------|-----------------------|--------------------|---|
| <i>Estonia</i>                     | 8,7                  | 6,040                        | -0,79                 | 148                | 1.501   |
| <i>Latvia</i>                      | 11,4                 | 4,802                        | -1,06                 | 72                 | 1.001   |
| <i>Lithuania</i>                   | 17,1                 | 4,609                        | -1,10                 | 82                 | 658 ***   |
| <i>Russia</i>                      | 722,0                | 4,970                        | 60,70                 | 60                 | 147   |
| <i>Greece (for<br/>comparison)</i> | 171,0 **             | 16,2 **                      | -20,23                | 36                 | 857 **  |

\* Purchasing-power parity (ppp) seeks to equalise the prices of identical bundles of goods&services in each country.

\*\* Estimate Sources: Economists Intelligence Units; IMF

\*\*\* 1993 - 2000

Source : *The Economist*, "Knocking at the Clubhouse Door", September 1, 2001, vol: 360, no: 8237

If the three join the EU together, it will be fair. Drawing a line between the Baltic States, only to remove it a couple of years later, would make no sense. As with other applicant countries such as Hungary and Poland, a slice of EU structural funds (money for roads, bridges and the like) would be welcome. Full access to the single market will help to make companies more competitive. European levels of efficiency in government, particularly in the legal branch, are much needed.

The easy negotiations have already happened; the difficult ones are going to come. Officials in Tallinn are furious that most EU countries are refusing to open their labour markets to Estonian workers. In Estonia, particularly, preparing for EU membership has sometimes meant reducing standards, not raising them. Lamentably, Estonia has had to introduce import tariffs and agricultural subsidies, two bad habits which its zealously free-trading government had scorned in the early years of reform.

<sup>26</sup> Ibid.p.24

Estonian officials hope that, once inside the EU, they can add their bit to the lobby for freer trade and less government interference.

There is less Euroscepticism among the Balts than among the other applicants, because alternative is so bleak. If EU membership were delayed, joining NATO would be impossible. However harsh, slow and cumbersome the Euro-accession procedure, few Balts want to risk being in the same boat as Moldova or Morocco.<sup>27</sup>

## 3.2 Baltic States' Approach

### 3.2.1 Their expectations

The EU and NATO membership is a goal that all three Baltic States have set for themselves. Baltic cooperation in the defense area strengthens their hand in pursuit of NATO membership. The Baltic cooperation assures their Western partners that they will be constructive participants in these institutions.

Latvia's main foreign policy goals since regaining independence has been to join both organizations. European members of the Alliance, Latvia considers that being a member of both EU and NATO is entirely competitive.

On 4 February 1999, in one of his speech Dr. Valdis Birkas, Foreign Minister of Latvia, said that the uniting of Europe is an incomplete project. Integrating Latvia into the EU and NATO should be made into a *mission possible*. No barbarians or clever scientists should get in the way. He also said that that day, everyone was in the soup together or in the same boat together. They can eat lunch or "be" lunch. It was up to

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<sup>27</sup> Ibid. p.26

them. These words also show that the Baltic States' intention of having the benefits of becoming a member by "eating soup together."

In 1998, as Foreign Minister of Latvia said that they had to overcome the legacy of the former totalitarian system and develop a new model of the society. What they have now is a stable democracy, a functioning market economy. Their largest trade partner is now the EU, whose share in their foreign trade is growing. As we have seen, Latvia's expectations of membership are parallel with the facilities that EU presents.

Toomas Hendrik Ilves, Minister of Foreign Affairs, on behalf of the Government of the Republic of Estonia said these words while explaining the Estonia's foreign policy in June 1999;

Estonia's foreign policy priorities are accession to the European Union and NATO, and to strengthen the effectiveness of our foreign economic policy to support international co-operation in business and trade. The objective of Estonia's foreign policy is to defend Estonia's security and worthy place in the open world. A progressive and prudent Estonia is the strongest guarantee of Estonia's national security and for this we must nurture Estonia's international image. Indeed, when realising our foreign policy, we must constantly pay attention to developing our international image. The smaller the country the more important it is that it possesses a positive image. The systematic introduction of our country's progress abroad is of key importance. In recent years, Estonia has been characterised by the following catchwords: stability, liberalism, openness, dynamic development, functioning market economy, and developing information society. We are widely recognised as a rapidly developing small country and, as a result, our foreign policy is taken seriously in Europe.<sup>28</sup>

(Toomas Hendrik Ilves, Minister of Foreign Affairs of Estonia, 1999)

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<sup>28</sup> [http://www.president.ee/eng/ametlikud\\_teated/ametlik\\_teade.html?gid=12921](http://www.president.ee/eng/ametlikud_teated/ametlik_teade.html?gid=12921)

Estonia's strategic objective is accession to the North Atlantic Treaty Organisation. As such, intensifying relations with NATO at every level is an Estonian foreign and security policy priority.

Since the restoration of independence, Estonia has consistently supported the principle of indivisibility of security in Europe and the process of Euro-Atlantic integration. This policy is underpinned by the will of the Estonian people and remains unaltered despite changes in government and parliament. This policy has withstood the test of time and earned its partners' trust. The Government plans to use and develop this foreign and domestic trust as Estonia moves closer to NATO.

Their preparations for accession to NATO are now based on the decisions taken at the Washington summit in 1999. Estonia was recognised as an equal among the aspirant countries. After the Madrid summit, Estonia was considered to have a better chance of joining NATO. In the framework of the so-called "open door" policy, it was clearly confirmed that neither the size of a democratic country nor its geographical location would be an obstacle to eventual entry to NATO. Membership will be determined on the basis of each aspirant's preparations and readiness to join.

As we can understand from all the speeches, Baltic States consider EU and NATO as an umbrella, which protects them from the Russian threat. Meanwhile, Arnold Rüütel, President of the Republic of Estonia expressed his official thoughts on the opening of the Convention on 28 February 2002.

Today the Convention - an advisory discussion forum on the future of the European Union holds its opening session in Brussels. The Convention marks the beginning of a new era for Estonia in our integration into Europe. Estonia's representatives are involved on an equal footing to outline the future of Europe. This is an opportunity we are committed to use actively. In Estonia the discussion about the European Union is just gaining momentum. We appreciate the possibility to have a say in the discussion even before Estonia becomes a full member of the European Union. The Convention will focus on the institutional structure and legal basis of the European Union. For Estonia the equal treatment of all states and nations is significant. Europe should

treasure its diversity – a source of its co-operation and ideas. The Convention will be successful in its performance only if it finds strong support in the attitudes and opinions prevailing in the society. The people of Estonia should intensively communicate their opinions and interests to our representatives in the Convention.

(Arnold Rüütel, President of the Republic of Estonia.28 February 2002)<sup>29</sup>

The presidents of the three Baltic States often come together and discuss their policies towards the EU and NATO enlargements, and express their thoughts. Recently, the President of the Republic of Estonia met the Presidents of Latvia and Lithuania on January 15, 2002. On the first day of his working visit to Latvia, President Arnold Rüütel met in Riga the President of the Republic of Latvia, Vaira Vike-Freiberga and the President of the Republic of Lithuania, Valdas Adamkus.

The Heads of the Baltic States discussed their common message to be forwarded to the United States of America. The three Heads of State agreed with one accord that the forthcoming meeting will give the Baltic States once again an opportunity to demonstrate their unity and continuing efforts directed to the accession to NATO.

The Baltic Presidents went into several possibilities of co-operation between the three countries. President Rüütel's idea to advance a common electricity market was supported by the other two Presidents in every respect. The Presidents also deemed it necessary to discuss at their future meetings the issue of developing the Via Baltica.

The Presidents underlined the unity of the Baltic States. "In the past, the histories of our people have had many common features, and at present, our endeavours are similar too: after having built up our states, to be admitted to the European Union and NATO," President Rüütel noted.<sup>30</sup>

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<sup>29</sup> <http://www.president.ee/eng/avaldused/>

<sup>30</sup> [http://www.president.ee/eng/ametlikud\\_teated/ametlik\\_tede.html?gid=14470](http://www.president.ee/eng/ametlikud_teated/ametlik_tede.html?gid=14470)

### 3.2.2 Expected Effects on Their Special Relationship with Russia

While mentioning about the Baltic States' approach to EU enlargement we should also consider the Russian Approach. Vyacheslav Nikonov, a political analyst close to the Kremlin, says that if expansion went ahead, Russia would strengthen its forces in the Baltic region and perhaps even put nuclear weapons in Kaliningrad, the cut off patch of Russia that lies to the west of the Balts. That would indeed be a show of force; but it would be one the rest of the world could probably live with.<sup>31</sup>

Over the centuries, Russia has considered exit to the Baltic Sea a necessity, with consequent conquest or control of the coastline. The discussion of an eventual NATO enlargement to the Baltic States has revealed a deep Russian concern and fear. This was already evident in the May 1992 Draft of the Russian Military Doctrine.<sup>32</sup>

It is also declared that The Baltic States (Pribaltika) is one of the most explosive regions in regards to the risk of new 'hot beds' of conflicts with the use of Russian military forces. They also mention territorial claims on Russia (including sea territories) by Estonia and Latvia, as well as their eventual integration into NATO.

Official Russian policy has been restrained and has respected laws and decisions by the Baltic governments. This policy has been followed in spite of a strong pressure from the Russian Parliament, which in resolutions has repeatedly urged the government to take hard measures- including economic sanctions against the Baltic states- as an answer to Baltic policy regarding Russian minorities.<sup>33</sup>

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<sup>31</sup> *The Economist*, "Knocking at the Clubhouse Door", September 1, 2001, vol: 360, no: 8237, p.25

<sup>32</sup> Birthe Hansen & Bert Heurlin (1998). *The Baltic States in World Politics*. New York: St. Martin's Press, p.127

<sup>33</sup> *Ibid.* p.127

Moscow has declared its intention to improve and develop relations with the Baltic States. However, relations remain fairly tense as several practical problems remain to be solved.

The factor of Western presence and concern may remain a good guarantee for stability in the Baltic States during the coming years. However, with Russian policy in the process of pragmatic adaptation, and the Baltic region considered vulnerable to Russian defence, a NATO enlargement may turn out to be counter-productive in regard to the independent Baltic States.<sup>34</sup>

In terms of the Baltic States' vulnerable national security, the eventual threat from Russia would more likely include the use of political pressure rather than military force or threats. Subsequently, the West's answer to this challenge would be to help minimize all economic and political vulnerabilities of the Baltic States in relation to Russia. However, there can be no remedy for their geographical location i.e., no military guarantees are able to compensate for geography.<sup>35</sup>

Meanwhile, bilateral negotiations have been developing between Russia and Estonia as on January 8, 2002 The President of the Republic of Estonia met the Ambassador of the Russian Federation to Estonia Mr Konstantin Provalov in the Kadriorg Presidential Palace to discuss with him the Estonian-Russian bilateral relations.

The President of the Republic brought up the necessity to further economic and cultural co-operation, whereas they both shared the view that mutual contacts in the field of culture, which were good, and of a high level. Ambassador Provalov deemed it essential to promote tourism and assured that it was one of the goals he had set himself. During their meeting they also touched upon the issue of registration of the Estonian Orthodox Church of the Moscow Patriarchate which according to President Rütel can only be performed in compliance with Estonian laws.<sup>36</sup>

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<sup>34</sup> Ibid. p.128

<sup>35</sup> Ibid. p.128

<sup>36</sup> [http://www.president.ee/eng/ametlikud\\_teated/ametlik\\_tade.html?gid=12825](http://www.president.ee/eng/ametlikud_teated/ametlik_tade.html?gid=12825)

#### **4. THE STRATEGY OF THREE BALTIC STATES TOWARDS THE MEMBERSHIP**

The provision of financial assistance to the three Baltic States will depend on the maturity of projects proposed by these governments for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects, which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where these States cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

Governments of these states are invited to put in place an implementation structure that ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-coordinator will be responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Governments of these states will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorizing Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channeled, the National Fund will be responsible for the management of these funds under decentralized implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of

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funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Governments, the Commission will pursue a policy of further decentralization of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and the Baltic States where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Governments, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Estonian, Lithuanian and Latvian national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case-by-case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives, which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

## **5. ESTONIA**

### **5.1 Introduction**

Estonia presented its application for membership of the European Union on 24 November 1995, and the Council of Ministers decided on 4 December 1995 to implement the procedure laid down in Article 0 of the Treaty, which provides for consultation of the Commission.

The Commission submitted the present Opinion, responding to the request of the European Council in Madrid in December 1995 to present the Opinion as soon as possible after the conclusion of the Intergovernmental Conference, which commenced in March 1996 and concluded in June 1997.

The Estonian application for membership is being examined at the same time as applications from nine other associated countries. Estonia's accession is to be seen as part of an historic process, in which the countries of Central and Eastern Europe overcome the division of the continent which has lasted for more than 40 years, and join the area of peace, stability and prosperity created by the Union.

### **5.2 Historical and Geopolitical Context**

Estonia shares its eastern border with Russia and its southern border with Latvia. It has an area of 45,000 km<sup>2</sup> and a population of 1.5 million. Across the Finnish Gulf and the Baltic Sea Estonia has had historically close links to Finland and Sweden.

From the early 13th century Estonia experienced seven centuries of foreign rule, by Denmark, the German Teutonic Knights, Poland, Sweden and from 1710 Russia. The 19th century brought an era of national awakening and development of civic society. Estonia declared its independence on 24 February 1918, and successfully defended it against Soviet forces. On 2 February 1920 the Estonian-Russian Peace Treaty was signed in Tartu.

The Republic of Estonia became a member of the League of Nations in 1921. The Estonian Constitution established Estonia as a democratic parliamentary republic, where supreme legislative power was exercised through the 100-member Parliament, the Riigikogu. During the 1930s an authoritarian regime was established which led to the adoption of a new Constitution in 1937. Estonian society and economy as well as the national culture developed rapidly. The economy was comprehensively reorganized and reoriented towards the United Kingdom, Germany and the Nordic countries. Estonia was annexed by the Soviet Union in June 1940, and then occupied by Germany in 1941-44.

After the war Soviet rule was re-established, though not recognized by most Western States. It was accompanied by mass deportations and settlement of Russians. In March 1991 a referendum gave clear support to restoration of Estonia as an independent republic. Independence was declared in August 1991. The last Russian military forces withdrew from Estonia in August 1994.

After the re-establishment of independence a further referendum in June 1992 gave support to a new constitution, and the first parliamentary elections were held in September 1992. Since then, despite frequent changes of government coalition, there has been consensus on development of a liberal market economy.

### 5.3 Estonia's Position Concerning the European Union

Since restoring independence in 1991, Estonia has actively pursued a policy aimed at strengthening political, economic and social ties with the European Union and anchoring its security and stability in trans-Atlantic security structures. Estonia applied for EU membership on 28 November 1995.

The strong determination of Estonia to achieve European integration and accession to the EU was underlined by President Mari, in his speech at the French Institute of Foreign Relations on 13 February 1997.

In the Opinion, which it submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission recommended that negotiations for accession should be opened with Estonia. This recommendation derives from the analysis contained in the Opinion in which the Commission is of the view that Estonia;

- i) Presents stable institutions, guarantees the rule of law, human rights and the protection of minorities,
- ii) Can be regarded as a functioning market economy able to cope with the competitive pressure and market forces within the Union in the medium term, and
- iii) Should be capable in the medium term of applying the *acquis* provided it continues its efforts on its transposition and intensifies its work on its implementation.

The Europe Agreement will remain the basis for the EU's relations with Estonia. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme

prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarize the applicants with Union policies and procedures through the possibility of their participation in Community programmes.”

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhance pre-accession strategy, mobilizing all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Estonia and on the basis of the principles, priorities, intermediate objectives and conditions, which have been decided by the Council.

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission’s Opinion on Estonia’s application for membership of the European Union, the financial means available to help Estonia implement these priorities and the conditions, which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments, which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Estonia, the Joint Assessment of Economic Policy Priorities, the Pact against organized crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires: that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

#### **5.4 Contractual Relations**

Diplomatic relations between the European Communities and Estonia were established on 27 August 1991. A Trade and Co-operation Agreement was signed on 11 May 1992 and entered into force in 1993. At present, the basis of the contractual relationship between the EU and Estonia is the Free Trade Agreement, which was signed on 18 July 1994 and entered into force on 1 January 1995. This preferential agreement abolishes duties and quantitative restrictions between Estonia and the European Community, with the exception of Estonian exports into the EU of some specified products (agricultural products and fisheries) for which preferential treatment is granted. The Free Trade Agreement further comprises provisions concerning payments, competition and other economic provisions, including approximation of legislation.

A Europe Agreement between the European Communities and Estonia was signed on 12 June 1995. Estonia ratified the Agreement on 1 August 1995. It will enter into force on completion of ratification by all EU Member States.

Once it enters into force, the Europe Agreement will be the legal basis for relations between Estonia and the Union. Its aim is to provide a framework for political dialogue, promote the expansion of trade and economic relations between the parties, provide a basis for Community technical and financial assistance, and an appropriate framework to support Estonia's gradual integration into the Union. The institutional framework of the Europe Agreement provides a mechanism for implementation,

management and monitoring of all areas of relations. Sub-committees examine questions at a technical level. The Association Committee, at senior official level, provides for in-depth discussion of matters and often solutions to problems arising under the Europe Agreement. The Association Council, at Ministerial level, examines the overall status of and perspectives for relations and provides the opportunity to review Estonia's progress on preparation for accession.

## 5.5 Priorities and Intermediate Objectives<sup>37</sup>

The Accession Partnership indicates that Estonia will have to address all issues identified in the Opinion. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those, which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Estonia:

### 5.5.1 Short-term<sup>38</sup>

*Political criteria:* take measures to facilitate the naturalization process and to better integrate non-citizens including stateless children. Enhance Estonian language training for non-Estonian-speakers.

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<sup>37</sup> For detailed information see *Regular Report on Estonia's Progress Towards Accession*, 2001, pp.15-33

<sup>38</sup> For detailed information see *Accession Partnership of Estonia*

*Economic reform:* establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; in particular with a view to sustain the high growth rates of recent years, while reducing inflation and increasing the level of national savings; acceleration of land reform with a view to increase private ownership and introduction of key legislation linked to pension reform.

*Reinforcement of institutional and administrative capacity:* in particular as regards regulatory and monitoring bodies and the development of a comprehensive national training strategy for civil servants and developing a strategy and timetable for the consolidation of the various supervisory agencies in the financial sector, strengthen internal financial control, reinforcement of phytosanitary and veterinary administrations, particularly as regards facilities at external borders, institutional strengthening in the area of environment, begin to set up structures needed for regional and structural policy.

*Internal Market:* including further alignment in the areas of public procurement, intellectual and industrial property, financial services, taxation, technical legislation and competition (especially the transparency of state aids). Adoption of new competition law, covering both anti-trust and state aid, reinforcement of the state aid monitoring authority and the establishment of a first state aid inventory.

*Justice and home affairs:* in particular further efforts to implement measures to combat corruption and organized crime and continue judicial reform.

*Environment:* It would continue transposition of framework legislation, establishment of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies is the prior action.

### 5.5.2 Medium-term<sup>39</sup>

*Political criteria:* pursue integration of non-citizens by strengthening Estonian language training for Russian-speakers in primary and secondary schools as well as adult training courses, and by further measures to accelerate the naturalization process.

*Economic policy:* regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Estonia is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.

*Reinforcement of institutional and administrative capacity:* at central and local level to ensure efficient management of the public sector; special attention should be paid to the budgetary process, internal financial control, statistics, environment and agriculture; improved operation of the judicial system; training for the judiciary in Community law and its application, reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), reform of customs and tax administrations to ensure readiness to apply the *acquis*, the reinforcement of food control administration.

*Internal market:* including alignment, in particular in public procurement, financial services (banking and insurance rules), intellectual and industrial property and state aids, data protection, strengthening of securities regulatory bodies, audio-visual and indirect taxation. Upgrading of standardization and conformity assessment structures, alignment of technical legislation on industrial products and establishment

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<sup>39</sup> For detailed information see *Accession Partnership of Estonia*

of a market surveillance system. Completion of alignment and effective implementation of competition law and the reinforcement of the competition authorities, promotion of enterprise development, including SME's, alignment with the acquis in the fields of telecom, consumer protection and the internal energy market.

*Justice and home affairs:* ratification and application of necessary international legal instruments relevant for the acquis, enhanced border management especially on the eastern border, implementation of migration policy and asylum procedures, enhanced fight against organized crime (in particular money laundering, drugs and trafficking in human beings), and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen acquis.

*Agriculture:* including alignment with the agricultural acquis (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity, completion of the land restitution and land registration process. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.

*Fisheries:* development of capacity to implement and enforce the common fisheries policy.

*Transport:* further efforts on alignment to acquis in particular on road transport (market access, safety rules) and maritime transport (safety) and rail transport, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.

*Employment and Social Affairs:* development of appropriate labour market structures and joint review of employment policies as preparation for participation in

EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; further development of social protection, undertake steps to bring public health standards into line with EU norms.

*Environment:* including development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to the water and waste sectors and air pollution, including radioactive waste. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national sectoral policies.

*Regional policy and cohesion:* further develop the legal administrative and budgetary framework for a national policy to address regional disparities through an integrated approach, in order to participate in EU structural programmes after membership.

## 5.6 Conclusion<sup>40</sup>

The Commission concluded that Estonia fulfilled the political criteria in its 1997 Opinion. Since that time, the country has made considerable progress in further consolidating and deepening the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. Over the past year, further efforts have been made in this direction. Estonia continues to fulfill the Copenhagen political criteria.

Progress has been made in the modernisation of the public administration by moving to a more results based system and improving public access to information.

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<sup>40</sup> For detailed information see *Regular Report on Estonia's Progress Towards Accession*, 2001, pp. 90-94

Efforts have continued to modernise the legal system and improve the functioning of the judiciary through training, court reorganization.

Estonia has continued to make progress with the implementation of concrete measures for the integration of non-citizens. Estonia should ensure that the implementation of language legislation respects the principles of justified public interest and proportionality, Estonia's international obligations and the Europe agreement.

Estonia is implementing concrete measures for the integration of non-citizens including the provision of language training for non-Estonian speakers.

Estonia has returned to high growth and made further progress in strengthening its macroeconomic performance and stability, restructuring the enterprise sector, and in implementing structural reforms in the utilities and energy sectors. The pension reform has been adopted.

Estonia has continued to make good progress in both adopting and implementing the *acquis*. As regards the capacity to implement and effectively enforce the *acquis*, Estonia has most of the necessary institutions in place. These institutions need to be further strengthened and continued efforts are required in specific sectors to further develop administrative capacity.

Concerning the *internal market*, progress has been made in *free movement of goods* in aligning public procurement legislation and adopting standards although there is still a need to harmonize sectoral legislation. For *free movement of persons*, new legislation now ensures the mutual recognition of professional qualifications. In *competition policy* there has been further alignment of legislation which is now largely in line with the *acquis* in anti-trust and state aid. For *consumers and health protection*, good progress has been made in aligning legislation with the *acquis*. As regards *freedom to provide services, free movement of capital and company law* where it was reported last year that preparations were already advanced, there has been some further progress in the alignment with the *acquis*.

In *agriculture*, important steps have been taken in preparing for the Common Agricultural Policy, including the partial accreditation of the SAPARD agency. In *fisheries*, administrative structures have been reorganized and work has continued in setting up the Vessel Monitoring System.

In *transport* policy, Estonia has continued to make progress in both aligning and implementing legislation. In *energy* limited progress has been made. Efforts need to be made in this area particularly as regards the electricity market.

For *social policy and employment*, Estonia has made good progress in terms of legal transposition. Further work is required on implementation. In *regional policy* some progress has been made. However, Estonia needs to substantially step up preparations for its administrative capacity to implement EC regional policy after accession.

In *science and research* and *education and training*, Estonia continues to participate in relevant EC programmes. In *telecom and IT* and *culture and audiovisual policy* alignment of legislation is largely complete.

In the *environment* sector, further progress has been made in relation to both alignment and implementation of environmental legislation.

Estonia has made further progress in *justice and home affairs* including the adoption of the new Penal Code.

In *taxation*, progress has been made in aligning VAT and excise duty levels. In the field of the *customs union*, Estonia has introduced a new Customs Code.

In *external relations*, Estonia has made good progress but needs to further align its legislation. In *common foreign and security policy*, Estonia has continued to align its foreign policy with that of the EU and has participated constructively in the framework

of the CFSP. In *financial control* further progress has been made in implementing internal financial controls, which now has to be completed.

Estonia has continued to address aspects of all the short-term 1999 Accession Partnership priorities. Estonia is now tackling many aspects of the medium term priorities including those priorities in the internal market, agriculture, fisheries, transport, employment and social affairs, environment and justice and home affairs.



## **6. LATVIA**

### **6.1 Introduction**

Latvia presented its application for membership of the European Union on 13 October 1995, and the Council of Ministers decided on 30 October 1995 to implement the procedure laid down in Article 0 of the Treaty, which provides for consultation of the Commission.

The Commission submits the present Opinion, responding to the request of the European Council in Madrid in December 1995 to present the Opinion as soon as possible after the conclusion of the Intergovernmental Conference, which commenced in March 1996 and concluded in June 1997.

The Latvian application for membership is being examined at the same time as applications from nine other associated countries. Latvia's accession is to be seen as part of an historic process, in which the countries of Central and Eastern Europe overcome the division of the continent which has lasted for more than 40 years, and join the area of peace, stability and prosperity created by the Union.

### **6.2 Historical and Geopolitical Context**

With a territory of some 64 000 sq. km, and a population of 2.5 million, Latvia lies on the Eastern coast of the Baltic sea and shares borders with Estonia in the North, Russia and Belarus in the East and Lithuania in the South. The Baltic Sea connects Latvia also with Sweden, Finland, Germany and Denmark. This location has

traditionally made Latvia an important transit route between Europe and Russia, notably during the period of the Hanseatic League.

In 1201, German Teutonic knights conquered Latvia. Subsequently, Latvia came under Lithuanian, Polish, and Swedish rule until, partly in 1704 and fully in 1772, it was annexed by Russia.

After the First World War, Latvia proclaimed its independence on November 18, 1918 and successfully defended it against the Soviet Union. A period of parliamentary democracy in the 1920s was followed by an authoritarian regime in 1934. During the period between the two World Wars, the country experienced considerable economic growth and an improvement in its standard of living. Latvia was forced to grant military bases to the Soviet Union in September 1939, and the country was annexed by the Soviet Union in June 1940. It was occupied by Germany in 1941-44.

After the war Soviet rule was re-established, though not recognised by most Western States. It was accompanied by mass deportations and settlement of Russians. In 1988 a Popular Front for Latvia was formed, and in 1989 it won the elections to the Supreme Council, which the following year declared Latvia still independent. In 1990 and 1991 there were violent clashes between supporters of independence and Latvian communists and Soviet forces. A referendum in March 1991 voted 73% in favour of independence, which was declared on 21 August 1991 and recognised by the Soviet Union the following month. Russian military forces withdrew from the country in 1994, though there is still a Russian radar station at Skrunda, under agreed OSCE supervision.

### **6.3 Latvia's Position Concerning the European Union**

Since regaining independence in August 1991, Latvia has followed a consistent foreign policy strategy of European integration. All parties in the present government see further European integration and full membership of the EU as the main priority. This was confirmed by the declaration by all parties in Parliament in October 1995, in which the parties supported the Government's decision to submit its application for EU Membership.

The determination to achieve membership in the EU as well as the commitment to undertake any necessary preparations were most recently presented by President Ulmanis on 4 May 1997 on the occasion of Latvia's Declaration of Independence Day.

In the Opinion, which it has submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission has provided its recommendation to the Council regarding Latvia's application for membership of the European Union. The Commission considers that negotiations for accession to the EU should be opened with Latvia as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen. This recommendation derives from the analysis contained in the Opinion, in which the Commission is of the view that Latvia i) presents the characteristics of a democracy, with stable institutions, guarantees the rule of law, human rights and the respect for and protection of minorities; but measures need to be taken to accelerate the rate of naturalization of non-citizens to enable them to become better integrated into Latvian society, ii) has made considerable progress in the creation of a market economy, but it would face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term, and iii) has made some progress in transposing and implementing the *acquis* relating particularly to the single market and should with considerable further effort be able to participate fully in the single market in the medium term.

The Europe Agreement will remain the basis for the EU's relations with Latvia. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarize the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhanced pre-accession strategy, mobilizing all forms of assistance to the applicant countries within a single framework. The Accession Partnership has been decided by the Commission, after consulting Latvia and on the basis of the principles, priorities, intermediate objectives and conditions, which have been decided by the Council.

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Latvia's application for membership of the European Union, the financial means available to help Latvia implement these priorities and the conditions, which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments, which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Latvia, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Latvia can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Latvia will be invited to draw up a National programme for the Adoption of the Acquis (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

## **6.4 Contractual Relations**

Diplomatic relations between the European Communities and Latvia were established on 27 August 1991. A Trade and Cooperation Agreement was signed on 11 May 1992 and entered into force in 1993. The present contractual relationship between the EU and Latvia is regulated by a Free Trade Agreement, which was signed on 18 July 1994 and entered into force on 1 January 1995. This preferential agreement aims at

establishing free trade between the EU and Latvia within a transitional period lasting a maximum of four years, on a basis of asymmetry. Some sectors (mainly textiles, agricultural products and fisheries) are regulated by specific rules. The Agreement also contains provisions concerning payments, competition and approximation of legislation.

Once it enters into force, the Europe Agreement will be the legal basis for relations between Latvia and the Union. Its aim is to provide a framework for political dialogue, promote the expansion of trade and economic relations between the parties, provide a basis for Community technical and financial assistance, and an appropriate framework to support Latvia's gradual integration into the Union. The institutional framework of the Agreement provides a mechanism for implementation, management and monitoring of all areas of relations. Sub-committees examine questions at a technical level. The Association Committee, at senior official level, provides for discussion of and often solutions to problems arising under the Europe Agreement. The Association Council, at Ministerial level, examines the overall status of and perspectives for relations and provides the opportunity to review Latvia's progress on preparation for accession.

To pursue its European integration activities, Latvia has established European Integration Council consisting of the main Ministers concerned which meets every month to coordinate the implementation of the National Programme for Integration into the EU. The Minister of European Union Affairs has the day-to-day responsibility for co-coordinating the European Union policies and has the European Integration Bureau (EIB) under his responsibility. The EIB is the focal point for proposals for and implementation of integration initiatives. 23 technical working groups support it. A Parliamentary Commission of European Affairs ensures political coordination of the integration process.

## 6.5 Priorities and Intermediate Objectives<sup>41</sup>

The Accession Partnership indicates that Latvia will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those, which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Latvia.

### 6.5.1 Short-term<sup>42</sup>

*Political criteria:* take measure to facilitate the naturalisation process to better integrate non-citizens including stateless children and enhance Latvian language training for non-Latvian speakers.

*Economic reform:* establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; acceleration of market-based enterprise restructuring, in particular through the completion of the privatisation process; continued strengthening of the banking sector; modernisation of the agriculture sector and establishment of a land and property register.

*Reinforcement of institutional and administrative capacity:* further structural reform of public administration is needed and in particular in customs and tax administration, financial control capacity, reinforcement of the agriculture ministry and

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<sup>41</sup> For detailed information see *Regular Report on Latvia's Progress Towards Accession*, 2001, pp. 14-37

<sup>42</sup> For detailed information see *Accession Partnership of Latvia*

the establishment of a training strategy for the judiciary, reinforcement of the veterinary and phytosanitary administrations, particularly as regards facilities at external borders, institutional strengthening in the area of environment, begin to set up structures needed for regional and structural policy.

*Internal Market:* further alignment including in the areas of intellectual and industrial property rights, public procurement, financial services, competition, state aids and indirect taxation, adoption of a law on state aid and increased transparency through improvement of the aid inventory and reinforcement of the new anti-trust authority.

*Justice and home affairs:* in particular further efforts to implement measures to combat corruption and organised crime and to continue judicial reform.

*Environment:* continue transposition of framework legislation, establishment of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

### **6.5.2 Medium-term**

*Political criteria:* Accelerated integration of non-citizens by facilitating the naturalisation process including for stateless children.

*Economic reforms:* consolidation of the privatisation process; reinforcement of market-driven restructuring in the enterprise, finance and banking sectors, development of regulatory framework for utilities and financial services, and strengthening of competition policy.

*Economic policy:* regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the

Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Latvia is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.

*Reinforcement of institutional and administrative capacity:* enforcement of EC's internal market legislation and establishment of institutions able to implement the Community's regional development programmes and agricultural policy (including statistical capacities) including anti-fraud services, strengthening of the budgetary process and macro-economic forecasting capacity; improved operation of the judicial system; training for the judiciary in Community law and its application, reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), reform of customs and tax administrations to ensure readiness to apply the *acquis*, reinforcement of food administration.

*Internal Market:* including alignment of legislation in the fields of customs, audio-visual policies, statistics and financial services upgrading of standardisation and conformity assessment structures, establishment of a market surveillance system and alignment of horizontal technical legislation on industrial products, further alignment of competition legislation in particular in the field of state aid, reinforcement of the anti-trust and state aid authorities, promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecom, consumer protection and the internal energy market.

*Justice and home affairs:* including development of effective border management in particular on the eastern border, implementation of migration policy and asylum and refugee legislation, continuation of fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption,

and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen acquis.

*Justice and home affairs:* including development of effective border management in particular on the eastern border, implementation of migration policy and asylum and refugee legislation, continuation of fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen acquis.

*Fisheries:* development of capacity to implement and enforce the common fisheries policy.

*Transport:* further efforts on alignment to acquis in particular on road freight transport (technical rules and taxation), shipping (safety) and rail transport, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.

Employment and social affairs: development of labour market policies and joint review of these policies as preparation for participation in EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; further development of social protection; undertake steps to bring public health standards into line with EU norms.

*Environment:* including the development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to drinking water, wastewater, the waste sector and air pollution. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national, sectoral policies.

*Regional policy and cohesion:* introduce the legal administrative and budgetary framework for a national policy to address regional disparities through an integrated approach, in order to participate in EU structural programmes after membership.

## 6.6 Conclusion<sup>43</sup>

The Commission concluded that Latvia fulfilled the political criteria in its 1997 Opinion. Since that time, the country has made considerable progress in further consolidating and deepening the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. Over the past year, further efforts have been made in this direction. Latvia continues to fulfill the Copenhagen political criteria.

During the last year, the government remained committed to reforming the Public Administration and the judiciary, as well as to fighting against corruption.

Important steps were taken to promote the integration of non-citizens into Latvian Society, notably measures to facilitate the naturalisation procedure and the adoption of both a more elaborate Society Integration Programme and the legal basis for the future Social Integration Foundation. Latvia should ensure that the implementation of the Language Law respects the principles of justified public interest and proportionality, Latvia's international obligations and the Europe Agreement.

Some progress has also been made towards meeting the medium-term priorities in the areas of further integrating non-citizens, developing the civil service and improving the capacity of the public administration.

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<sup>43</sup> For detailed information see *Regular Report on Latvia's Progress Towards Accession*, 2001, pp. 111-115

Latvia has preserved macroeconomic stability. Further progress has been made on structural reform; the last steps of the pension reform, a new framework for financial supervision and a new regulatory authority for public utilities have been introduced.

As concerns *movement of goods*, the transposition of European standards accelerated, and the institutions for accreditation and standardization have been further strengthened. In the area of *free movement of persons*, framework legislation on mutual recognition of professional qualifications was adopted. Further legislation was also adopted concerning the *movement of capital*, in particular on security services and cross-border credit transfers.

In the area of *agriculture*, encouraging efforts were undertaken, in particular concerning veterinary and phytosanitary matters, as well as food safety.

Further alignment was achieved in the areas of *energy* and *environment*. For energy, this needs to continue with special emphasis on the electricity and gas directives, as well as oil stocks; for the area of environment, alignment needs to be completed as concerns access to environmental information, waste management and chemicals.

The transposition of most of the requirements for *telecommunications* is still pending. For *justice and home affairs*, progress could be noted on data protection, visas and border control, including also the adoption of a Schengen Action Plan.

As to *regional policy and the co-ordination of structural instruments*, the basic legislation remains to be adopted.

Preparing its administration for EU membership remains one of the greatest challenges Latvia faces. With a view to the responsibilities Latvia will have to assume in managing and enforcing the *acquis* upon accession, a substantial portion of the necessary institutions and bodies have been re-structured or created.

Latvia has made progress on all the short-term Accession Partnership priorities. Achievements included for example the areas of free movement of goods, social policy and employment as well as environment, where the process is close to completion. All the medium-term priorities have been addressed, and progress is well underway for most of them. Major steps forward could be noted for the free movement of persons, audiovisual legislation and customs. However, work towards all priorities should continue, with particular attention on those areas where important legislation still needs to be adopted, such as energy, telecommunications, and economic and social cohesion, or the administrative structures strengthened, and such as agriculture, fisheries and the control of EC funds.



## **7. LITHUANIA**

### **7.1 Introduction**

Lithuania presented its application for membership of the European Union on 8 December 1995, and accordingly the Council of Ministers decided on 29 January 1996 to implement the procedure laid down in Article 0 of the Treaty, which provides for consultation of the Commission.

The Commission submits the present Opinion, responding to the request of the European Council in Madrid in December 1995 to present the Opinion as soon as possible after the conclusion of the Intergovernmental Conference, which commenced in March 1996 and concluded in June 1997.

The Lithuanian application for membership is being examined at the same time as applications from nine other associated countries. Lithuania's accession is to be seen as part of an historic process, in which the countries of Central and Eastern Europe overcome the division of the continent which has lasted for more than 40 years, and join the area of peace, stability and prosperity created by the Union.

### **7.2 Historical and Geopolitical Context**

Lithuania, a small nation on the Baltic Sea, is about the size of Ireland in terms of both population and area (3.7 million; 65,200km<sup>2</sup>). It shares borders with Russia (Kaliningrad), Poland, Belarus and Latvia.

Lithuania's existence as a state dates back to 1009. The kingdom of Lithuania was founded in 1251. In the Middle Ages trading links between North German, Prussian and Livonian cities around the Baltic coasts promoted the development of the Lithuanian economy and strengthened Lithuania's ties with the rest of Europe. The Lithuanian-Polish Commonwealth was established in 1569 but dissolved in 1795 when Russia occupied all of Lithuanian territory. Russia dominated Lithuania for over a century. Lithuania declared its independence on 16 February 1918, and fought both German and Soviet forces to establish it. Between the Wars Lithuania was an independent state and highly integrated into the world economy.

Lithuania was forcibly annexed by the Soviet Union in 1940, and then occupied by Germany from 1941 to 1944. The Soviet Union re-established its rule in 1944, although it was not recognized by most Western states. In the Soviet period, because of Lithuania's comparatively good infrastructure and skilled labor force, large industries were established there. Despite a lack of natural resources, the energy sector was developed, particularly in the nuclear field. Other important sectors were agriculture and food processing.

In 1989, public pressure forced the Communist party to agree to multiparty elections, which were won by the Sajudis nationalist movement. The Supreme Council declared the restoration of independence on 11 March. After violent clashes with Soviet troops throughout 1990, more than 90% of the population voted for independence in a referendum in February 1991. The Soviet Union recognized Lithuania's independence in September 1991, and the last Russian troops left Lithuania in 1992.

On 27 August 1991 the European Communities have recognised the independence of Lithuania. Diplomatic relations were established with the all member states of the European Communities separately. On 8 December 1995 Lithuania has submitted the official application for the membership of the EU. On 15 February 2000 Lithuania has started the EU accession negotiations.

### **7.3 Lithuania's Position Concerning the European Union**

Since restoring its independence in 1990 Lithuania has actively pursued a policy of strengthening political, economic and social ties with the European Union and anchoring its security and stability in the transatlantic security structures. Lithuania applied for EU membership on 8 December 1995. In June 1996 the Lithuanian Parliament ratified an amendment to Article 47 of the Constitution, thus enabling foreigners to own land for commercial purposes.

The determination of Lithuania to move towards European integration was underlined by President Algirdas Brazauskas in his address to the EU Diplomatic Corps on 19 April 1997.

In the Opinion, which it has submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission has provided its recommendation regarding Lithuania's application for membership of the European Union. The Commission considers that negotiations for accession to the EU should be opened with Lithuania as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen. This recommendation derives from the analysis contained in which the Commission is of the view that Lithuania i) presents stable institutions, guarantees the rule of law, human rights and the protection of minorities, ii) has made considerable progress in the creation of a market economy, but it would face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term, and iii) has made some progress in transposing and implementing the *acquis* relating particularly to the single market and should with considerable further effort become able to participate fully in the single market in the medium term.

The Europe Agreement will remain the basis for the EU's relations with Lithuania. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission

indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarize the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhanced pre-accession strategy, mobilizing all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Lithuania and on the basis of the principles, priorities, intermediate objectives and conditions, which have been decided by the Council.

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Lithuania's application for membership of the European Union, the financial means available to help Lithuania implement these priorities and the conditions, which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments, which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Lithuania, the Joint Assessment of Economic Policy Priorities, and Pact against organized crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation

will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Lithuania can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Lithuania will be invited to draw up a National programme for the Adoption of the Acquis (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

## **7.4 Contractual Relations**

Diplomatic relations between the European Communities and Lithuania were established on 27 August 1991. A Trade and Cooperation Agreement was signed on 11 May 1992 and entered into force in 1993. The present contractual relationship is regulated by a Free Trade Agreement, which was signed on 18 July 1994 and entered into force on 1 January 1995. This agreement aims at establishing free trade between the EU and Lithuania within a transitional period of up to six years, on a basis of asymmetry. Some sectors (mainly textiles, agricultural products and fisheries) are regulated by specific rules. The agreement also contains provisions covering payments, competition and approximation of legislation.

A Europe Agreement was negotiated with Lithuania in the first half of 1995 and signed on 12 June 1995. Lithuania ratified the Agreement on 5 August 1996. It will enter into force on completion of ratification by all Member States. The Europe Agreement will then supersede the Trade and Cooperation Agreement and the Free Trade Agreement.

Once it enters into force, the Europe Agreement will be the basis of the relations between Lithuania and the Union. Its aim is to provide a framework for political dialogue, promote the expansion of trade and economic relations between the parties, provide a basis for Community technical and financial assistance, and an appropriate framework to support Lithuania's gradual integration into the Union. The institutional framework of the Agreement provides the necessary mechanism for implementation, management and monitoring of all areas of relations. Subcommittees examine questions at a technical level. The Association Committee, at senior official level, provides for in-depth discussion of and often finds solutions to issues arising under the Agreement. The Association Council, at Ministerial level, examines the overall status of relations and provides the opportunity to review Lithuania's progress in preparing for accession.

To manage and implement its policy on European integration, the Government established in 1996 a Governmental Commission on European Integration, chaired by the Prime Minister. Coordination of all activities linked with integration falls to the Department of European Integration within the Foreign Ministry. In 1997 a new Ministry for European Affairs was set up to monitor and control compatibility of draft bills with EC laws. In early 1997 an Interministerial Delegation for Negotiations and Integration into the European Union was established, which is currently finalizing a National Strategy for European Integration, including objectives and timetables.

## 7.5 Priorities and Intermediate Objectives<sup>44</sup>

The Accession Partnership indicates that Lithuania will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those, which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Lithuania.

### 7.5.1 Short-term<sup>45</sup>

*Economic reform:* establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; acceleration of large scale privatization and progress towards the restructuring of the banking, energy and agri-food sectors; enforcement of financial discipline for enterprises.

*Reinforcement of institutional and administrative capacity:* in particular major efforts on public administration reform, border control, customs, taxation and finance as well as preparation of training strategy for civil servants and the judiciary, veterinary and phytosanitary administrations, particularly as regards facilities at the external borders, institutional strengthening in the area of environment, begin to set up structures needed for regional and structural policy.

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<sup>44</sup> For detailed information see Regular Report on Lithuania's Progress Towards Accession, 2001, pp.16-34

<sup>45</sup> For detailed information see *Accession Partnership of Lithuania*

*Internal Market:* including further alignment in the areas of intellectual and industrial property, public procurement, financial services, phytosanitary and veterinary, upgrading of independent standardization and conformity assessment structures. Adoption of a new competition law and establishment of transparent state aids inventory.

*Justice and home affairs:* in particular further efforts to implement measures to combat corruption and organized crime, and improve border management and conditions in facilities for refugee reception.

*Environment:* continue transposition of framework legislation, establishment and commencement of implementation of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

*Energy:* in particular establishing a comprehensive, long term, energy strategy and decommissioning plan for the nuclear power plant Ignalina according to commitments entered into in the Nuclear Safety Account Agreement.

### **7.5.2 Medium-term**

*Economic reforms:* consolidate the privatisation process and restructuring of the banking, energy and agric-food sectors and align legal framework (bankruptcy and competition legislation, simplification of business regulations including licensing).

*Economic policy:* regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of

convergence programmes, avoidance of excessive deficits); while Lithuania is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.

*Reinforcement of institutional and administrative capacity:* development of anti fraud unit and state audit office and of budget and financial control mechanisms; improved operation of the judicial system; training for the judiciary in Community law and its application; reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), strengthening of the nuclear safety authority reform of customs and tax administrations to ensure readiness to apply the acquis, the reinforcement of food control administration.

*Internal Market:* including alignment of capital liberalisation, public procurement legislation, audio-visual policies, indirect taxation and statistics, further alignment and effective enforcement, of competition law, in particular state aid control; reinforcement of competition authorities, upgrading of standardisation and conformity assessment structures, establishment of a market surveillance system and alignment of horizontal technical legislation on industrial products, promotion of enterprise development, including SME's, alignment with the acquis in the fields of telecom, consumer protection and the internal energy market.

*Justice and home affairs:* development of effective border management, fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, implementation of migration policy and asylum procedures, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen acquis.

*Agriculture:* including of alignment with the agricultural acquis (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity, completion of land registration and establishment of a functioning land market. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the food-food sector.

*Fisheries:* Development of capacity to implement and enforce the common fisheries policy.

*Energy:* implementation of a comprehensive energy strategy based on efficiency and diversification, including respect of nuclear safety standards and realistic nuclear power plant closure commitments (NSA).

*Transport:* further efforts on alignment to acquis in particular on maritime (safety) and road and rail transport, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.

*Employment and social affairs:* development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination of employment policies, alignment of labour and occupational health and safety legislation in particular early adoption of the framework directive on health and safety at work, further development of an active social dialogue; further development of social protection; enforcement of equal opportunities between women and men, undertake steps to bring public health standards into line with EU norms.

*Environment:* including the development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to drinking water, the waste sector and air pollution as well as nuclear safety. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national, sectoral policies.

*Regional policy and cohesion:* introduce the legal administrative and budgetary framework for a national policy to address regional disparities through an integrated approach, in order to participate in EU structural programmes after membership.

## 7.6 Conclusion<sup>46</sup>

The Commission concluded that Lithuania fulfilled the political criteria in its 1997 Opinion. Since that time, the country has made considerable progress in further consolidating and deepening the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. Over the past year, further efforts have been made in this direction. Lithuania continues to fulfil the political criteria.

Lithuania has made some progress in reforming the public administration and the judiciary, where the administrative court system has been re-organised. The legal system has improved with the entry into force of the new Civil Code. In the field of the fight against corruption, the efforts made over the past year should be sustained and reinforced, through the adoption of the National Anti-Corruption Strategy and its Implementation Programme by the Parliament, and with the adoption of a new Law on Corruption Prevention.

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<sup>46</sup> For detailed information see Regular Report on Lithuania's Progress Towards Accession, 2001, pp. 108-112

Lithuania has made progress towards meeting the accession priorities related to the political criteria. It has made limited progress in implementing the public administration law and the civil service law.

Lithuania is a functioning market economy. Lithuania has preserved macroeconomic stability, improved the fiscal and external imbalances and reduced state interference. The privatisation of banking, other sectors and land is nearing completion. New bankruptcy and enterprise restructuring laws finally came into force. However, unemployment remains high and the structural problems on the labour markets will have to be addressed.

Lithuania has made significant progress in terms of transposition and implementation in most areas of the *acquis*. While the degree of progress varies, the gaps are being reduced and in some areas Lithuania has achieved a high level of alignment.

In the field of the *internal market*, Lithuania has continued to make progress as regards the *free movement of goods* in terms of transposition of the *acquis* and strengthening of the institutions (especially for standardisation and accreditation). As regards *free movement of persons*, the legislation on citizen's rights is largely in line with the *acquis*. As regards *free movement of capital*, Lithuania had already achieved a high degree of liberalisation. In the area of *competition policy*, the quality of the alignment achieved is reflected in an enforcement record of the Lithuanian Competition Council which has so far been reasonably successful. As regards *company law*, whereas good progress has been made notably in terms of legislative alignment on the protection of intellectual and industrial property rights, the effective enforcement of this legislation needs to be considerably improved.

In the area of *economic and monetary Union*, Lithuania, through the adoption of the new law on the Central Bank, has achieved a high level of alignment. As regards *taxation*, Lithuania has made progress in the alignment with the *acquis* on indirect taxation and has improved the administrative capacity.

As regards *agriculture*, Lithuania has continued to make progress in reforming its structures in the agricultural field. Lithuania has continued to make progress as regards food safety and the veterinary and phyto-sanitary sectors but still needs to strengthen further the implementation structures. As regards *fisheries*, progress has been made, in particular in terms of administrative capacity, but significant further work is needed in terms of preparation for the structural actions and market policy.

In the area of *transport*, Lithuania has made good progress notably as regards road transport safety, railways restructuring and civil aviation, including strengthening of the relevant administrative capacity. As regards the *energy* sector, Lithuania has achieved a reasonable level of alignment, but needs to sustain its efforts, notably in the area of the Internal Energy Market.

In the field of *social policy*, Lithuania has made steady progress in transposition and implementation of the *acquis*.

Lithuania has made further progress in the field of *environment*, where most of the framework legislation is in place. Implementation remains a major challenge, in particular in areas which require heavy investments or investments by private enterprises.

In the area of *telecommunications*, some progress has taken place in terms of alignment of the regulatory framework.

In the field of *Justice and Home Affairs*, improvements have been made in strengthening the external border and addressing shortcomings in inter-agency co-ordination.

In the field of *regional policy and co-ordination of structural instruments*, important decisions concerning the institutional structure for the management of Structural Funds have been recently taken.

While some progress has taken place in the area of *financial control*, Lithuania needs urgently to strengthen considerably its capacity to implement and enforce the legislation on public internal financial control.

Overall, Lithuania has made satisfactory progress in meeting the short-term and, to a lesser extent, the medium term priorities of the *Accession Partnership*. In particular Lithuania has largely met several short-term priorities concerning economic criteria, internal market, energy and environment. Some short-term priorities, notably in the field of agriculture, remain to be addressed in full. Lithuania has partially met most of the medium-term priorities, but further efforts remain to be made in particular as regards the management and control of EC funds.



## 8. GENERAL EVALUATION

Unlike any of the other applicants, the Baltic countries will bring a large number of ethnic Russians-about 1.5m, a fifth of their total population- into the EU. Around 150,000 of these are citizens of Russia itself; about half are citizens of the Baltic States, either because of their families were citizens before 1940 or because they have acquired citizenship by marriage, or through naturalization. In Latvia and Estonia, naturalization mainly involves passing a language test; in Lithuania, where the Russian population was less than 10% at the time of independence, citizenship was granted automatically.<sup>47</sup>

The biggest problem for all the Baltic States is a different one; tackling the Soviet legacy. No other country likely to join the EU in the near future has suffered the trauma of full-strength Stalinism. These three were part of the Soviet Union itself, not just region it controlled. A journalist, Andres Langemets, had said that Estonia would soon be ready for Europe as a state, but it was far from being ready as a society, the previous year. Egidijus Akexandravicius, who runs a Lithuanian foundation, says of final-year university students that 80% are still socialist-minded. For them, the state is extremely important and responsible for everything; personal responsibility is very weak.

Working that out of the system is though. But it will be a lot easier if the Baltic States are safely anchored in a democratic, prosperous West while they get on with the job. They are close to being so; and, given their battered history and precarious geography, that is more than most people hoped a mere ten years ago.<sup>48</sup>

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<sup>47</sup> *The Economist*, "Knocking at the Clubhouse Door", September 1, 2001, vol: 360, no: 8237, p.26

<sup>48</sup> *Ibid.* p.26

## 9. CONCLUSION

Enlargement has become a key factor in the current dynamics of European integration, being widely supported even by governments and public opinion which are sceptical about other proposed changes in institutions or policies. While most supporters of enlargement are genuine and well-intentioned, some are superficial and even simplistic. And there are a few who are disingenuous in their expressions of support for enlargement- hoping that a rapid expansion of the Union will enfeeble its supranational institutions and put federalism in retreat.<sup>49</sup>

The European Union has taken practical steps to assist potential applicants to fulfil the conditions (such as; a) stability of institutions, guaranteeing democracy, the rule of law, human rights and the protection of minorities; b) the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; c) ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union;) in various bilateral "Europe Agreements", that involve institutional dialogue, trade agreements, and financial and technical assistance.

Moreover, enlargement would make the bargaining process more difficult, in that it increased the range of interests that needed to be reconciled, especially if the economies and societies of the applicant states diverged. On the one hand it made it harder to reach comprehensive agreements which excluded opt-outs and exceptions, and on the other it increased the pressures in favour of special treatments.<sup>50</sup>

Continuing with the enlargement strategy was likely to increase rather than diminish its undesirable effects. Russia would feel more threatened and the West would be more enfeebled. Once a start was made the difficulty was that of knowing where to

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<sup>49</sup> *Enlarging the Union* (1996). London: Federal Trust Papers, no:5

<sup>50</sup> Paul Taylor (1996). *The European Union in the 1990s*. New York: Oxford University Press, p.104

draw the line. If the Visegrad countries were admitted why not the next set, say the Baltic states? And what beyond them?<sup>51</sup> Therefore, enlargement process would bring and carry such discussions and threats to all candidates and member states.

The most recent enlargement, which included Austria, Finland and Sweden in the EU, was straight forward, partly because these countries were very similar in social and economic structure to the European Union, but also because they had already adopted internal market regulation by the virtue of accepting the obligations of the European Economic Area.

The current enlargement of the European Union is qualitatively and quantitatively different. The twelve candidate countries have a combined population of over 100 million people and therefore this is an enlargement on about the same scale as that in 1973 in relative terms, but far larger in terms of the number of additional Union citizens it represents. The countries in Central Europe have all been undergoing a process of transition from central planning and the transition and modernization processes are still proceeding. Changes necessary for economic transition, together with the changes required by accession to the EU, mean that the new member states are in a process of constant economic and social change.<sup>52</sup>

As for the environmental issues, Scandinavia has a very positive view of enlargement – both as concerns its southern and northern dimensions. The European Round Table of Industrialists think that they have strong historical and human ties with the Baltic States. In addition to the problems of the Baltic Sea, they have other environmental issues to settle together, and they have the great Hanseatic trading tradition to build upon. There is strong support for the integration of the Baltic region and the people living there, from St. Petersburg to northern Germany. It is not a just question of patronage, or even altruism, it is one of economic self-interest. The Baltic States represent a regional market that is growing three times faster than their own.<sup>53</sup>

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<sup>51</sup> Ibid., p.127

<sup>52</sup> Aleje Ujazdowski (2000). *Accession Negotiations-Poland on the road to the European Union*. Warszawa. p.69

<sup>53</sup> Barnevik, P. (2000). *Has the EU Enlargement Process Lost Its Way?*. Brussels: The Philip Morris Institute For Public Policy Research. p.13

The administrative reforms require some extra effort in the Baltic states compared to other Central and Eastern European applicant countries due to the fact that these countries were assimilated to Russia and were not merely members of the Soviet empire. Therefore they did not have a separate competent state apparatus and had to organise the public administration starting from a very different position than other applicant countries had to. On the other hand the Baltic states, especially Estonia, have been relatively radical in their reform policies, which has led to drastic downsizing, decentralisation and privatisation in the public administration adding further pressure on the capacity building in the public administration.

The main concern and the strongest field of competence in the EU are the economic legislation and economic development and performance. The Baltic States have moved quite rapidly into a market economy compared to some of the Central and Eastern applicant countries. This has probably enhanced their potential for an early accession. They have also had a swift economic growth but the transformation might generate problems at the societal level. At the moment Estonia for example has one of the most liberal market economies in Europe. This development could have very different consequences to the different groups of the society since not all citizens are necessarily able to profit from the liberal economy. Liberalisation might bring some social groups negative consequences and cause social problems owing also to the lack of development in the social security.

One of the major problems in the economic recovery in the Baltic States, which could also make their situation different from the one experienced in other applicant countries, is that they were, and in some extent still are, dependent on Russia economically. They have exported their products mainly to Russia and therefore the economic situation in Russia has a direct impact on their economic development. The situation is somewhat better and more stable in some other Central and Eastern European applicant countries, which have a stronger Western orientation in their exports. The Baltic States have also the potential to turn their location and close economic ties of with Russia into an advantage. Western industries seek for bridges to Russia in their economic activities, which encourage foreign investment in the region. This however only further supports the conclusion that the Russian economy plays a

crucial role in the Baltic States especially if one hopes for a noticeable acceleration in the economic growth.

There are two issues to be dealt with in the enlargement process, which concern only the Baltic States. These are the Russian minority and the citizenship issue and the border issue between the Baltic States and Russia. There are of course some similar issues in other applicant countries such as the territorial question of Kaliningrad. These are all issues, which can have security implications for the EU before and after the accession. It would most certainly be in the interest of the EU to see the border issue solved before the accession. However the EU has not linked this question to the accession negotiations and does not consider to be obliged to do so in legal terms. This is fortunate also for the EU, since it has very little to gain by getting involved with the issue and possibly a lot to lose considering the development of the EU external policies. Strengthening the common foreign and security policies and external policies with Russia are central political objectives for the EU.<sup>54</sup>

The minority issue is rare in the sense that it is almost totally a political not a financial matter. The issue has its implications at the international, at the EU and at the national level in the Baltic States. It is a burden or at least an issue in the EU external relations with Russia, it could have its implications for the development of the minority questions inside the EU and at the national level it might affect the public opinion on the EU membership and generally on the EU in the accession countries. The issue requires therefore careful consideration.

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<sup>54</sup> [http://www.northern\\_dimension.org/workshop.html](http://www.northern_dimension.org/workshop.html)

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