

THE 1996 INTERGOVERNMENTAL CONFERENCE AND ENLARGEMENT OF THE EUROPEAN UNION: IMPLICATIONS FOR CYPRUS'S STRATEGY OF HARMONISATION

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This commentary considers the likely outcome of the intergovernmental conference of 1996 in conjunction with the impending enlargement of the European Union and reaches a number of conclusions which are of relevance to Cyprus. The essay examines the preparations of east European countries for membership of the Union and argues that the harmonisation strategy of Cyprus should also draw on the approach of east Europeans with respect to harmonisation.

The timing and extent of the next enlargement of the EU will very much depend on developments within the Union. The forthcoming IGC, other attempts to reform the Union's policies on agriculture, structural funds and financing arrangements and the success or failure of the process towards a common currency will determine the Union's capacity and willingness to receive new members.

Cyprus needs to follow closely developments within the EU, because if the enlargement is delayed or if it is staggered so that new members are admitted in different groups, then it becomes imperative for Cyprus to try to be within that group that will be admitted first. As explained later on, the reasons that would delay enlargement also imply that when it eventually occurs it will be staggered (i.e. in different phases). Furthermore, if the EU delays admission of new members, it is likely that it will compensate candidate countries with a closer relationship which for some time will fall short of full membership.

The links between the EU and east European candidate countries are expanding fast and so is the Union's involvement in their harmonisation process. It makes sense for Cyprus to develop similar networks of institutional cooperation. If nothing else, it will gain from the approach of east European countries in adopting the *acquis communautaire*. Undoubtedly Cyprus is far ahead of them with a proper market economy, but it would still benefit by replicating relevant parts of their approach.

The State of the Union

To understand what shapes the agenda of the EU and how it will affect the outcome of the IGE and the prospects of enlargement, it is first necessary to understand the state of the European Union and the nature of its problems. The EU is experiencing a crisis of legitimacy caused partly by its perceived "democratic deficit" and partly by its apparent inability to deal with major economic and political problems of the continent (e.g. unemployment, the war in Bosnia).

The proverbial person in the street has lost confidence in the grand European structure because it is opaque, seemingly remote and alien and has no obvious sense of direction (political union? monetary union?). The Union appears incapable of addressing the problems that concern the common man such as unemployment, closure of long-established industries, pollution and congestion.

The Union is seen to be ineffective and rudderless mainly for three reasons. First, it is a victim of its own success. Because in the late 1980s, with the enthusiasm of the single market programme, it claimed or was given credit for everything, now it is expected to provide solutions for everything, even where no simple or obvious solutions exist.

Second, it is called to provide solutions for problems for which it has no adequate institutional structure or appropriate instruments. Part of the success of the European enterprise is the fact that the Union was first established as an economic community with the main purpose of creating a common market among fairly homogeneous countries. For many years even the common market was elusive, so that the EEC remained basically a customs union. But for that purpose it was equipped with well-defined and effective instruments. Nowadays, it has to deal with political crises, currency fluctuations or excessive budget deficits, for example, without having the right instruments or the institutions required for the effective use of such instruments.

Third, the European mechanism functions by bargaining the trade-offs. This has meant that the EU can shift into action only by the stimulus of a grand idea which can overcome inertia. By contrast, it has often stumbled on narrow issues that are, however, cherished by some member states (e.g. the common agricultural policy, workers' rights, fishing rights, etc). Today, there is no grand idea to provide a common objective and discipline. Or, rather, the grand ideas which have been offered are divisive (political union, monetary union) and the interests of member states too diverse. Indeed, western Europe has grown from a fairly homogeneous economic community to a union with diverse members. To make things worse, at the same time there is no consensus on the future direction and grand architecture of the Union, there have surfaced many of the narrow issues which need to be dealt with during the next few years and which, as usual are likely to bring more discord (reform of the CAP, structural funds, budget).

If this assessment of the state of the Union is correct, it follows that in the next few years European leaders would be averse to embark on any bold new integrationist scheme. They would naturally be interested to deal with the issues

already on their agenda. It would also not be surprising at all if many compromises are struck in the process. Whenever the situation becomes desperate, one should never underestimate the ability of the European leaders to find a face-saving solution. This is already evident in recent statements on the need to adjust both the criteria and the timetable of the plan for monetary union in 1999.

Should the state of the Union concern Cyprus? The answer must be affirmative for any country that aspires to join a group of countries which are still trying to find their *raison d'être*. This soul searching will partly determine the outcome of the IGC which in turn will partly determine the process and timing of the enlargement of the Union. The IGC, irrespective of the success that will be claimed *ex post*, will be able to provide only some of the solutions to the problems and challenges facing the EU.

More importantly for Cyprus, the success or failure of the Union to come to grips with its problems will affect not only its chances and timing of accession, but also the "political usefulness" of the Union as seen through Cyprus's narrow perspective. Although it should be clarified at the outset that these are not the only reasons or even the main reasons why Cyprus wishes to become a member of the Union, according to the criterion of "political usefulness". Accession is desirable to Cyprus for two reasons: to acquire a leverage on Turkey and to provide a larger framework within which a solution to the Cyprus problem can be worked out. The assessment below of the effects on Cyprus of the likely outcome of the IGC will be done according to these two narrow criteria and also according to how the outcome of the IGC may influence the timing of the next enlargement of the Union.

The Intergovernmental Conference – Why a Conference?

The intergovernmental conference, which is scheduled to start on 29 March 1996 in Turin, was until recently thought to be the occasion for a thorough and extensive revision of the treaties that make up the European Union and of the various policies of the Union. Some observers also believed that the IGC could lead to a consolidation of the treaties and perhaps to the drafting of a constitution for the Union.

As a result of the deliberations of the Reflection Group which was set up to make proposals to the IGC and of the various submissions to the Group by the Commission, the Parliament and others, it is now clear that an agenda such as that outlined in the previous paragraph would lead to failure. Interests are too diverse, views are too distinct and expectations too discordant, making agreement on such broad and fundamental issues virtually impossible.

Rather than elicit failure, the IGC will have a more modest and feasible agenda. One may ask, therefore, if the outcome of the conference is likely to be neither radical nor far reaching, why go through this tortuous process at all. For the Union, any revision of the treaties has always been a tortuous process. There are three possible answers to this question.

First, the IGC is legally required by the Maastricht Treaty. Art. N specifies that an IGC "shall be convened in 1996" in order to consider, among other things, "to what extent the policies and forms of cooperation introduced by this Treaty may need to be revised with the aim of ensuring the effectiveness of the mechanisms and the institutions of the Community" (Art. B). Second, even if Art. N did not impose that requirement, there is a political need to address the perceived democratic deficit of the Union, improve the functioning of the Community institutions and strengthen cooperation in the fields of common foreign and security policy and justice and home affairs. Third, some kind of IGC would still be necessary to prepare the Union for the impending entry of up to twelve new members of varying size and needs.

The IGC Agenda

The agenda of the IGC will not contain fundamental questions about the future of the EU. It will not, for example, answer the question whether the EU should retain its present form, which mixes supranationality with cooperation between sovereign states, or whether it should develop into a federation of united states, which is envisaged by the reference to an "ever closer union" in Art. A of the Maastricht Treaty. Nor will the IGC decide whether the Union should have a "multi-speed" system or "variable geography" of different degrees of association between its member states, although such a geography may nonetheless emerge as a result of the decisions at the IGC and subsequent intergovernmental *fora*.

In addition to various policy initiatives, the IGC will focus on institutional reform which will be the essential component for achieving the three objectives specified by the Reflection Group:

- "making Europe more relevant to its citizens"
- "enabling the Union to work better and preparing it for enlargement"
- "giving the Union greater capacity for external action."

The ideas that have been put forth in order to make Europe more relevant to its citizens concern mostly the following:

- protection of human rights
- prohibition of discrimination and condemnation of racism and xenophobia
- extension of the rights provided by the Union's citizenship
- improvement of the transparency of the Union
- strengthening of cooperation in the field of JHA
- possible incorporation of Schengen into the Community structure
- new initiatives to increase employment

- proper application of subsidiarity.

Institutional reform will be of more immediate relevance to efforts to make the Union work more effectively and to prepare it for enlargement. Ideas put forth in this area concern mostly the following:

- consolidation of the single institutional framework that covers the three pillars of the Union
- greater involvement of the Parliament in the legislative process and simplification of the process (retaining just the procedures of "consultation," "assent," and "co-decision")
- placing a ceiling on the number of members of the Parliament
- extension of qualified majority voting
- possible extension of some qualified majority voting in the fields of CFSP and JHA
- possible weighting of votes to be aligned more closely with population size
- possible ceiling on the number of members of the Commission
- rotating team presidency
- the role of the Commission as the proposer of legislation in the context of the Community and its role in the areas of CFSP and JHA.

As far as the Union's capacity for external action is concerned, the ideas put forth aim to redress the generally acknowledged poor performance of the Union. External action in this context refers to the CFSP rather than the external dimension of Community policies, which works rather well. The main problems of CFSP have been the seeming inability of member states to cooperate and the disjunction between the Community mechanisms and those of CFSP.

Ideas put forth in this area concern the following:

- definition in greater detail of the objectives of CFSP
- creation of legal personality for the Union
- better definition of the instruments of the CFSP
- strengthening of the institutions of CFSP
- more extensive inter-institutional cooperation
- modification of the decision-making procedure away from unanimity
- institutionalisation of the financing of CFSP
- links with the Western European Union.

It should be noted that a number of issues that are of importance to the development of the EU have been left off the agenda of the IGC in order not to burden its deliberations. Although the IGC also has the task of considering the necessary adjustments that would prepare the Union to accept new members, it will confine itself to institutional changes and will not examine reform of the common agricultural policy, regional policy and the financing arrangements of the Union. Nor will there be any further discussion of the transition to the third stage of the economic and monetary union, since this was recently decided to take place in 1999. The same holds for the current financing arrangements of the EU. There is already an agreement, reached in Edinburgh in 1993, that the introduction of a new financial package will not be attempted before 1999. Reform of the CAP and regional policy will be discussed during the next couple of years, but independently of the IGC proceedings.

Despite the exclusion of the above issues from the IGC's agenda, the conclusion of the conference will be neither quick, nor easy. In the present climate of rising doubts as to the feasibility and desirability of attaining the third stage of the EMU, the Union is unlikely to be drawn into a prolonged debate about fundamental principles or extensive institutional reform. Rather, the conference participants will want to set targets which can be more realistically achievable. This means that the IGC will lead to some tangible results, but also that the Union will not be adequately prepared for enlargement.

Among the achievements of the IGC there should be some new initiatives to make the Union more relevant to the citizen (by, for example, increasing the transparency of the legislative process and the channels of communication between Brussels and the regions/communities of the EU), some changes in the decision-making procedures of the Council (extension of qualified-majority voting and perhaps re-weighting of the votes), a gradual *move* to team presidencies, greater involvement of the Commission in the CFSP process, and some consolidation of EU action in the areas of CFSP and JHA, perhaps by better definition of the objectives of common action and of available instruments. It is unlikely, however, that there will be any significant transfer of Community decision-making procedures to the fields of CFSP or JHA.

For Cyprus, according to the narrow criteria of political usefulness defined earlier, this outcome is both positive and negative. It is positive in the sense that reinforcing and extending the supranational competence of the Union and making it more relevant to the citizen it will create a stronger, more cohesive framework within which the rights of both communities in Cyprus can be safeguarded. As already mentioned, direct links with Brussels could alleviate the fear of the Turkish Cypriot community of "overdependence" on the Greek Cypriots.

But the outcome of the IGC is also likely to be negative for Cyprus. Its right of *veto* will be restricted and as a result its leverage on its partners will be weakened. This probably is not a significant loss because the right of *veto* is already

attenuated and in practice small countries have rarely ever used it.

For importantly for Cyprus, suggestions currently being aired concerning the improvement of the rotating presidency will likely reduce the discretion of any one member to determine the agenda of the presidency. Moreover, the Union is unlikely to acquire a cohesive CFSP with its own identity and legally binding decisions. Both of these probable outcomes entail that Cyprus will not have the institutional means to steer the EU to adopt an activist stance *vis-a-vis* Turkey.

The fundamental trade-off in Cyprus's view is that if the IGC makes significant advances towards a more integrated Union with a stronger institutional framework and more unified policies, it will be to Cyprus's advantage because the rights of its communities will be better protected and the Union will have a more cohesive policy towards third countries. But, in a more integrated framework there will be dilution of the influence of each individual member state.

Cyprus in addition hopes that the process towards accession to the EU will also by itself function as a catalyst for a shift in Turkey's position. Here too there may be disappointment as the EU's internal problems make enlargement a more distant prospect.

Enlargement and Criteria of Membership

Article O of the Maastricht Treaty specifies that "any European State may apply to become a Member of the Union." In addition to being European any prospective new member must also be democratic (Art. F), have a market-based economy (Art. 3a) and be able to adopt in full the *acquis communautaire* (Art. B).

The Copenhagen European Council (June 1993) declared that the Associated countries in central and eastern Europe could apply to become members of the Union, provided they would be able to achieve stability of institutions guaranteeing democracy, the rule of law, human rights and the protection of minorities and they would have implemented a functioning market economy with the capacity to cope with the competitive pressure and market forces within the Union.

Not all the countries in central and eastern Europe have formally applied for membership. However, the Association Agreements which the EU has signed during the past six years with them contain in their preamble a clause that recognizes the Agreements as a means of achieving eventual membership of the Union.

At present, applications for membership have been submitted by Cyprus, Malta, Poland, Hungary, Romania, Bulgaria, the Czech Republic, Slovakia, Estonia, Lithuania and Latvia. Slovenia is expected to submit an application in the near future. Turkey also submitted an application in 1987, which has for all intents and purposes been put on hold. Instead of full membership, Turkey has been offered a customs union which came into effect on 1 January 1996.

The Interests

Existing members of the Union view enlargement through very different perspectives. There are those who think of it as a historical inevitability and an opportunity for building a unified and strong Europe which can take its place on the world stage as an equal partner to the United States. Germany would, in addition, regard the eastward enlargement as the only long-term guarantee of stability of its borders and the region. Membership of the Union is believed to provide east Europeans with a framework within which to prosper so that a mass migration of economic refugees to the west is avoided.

There are also those who welcome enlargement as a means of expanding the Community's internal market and thus increasing the benefits from free trade. Britain, in particular, emphasises the gains from trade because it sees enlargement as a barrier to further political integration.

Southern EU countries are both in favour and apprehensive of enlargement. On the one hand, they see it as a way of restoring the balance of interests and power within the EU, which has tilted towards the north. In this respect, they favour especially the accession of Cyprus and Malta. On the other hand, they fear that the entry of east European countries could lead to a reduction in the amount of assistance they receive from Brussels through the support funds for agriculture, regional development and the construction of trans-European networks. Indeed, the countries which are net contributors to the Union's budget, will not be happy to see accession of relatively poorer members under the present terms of sharing costs.

Despite these diverse motives, the Union is officially committed to accepting the applicant countries when conditions permit it. These conditions will be ripe when the applicant countries are ready to assume the rigours of membership, as defined by the Copenhagen Council, and when the Union itself is ready to receive them. At the Corfu European Council (June 1994), it was decided that the questions concerning the proper functioning of the Union must first be resolved before accession negotiations can begin.

Stronger Links

In the meantime, the EU and its east European partners have already begun the process of implementing the trade-related provisions of the Europe Agreements and developing further their cooperation in the context of the political dialogue which started in early 1994. For Cyprus and Malta, a political dialogue was launched in mid 1995. In addition, various programmes of technical, financial and other assistance are being made available to eastern Europe in the framework of the Phare and other bilateral schemes. Cyprus and Malta participate in the programmes that fall under the umbrella of the EU's Mediterranean policy.

The political dialogue has now been expanded into the multilateral Structure Relationship with multiple channels of cooperation. The Essen European Council

(December 1994) requested the Commission to submit a White Paper on how the candidate countries of eastern Europe could begin the process of preparation for membership by gradually adopting the EU's internal market rules.

The White Paper identifies the major Community measures in the various areas of the internal market and distinguishes between measures that should be adopted as soon as possible (stage 1) and measures which may be adopted at a later stage (stage II). The White Paper also identifies the administrative and regulatory structures that need to be put in place for the effective implementation and enforcement of the internal market measures. To help in this adaptation process, the Commission and member states provide advice and other technical assistance.

Timing of Accession

Although there is little doubt that east European countries will eventually join the EU, it is still unclear when exactly they will accede to the Union. Before accession can take place, they will have to negotiate their terms of entry. Once agreement is reached on those terms, they will still have to wait until all fifteen member states and the European Parliament have ratified their accession treaties.

For Cyprus and Malta, the date for the launch of the accession negotiations has already been specified. Negotiations are scheduled to start six months after the conclusion of the 1996 intergovernmental conference. This means that the negotiations could start as early as the Autumn of 1997. For the east European applicants no such date has been fixed. Despite Germany's insistence at the Madrid European Council (December 1995), the EU could only confirm the need for sound preparation for enlargement. But it also stated its "hope" that the negotiations with east European countries could coincide with those of Cyprus and Malta. In the meantime, it instructed the Commission to prepare reports on the impact of enlargement, taking into account the results of the IGC, and on the progress that the applicant countries will have made towards adopting the *acquis communautaire*.

The date of accession will be determined by a number of factors. It will first be determined by when accession negotiations commence. This in turn partly depends on when the IGC will be concluded. It also very much depends on the results of the IGC. If the conference achieves a thorough reform of the institutions of the Union so that they can cope with a Union of 25-30 members, it will be much easier for the EU to accept new members.

It will also be easier for the EU to accept new members if it succeeds in the next few years to reform its common agricultural policy, structural policies and methods of financing the Union. If the relatively poorer and more agricultural-oriented countries of eastern Europe enter the Union under present arrangements, it has been estimated that the extra budgetary disbursements could be as much as the current total budget of the Union. This would be unacceptable to the member states which are net contributors to the Union's budget. Discussions on financial reform

are not scheduled to take place before 1999.

If the EU attains a workable reform of its internal policies, the progress towards accession will then depend on the extent to which the east European applicants will have adopted the EU's *acquis communautaire*. If these countries are not fully prepared, their accession negotiations which may start at the same time as those of Cyprus and Malta can still prove to be a protracted affair.

Three Scenarios

Should the EU achieve its institutional and policy reforms and should the applicant countries succeed with their preparations, accession negotiations could commence in, say, 1998 and could be concluded a couple of years later, after the EU will have reached an internal agreement on its finances and will have implemented its single currency. According to this optimistic scenario, enlargement could take place as early as 2000 or 2001.

By contrast, the pessimistic scenario puts accession very much beyond the next decade. If the IGC drags on for two-three years, if the applicant countries do not progress far enough with their economic, political, legal and administrative reforms, if the EU fails, to adjust appropriately its policies and finance, over the next four years and if no single currency is adopted, the EU will certainly have no wish to assume additional problems by admitting any new members.

A more realistic scenario acknowledges the EU's ability and, one may say, predilection for compromise. According to this scenario, the IGC will be a modest success with some institutional changes that will enable the Union to function with a few additional members. The policies and the finances of the Union will also be sufficiently adjusted to withstand the impact of the expanded membership. Some existing members in the core of the Union will be able to form a viable monetary union and some applicant countries will also be able to satisfy the convergence criteria so as to join the single currency area.

The outcome then of this realistic scenario is twofold. First, the enlargement will take place in two or three waves. The first wave around 2002 could involve the small and relatively advanced countries of the Czech Republic, Hungary, Slovenia, Cyprus and Malta. Second, the economic map of Europe will consist of four concentric circles: an inner circle of the single currency area with the qualifying EU members, a second circle with the remaining members of the Union, a third circle with the large east European applicants and a fourth circle containing all the other European and Mediterranean countries with which the EU will be developing closer relations.

In the end, enlargement is unlikely to bring about deeper integration among all existing members of the EU. Rather, a more likely outcome is a multilayered Union in a multilayered Europe. In the meantime, the applicant countries will continue the process of economic reform and modernisation.

For Cyprus this outcome is significant because any delay in the timing of

enlargement will reduce pressure on Turkey to compromise. It follows then that Cyprus must continue the process of getting closer to the EU through other means in order to make accession inevitable when the time of the first wave arrives. Such means are provided by the multilevel framework established for the preparation of east European countries for membership of the Union.

The White Paper ¹

As mentioned earlier the Essen European Council requested the Commission to prepare a White Paper on the procedure by which east European countries can be assisted to adopt the *acquis communautaire*. The Paper focuses on the internal market measures and sets out a pre-accession strategy that is to be implemented within the frameworks of cooperation established by the Europe Agreements, the Structured Relationship and the Phare programme. The strategy put forth by the Paper relies on these frameworks because the Associated countries already have the obligation under the Europe Agreements to open up their economies and approximate their legislation with that of the EU and because the technical assistance they might need to that effect can be provided by the Commission through the channels which have already been established.

The strategy envisaged by the Paper consists of two components: a description of the measures that will have to be adopted in two stages and a presentation of the administrative and regulatory structures and capacities which will be needed to make the implementation of new legislation effective. The Paper examines twenty three different areas of internal market legislation and identifies fundamental principles which should guide national legislation.

For Cyprus, the Paper identifies a number of aspects of the harmonisation process which are of immediate relevance to its own efforts to adopt the *acquis communautaire*. First, the Paper recognizes that the distinction between stage I and stage II legal approximation according to legal principles and subsidiary measures, respectively, is not the same as setting priorities in terms of the economic significance of the proposed legal reforms. It goes further to warn that "the economic dimension is one which each Associated State will need to judge for itself in laying down its strategy for approximation: "This is because "in the absence of an overall economic analysis, there is no evident set of objective criteria that could be used to determine priorities between sectors. The priority given by the [Associated States] to different sectors will depend on the political and economic situation of each Associated country. The choice has to be made by those countries rather than by the Union." (p. 22)

Second, the Paper stresses that "the main challenge for the Associated countries in taking over internal market legislation lies not in the approximation of their legal texts, but in adapting their administrative machinery and their societies to the conditions necessary to make the legislation work." In this connection, applicant countries have begun to draw up programmes for legislative

approximation, set priorities and to verify conformity with relevant EU law. In addition, most of them have put in place a coordinating unit within their administrations.

Third, the Paper acknowledges that the Associated countries will need much technical help to implement successfully their harmonisation programmes. For this reason it proposes the establishment of a Technical Assistance Information Exchange Office for expert advice on legal and administrative matters. Such advice which could also come from other channels is expected to include the following:

- appraisal of the costs and benefits of different sequences of approximation
- rapid access to EU legislative texts, jurisprudence and experiences of member states in the application of the law
- information concerning implementation and enforcement mechanisms in member states.

The Commission further intends to:

- keep the Associated countries informed about changes in the internal market legislation
- extend the Karoulus, Mattheus and other programmes to them
- recommend ways of involving them in the work of sectoral advisory committees

In the coming years those Associated countries which harmonise successfully will have put in place the required legal, regulatory and administrative structures and will have the same access to multiple channels of communication with Brussels and other national capitals as any other country which is already a member of the Union.

Issues to Be Considered by Cyprus

The Madrid European Council stated, among other things, that the Associated countries and Malta and Cyprus "will be briefed regularly on the progress of discussions [at the IGC] and will be able to put their points of view at meetings with the Presidency of the European Union to be held, in principle, every two months." The IGC will start in March 1996 and will deal with issues of importance to Cyprus. Is Cyprus ready to put forth any points or comments of its own?

There are at least three items on the IGC agenda which are of direct relevance to Cyprus: the relative position (i.e. power) of small countries in the Council, the rotating presidency and the common foreign and security. These are issues of importance to Cyprus because, as explained earlier, should small countries lose their right of veto concerning decisions that now require unanimity, should they

assume the presidency only in a team with other member states and should common foreign and security policy remain as ineffectual as it is at present or if it is brought under the rules of decision-making by qualified majority, then it will be very difficult for Cyprus to influence the EU's relations with Turkey. It will have very little to use as a leverage on its partners.

But to exercise any leverage at all, Cyprus must first become a member of the Union. Therefore, the question which arises is whether and when the next enlargement will take place. It is really beyond doubt that at some point in time the Union will accept new members. What is uncertain is when and who will be allowed to accede to the Union. This leads to the question whether Cyprus should not also be preparing for a long wait? During this waiting period, for example, it could focus its attention in developing more channels of cooperation with the EU.

Moreover, putting aside the imponderables of the IGC, should Cyprus not try to join the multilateral framework of the east European Associate countries, which is being built to provide help in their harmonisation with the EU? In some respects Cyprus is ahead of them. In some other respects, it lags behind. Whereas the joint committees established by the Europe Agreements meet regularly, there has been no meeting of the EC-Cyprus Association Committee since 1973. Cyprus does not have access to as many programmes of technical assistance as they do. It does not participate in the exchange programmes for civil servants among member states (e.g. Karolus) to which east European countries will be given access.

The work done so far by the Working Groups in the various Cypriot ministries has largely concentrated in identifying the individual measures of the *acquis communautaire* and the gaps in Cypriot legislation. The reports which have been prepared so far do not cover the interpretation and implementation of the *acquis*, development of the necessary administrative and regulatory structures and capabilities and the assessment of the costs and benefits of harmonisation and the setting of economic priorities. Cyprus has neither established a central coordinator nor has it appointed legal experts in the various ministries with the responsibility to check the conformity of new laws with the *acquis*.

Cyprus should argue the case for joining or duplicating the multilateral assistance framework for eastern Europe. It may delay its accession to the Union. But once east European countries are let in the Union, it will be very difficult for the Union to keep Cyprus outside. The alternative of a separate accession is not attractive either to the Union, or to Cyprus. For the Union, it will be costly to initiate negotiations and ratification of accession treaties just for a small country alone. The same holds even if Malta joins along. For Cyprus, it could mean a prolonged and wasteful diversion of time and resources in negotiations that may lead nowhere because the Union would not have decided to shoulder the cost of accepting a semi-occupied country. By contrast it will be more difficult for the Union to keep Cyprus on hold as it concludes the negotiations with other applicant countries. As the same time it would be easier for the Union to justify, perhaps to Turkey, its

decision to accept Cyprus as part of a group of countries that fulfil the criteria of accession.

As argued earlier, enlargement will probably take place later than expected. Moreover, not all applicant countries are likely to enter the EU at the same time. For Cyprus this means that it should intensify its preparation in order to be ready to go in with the first wave of new members. Its chances of being part of that first wave will probably improve if Cyprus becomes more involved in the networks which other candidate countries are developing with the EU. In a nutshell, the safest and quickest way into the EU need not be the shortest.

Components of the Accession Strategy

The EU is on an evolutionary path and if Cyprus wants to be ready for accession it should form a strategy which takes into account the development of the Union over the next few years. This strategy should at minimum have three components:

- studying and understanding the factors that shape the development of the EU
- closer involvement in the assistance programmes which the EU is offering to east European candidate countries
- adoption of certain aspects of the harmonisation policies of the east Europeans.

East European harmonisation has certain components which should be duplicated in Cyprus as well:

- establishment of a central technical unit, staffed with experts in various fields, or appointment of a legal expert in each of the ministries concerned with internal market measures whose task will be the coordination of harmonisation and the checking of the compatibility of new legislation policies with the *acquis communautaire*
- definition of harmonisation priorities according to both their economic effects and legal necessity (e.g., laying legal foundations for subsequent harmonisation), rather than harmonising first what is easy or convenient
- training of civil servants and restructuring of the civil service in order to enhance its capacity to implement the *acquis communautaire*
- adjustment of legal monopolies
- establishment of a regulatory system with independent regulators (e.g. for air transport, telecommunications, etc.)
- removal of barriers, to trade and the movement of services and capital and establishment of a monitoring/control mechanism for state aid.

Notes

1. European Commission, *White Paper on the Preparation of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the Union*, 3 June 1995, COM(95) 163 final.