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Bulgaria's and Romania's Progress towards EU Accession

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On 1 May 2004, ten new members will join the European Union, which are mostly Central and Eastern European countries. This process is usually mentioned as the reunification of Europe, the number of the member states will be almost doubled. Undoubtedly, there was no precedent in the history of the European Community that so many countries would have been integrated. However, the reunification process does not finish after the integration of these mainly post-communist countries. Several other countries remain which are also hardly waiting for their accession and integration to EU. On the track beaten by the now acceding states, two other post-communist countries try to achieve this goal, and at this time, they have the biggest chance to join the EU in the next enlargement round; these are Bulgaria and Romania. This paper analyses the negotiation process of these two economies, what has happened in the last few years, and examine the future prospects.

Bulgaria and Romania applied for EU membership in 1995¹, only one year later than Hungary and Poland – and the same year as Estonia, Latvia, Lithuania and Slovakia². The EU accession was a priority in all above mentioned transition countries; that is why these countries applied for EU membership only about a half decade after their transition. However, the EU was not able to manage these applications and nothing happened in the next few years. The Luxemburg Summit held in December 1997 was the milestone when the enlargement process was started and the candidate countries were divided into two groups. With the first group, which contained Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia, the real accession negotiations have started in the spring of 1998, while in the second group only the preparations for accession negotiation have been initiated. It meant that the negotiation chapters were not opened during this process. Bulgaria and Romania were listed in the second group together with Latvia, Lithuania and Slovakia.

The 1999 Helsinki Summit was the next turning point, when the start of the negotiations with the second group was set. In fact, it was the admission of the fact that the differences between the members of the two groups were not so large. Furthermore, during these two years, the differences decreased in many cases. Slovakia closed up to the Visegrad countries, while it was reasonable to handle the countries in the Baltic region together. However, it was the time when the two Balkan candidate countries, Bulgaria and Romania acquiesced in the fact that they lagged behind the others and their EU accession will be realized later than in case of the advanced neighbors.

¹ Romania on 22 June 1995 and Bulgaria on 16 December 1995.

² The Czech Republic and Slovenia applied for EU membership in 1996.

Table 1.
Negotiation Chapters

	Bulgaria	Romania
1 Free movement of goods	✓	✓
2 Free movement of persons	✓	✗
3 Freedom to provide services	✓	✗
4 Free movement of capital	✓	✓
5 Company law	✓	✓
6 Competition policy	✗	✗
7 Agriculture	✗	✗
8 Fisheries	✓	✓
9 Transport Policy	✓	✗
10 Taxation	✓	✓
11 Economic and Monetary Union	✓	✓
12 Statistics	✓	✓
13 Employment and social policy	✓	✓
14 Energy	✓	✗
15 Industrial policy	✓	✓
16 SME's	✓	✓
17 Science and research	✓	✓
18 Education and training	✓	✓
19 Telecommunications and information technologies	✓	✓
20 Culture and audio-visual policy	✓	✓
21 Regional policy and co-ordination of structural instruments	✗	✗
22 Environment	✓	✗
23 Consumer and health protection	✓	✓
24 Co-operation in the field of justice and home affairs	✓	✗
25 Customs union	✓	✓
26 External relations	✓	✓
27 Common foreign and security policy	✓	✓
28 Financial control	✓	✓
29 Financial and budgetary provisions	✗	✗
30 Institutions	✓	✓
31 Other	✗	✗
Total closed chapters	26	20

After the Helsinki Summit, the first chapters were opened in February 2000 in case of the members of the former second group. Until the end of 2002, ten of the twelve candidate countries³ were able to close all 31 accession chapters, and got the opportunity to be a member of the EU in the first half of 2004. The two omitted candidates are Bulgaria and

³ These were Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia. Turkey is the 13th candidate country but the negotiations have not started yet.

Romania. However, these two countries' negotiation processes are different and were not progressing in the same pace.

After the conclusion of the membership negotiations with the ten front-runners, Bulgaria and Romania lobbied for a pre-May 2004 end date to their negotiations. The next enlargement round was scheduled to join on 1 May 2004, and both Bulgaria and Romania feared that their relative positions would be downgraded unless they concluded their accession negotiations before May 2004. This hope was rejected by the EU and the earlier date remained the target. According to the EU, the fear of the two candidates is unrealistic.

Until the issue of the 2003 Regional Reports, Bulgaria was more successful in closing the negotiation chapters, provisionally 26 chapters have been closed yet. Romania has lagged behind a little bit; the Romanian government was able to close only 20 chapters, only two third of all. That is the reason why the Bulgarian government has got a better evaluation from the European Commission in its Regular Report than Romania. The latter's Report contains more critiques, and the most important factor is that, the EC still did not grant Romania the functional market economy status. The Report contains only a future acceptance of the existence of the functioning market economy, which means if the significant reforms continue, the Commission will really grant Romania the functioning market economy status, maybe in the next year Regular Report. While, the functioning market economy status was given to Bulgaria last year. It reflects well the differences between the two economies.

However, the accession of the two economies are bound together in the Reports, which poured cold water on Bulgaria's plan to be decoupled from Romania on its path to EU membership. The Union plans that the negotiations will be finished at the end of 2004, the single accession treaties can be signed in 2005, and the accession can be realized in 2007, which is the objective date of the accession. This roadmap is achievable if both countries keep these deadlines; however, it worries Bulgaria. If Romania does not finish its accession negotiation until the end of 2004, Bulgaria's hope to join the EU would be dashed. It is evident that the EU would not allow one country's accession in the next enlargement round. In fact, Romania's position is quite similar to that of Poland. It is a relatively large country; its population is over 20 million. That is why it is hard to imagine that Romania will not be among the next accession countries. Even if Romania needs several economic reforms, and the other candidates need to wait for it.

However, there is one country which would be content if the next enlargement round was delayed: it is Croatia. The former Yugoslav state applied for EU membership in the beginning of 2003, and it was welcomed by the EC. It is obvious that Croatia could not finish its accession process until 2005 and could not be a member in 2007. But, if the next enlargement was delayed to 2008-2010, Croatia could be among the new members. At this

time there is no official date for Croatia's accession, the EC will state its opinion about this subject in next spring.

Bulgaria has already closed provisionally 26 chapters out of 31, so only 5 remained for the last year of pre-accession negotiations. But these five chapters – like competition policy, agriculture, regional policy or financial and budgetary provisions - are pretty tough. Considering the negotiations with the front-runner candidates in the 2002 Copenhagen Summit, the agreement between the two sides will be a result of a tough negotiation process. However, the one year remained for this seems to be enough for Bulgaria to close all chapters. The EU's positions on financial issues such as agriculture, regional aid funds, and budget contribution will be presented in the first half of next year. It is obvious that these positions will be similar to those which were used for the present accession countries. It means that the full access to direct farm aids will be deferred by 10 years after accession, and EU aid contributions will be capped at 4 percent of GDP.

On the other hand, Bulgaria still has reforms to make to be prepared to the EU membership. While Bulgaria meets the political and economic Copenhagen criteria, there are a few areas, where Bulgaria needs some reforms. Primarily, the state administration and the judiciary need to be modernized, the corruption is still a severe problem, and the flexibility of product and labor markets requires further improvement. The time that remained until October 2004 – when the mandate of the recent EC will end – seems enough to close all the still opened chapters and to make the necessary reforms required for the EU membership.

Romania's position is not as favorable as its neighbor; only 20 chapters have been provisionally closed yet. Romania fulfils the political criteria, but the Report is not so evident in case of the economic criteria. The ambiguous statement⁴ reflects that the Romanian economy is still not a functioning market economy in every respect. However, the progress made in the last year was appreciated in the recent Regional Report.

The list of the deficiencies is longer in Romania than in the other candidate country. According to the Report, Romania needs to focus on the effective implementation of measures to reform the public administration and the judiciary and should build further on these efforts to address cumbersome administrative procedures, limited transparency and a limited capacity for policy execution. Romania also needs to develop and implement

⁴ *“Romania can be considered as a functioning market economy once the good progress made has continued decisively. In addition, a vigorous and sustained implementation of its structural reform program is required in order for Romania to be able to cope with competitive pressure and market forces within the Union in the near term.” While in case of Bulgaria the EU Report contains that: “Bulgaria is a functioning market economy. It should be able to cope with competitive pressure and market forces within the Union in the near term, provided that it continues implementing its reform program to remove remaining difficulties.”*

a strategy to deal with the reform of the policy and legislative process. The corruption in Romania continues to be widespread, it is a serious concern.

From economic aspect, Romania still needs to continue the reforms and restructuring which have already started. As the Report contains, *“the monetary policy should be accompanied by prudent fiscal and wage policies as well as by a continued reduction in the quasi-fiscal deficit. In medium term, the fiscal prospects also need to be strengthened by advancing expenditure reform and improving tax compliance. This would help strengthening enterprise financial discipline which remains a key, unresolved issue. Measures should focus on the root causes of the continued accumulation of arrears to the budget and the energy sector. Efforts to improve the workings of the market mechanism must be completed by a greater willingness to liquidate loss-making enterprises and establish natural gas prices that appropriately reflect short and long-term costs. Having moved beyond the initial phases, restructuring and privatization in key sectors, such as energy, mining and transport, must be brought forward. This would greatly support the establishment of a functioning market economy and the development of Romania’s capacity to cope with competitive pressure and market forces within the Union”*. So the EC appreciates the reforms made in Romania towards restructuring the economy, but it emphasizes that the process has not finalized yet, and for the future membership, the country needs to continue the progress.

Comparing the two countries’ Regular Reports, it is obvious that the EC put Bulgaria ahead of Romania. Bulgaria is much closer to the end of its pre-accession negotiations with the EU than Romania is. However, their memberships seem to be connected by the EU. Thus, much depends on Romania’s negotiation process, not even Romania’s accession but that of Bulgaria too. That is why it is a good question what happens if Romania fails to keep the deadlines. What will happen if Romania cannot close all chapters until the end of 2004? There is no official screenplay to that situation but it does not mean it is an unimaginable option.

Both the EU and Romania set 2007 as the objective date of the accession and any other options are seemed to be excluded in their statements. But if Romania does not finish the negotiation what happens to Bulgaria? On the one hand, the EU stated that the candidate countries will be judged on their own merits but on the other hand, the two candidate countries’ accession is connected. Then which statement is the more important for EU? In my point of view, it is the latter one. That is the reason why Bulgaria was displeased with the EC’s Report which connected the two countries’ accession and poured cold water on their hope to be decoupled from Romania. It means that if Romania fails to conclude its pre-accession negotiation until the deadline date, both countries’ accession will be delayed. That is the answer to our question.

However, I do not say that Romania will not be able to finish the negotiations. The example of several front-runner candidates demonstrates that it is possible to close 10

chapters in only one year. At the beginning of December 2001, four countries – Estonia, Slovakia, Poland and Malta – closed 20 chapters or less⁵, and one year later, all the 10 front-runners were able to finish the negotiation process. Thus, Romania has great chance to close all chapters but to achieve this goal the pace of the negotiation process should be quickened.

⁵ Estonia and Slovakia closed 20 chapters, Poland and Malta closed 19 chapters until the end of November 2001. At that time Cyprus and Hungary had the most closed chapters, both had 23.

CONCLUSIONS

1. The 2003 Regular Report put Bulgaria ahead of Romania. Bulgaria has provisionally closed 26 chapters out of 31 and the remaining one year seems to be enough for concluding the pre-accession negotiation until October 2004, when the mandate of the recent EC will be over. Romania's progress is much slower, the candidate country closed only 20 chapters and the functioning market economy is not really granted.
2. The negotiations can be concluded until the end of 2004, the front-runner candidates' progress is a good example. But to achieve this target, the pace of the negotiation between Romania and the EU should be quickened. It is required because the accession treaty should be signed in 2005 to make the objective date 2007 possible.
3. There are several uncertainties which could delay the next enlargement round. Ten new members join the EU in May 2004 and there was no precedent that so many new members had joined the Union. It means that new problems can arise which may endanger the objective date of next enlargement round.
4. While Bulgaria progress well with negotiations, Romania lagged behind a bit. However, Bulgaria's and Romania's accession is bound together; EC does not allow the decoupling of the two candidate countries. Romania's position is similar to Poland in recent enlargement round, it is hard to imagine that Romania will be excluded from the next enlargement round.
5. Croatia's application for EU membership is another uncertainty factor. The former Yugoslav country's accession can be a political decision to support and encourage the other former Yugoslav states' reforms and EU integration. The early accession of Croatia would be a positive example for the other states in the region. On the other hand, Croatia's economy does not lag behind significantly from the two other Balkan candidate countries. Furthermore, from several aspects, it is above them, however, Croatia still needs several economic reforms.
6. If Croatia starts its accession negotiations in a year, it can be concluded until the end of 2006 or 2007. It would mean that the next enlargement round would be delayed to 2008-2009, maybe later.
7. However, the latest version is realizable if Romania fails to close all the 31 chapters until the end of 2004. In the past, the Balkan country closed 20 chapters in almost 4 years⁶. Thus, significant acceleration of the pace of pre-accession negotiation required. If this

⁶ Only 11 chapters has been closed in the last two years, when accession negotiations quickened in case of the front-runners.

progress will not be accelerated, not only Romania's accession will be delayed but that of Bulgaria too.