

**Enlargement:  
What can enterprises  
in the new Member States  
expect?**

Questions and answers

European Commission

Enterprise Directorate-General

<http://europa.eu.int/comm/enterprise/enlargement/doc/questions-answers.pdf>

## ENLARGEMENT: WHAT CAN ENTERPRISES IN THE NEW MEMBER STATES EXPECT?

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- ... setting up a business in an EU Member State*
- ... introducing innovation?*

## **Introduction**

### **1.1. Why this overview?**

The biggest ever enlargement of the European Union both in terms of scope and diversity is scheduled to take place on the 1<sup>st</sup> of May 2004 when ten of the thirteen candidate countries are expected to join the Union. This constitutes a challenge both for the current Member States and for candidate countries but at the same time opens significant new opportunities for businesses across Europe. A single set of trade rules, a single tariff, and a single set of administrative procedures in many areas will apply not only just across the existing Member States but also across the single market of the enlarged Union.

Many enterprises in candidate countries have understood the new opportunities linked to enlargement. Entrepreneurs are aware that new legislative requirements will have to be applied in areas such as standards and certification. However, it is often less clear to them what exactly is needed. In addition, most enterprises are unaware of the fact that the EU runs a large number of direct or indirect support measures in all candidate countries, which will help them to prepare their business for the enlarged single market.

This paper is meant to raise the awareness of the impact which enlargement will have on business in the acceding countries and to provide useful links for further information on enlargement related issues.

The paper concentrates on the following enterprise aspects of enlargement: the economic impact of enlargement, measures to improve business environment (including rules and EU standards for industrial products), EU support to small and medium-sized enterprises and the likely impact on some specific sectors (steel, automotive, pharmaceuticals, chemicals and textiles). It complements information of other services of the European Commission regarding e.g. the economic impact of enlargement, competition rules, company law, taxation issues, health and safety at work, education and training, and environmental protection.

*Useful links:*

*Economic and Financial Affairs Directorate General's Enlargement 'argumentaire':*  
[http://europa.eu.int/comm/economy\\_finance/publications/enlargement\\_papers/enlargementpapers05\\_en.htm](http://europa.eu.int/comm/economy_finance/publications/enlargement_papers/enlargementpapers05_en.htm)

*Enlargement: frequently asked questions:*  
<http://www.europa.eu.int/comm/enlargement/faq>

*Enlargement: basic arguments:*  
<http://europa.eu.int/comm/enlargement/arguments/index.htm>

## 1.2. What are the main steps on the enlargement timetable?

The accession negotiations with ten of the thirteen candidate countries were concluded at the European Summit in Copenhagen on 12/13 December 2002. These countries are: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia. The present schedule for their accession to the EU is following:

- 16 April 2003: Signature of the Accession Treaty
- Series of referenda in the acceding countries during spring-summer 2003.  
Indicative time table:

• Malta	8 March
• Slovenia	23 March
• Hungary	12 April
• Lithuania	11 May
• Slovakia	16-17 May
• Poland	8 June
• Czech Republic	15-16 June
• Estonia	14 September
• Latvia	20 September
• Cyprus	date not decided
- 1 May 2004: Date of accession (subject to ratification of the Accession Treaty)
- June 2004: Election to the European Parliament with the participation of new Member States

Bulgaria and Romania need to take further steps to reinforce judicial and administrative capacity and economic reform in order to reach their target of accession in 2007. The EU will open accession negotiations with Turkey if, in December 2004, the European Council decides that Turkey fulfils the political criteria for membership. In the meantime the pre-accession strategy for Turkey is to be strengthened.

*Useful links:*

*Enlargement agenda:*

[http://europa.eu.int/comm/enlargement/docs/newsletter/latest\\_weekly.htm#AGENDA](http://europa.eu.int/comm/enlargement/docs/newsletter/latest_weekly.htm#AGENDA)

## 2. The economic impact of enlargement

### 2.1. What will be the overall economic impact of enlargement in the acceding countries?

The enlargement of the European Union will have a positive impact on the economy of the acceding countries. First of all, it presents a historical opportunity to overcome the post-war divide in Europe and to bring peace and stability to the continent. Enlargement will further strengthen the biggest single market in the world bringing the total number of consumers to 500 million. A larger and more competitive single market will benefit the consumer but it will also considerably strengthen EU's position within the wider global economic environment. With accession the EU is expected to become the largest exporter in the world having a share of almost 20% of world exports. Trade within the EU will also increase by a further 9%.

EU enlargement is expected to provide a significant further boost to economic growth and prosperity in the acceding countries. Trade between acceding countries and EU Member States and among the acceding countries will further increase due to the removal of tariff and non-tariff barriers. Shifting employment from labour intensive sectors into the more skill intensive sectors should increase productivity; and with low unit labour costs and additional privatisation the countries will still remain attractive investment targets. The full implementation of EC legislation, higher fixed and human capital investments and R&D expenditure should also contribute to productivity gains.

Despite the overall beneficial impact of the enlargement on the acceding countries' economies, the impact is likely to be uneven and some groups will benefit more than others. Positive results can only be achieved if the enlargement process is managed in a way that takes into account the needs of the groups that are likely to come under pressure. The opening of markets puts new pressures on enterprises, especially in traditional industrial sectors. Small and medium-sized enterprises (SMEs), which form the basis of the economy, are especially exposed to the numerous changes in the business environment induced by economic restructuring and preparations for accession. Their specific needs have to be taken into account. Therefore, both the acceding countries and the European Union have developed instruments to facilitate the transition process. Assistance is given to enhance business co-operation, to help implement the EC legislation (the so called "*acquis communautaire*") and to strengthen the business infrastructure and business support institutions in acceding countries. Money through EU funding (in particular the Structural funds which aims at limiting economic and social disparities between regions in the EU by promoting the economic development of regions lagging behind) will further help to close disparities between the acceding countries and the current EU Member States. For more details, see the Commission Staff Working Document on the Impact of Enlargement on Industry, SEC(2003) 234.

*Useful links:*

*The economic impact of enlargement:*

[http://europa.eu.int/comm/economy\\_finance/publications/enlargement\\_papers/enlargementpapers04\\_en.htm](http://europa.eu.int/comm/economy_finance/publications/enlargement_papers/enlargementpapers04_en.htm)

*The Enlargement 'argumentaire':*

[http://europa.eu.int/comm/economy\\_finance/publications/enlargement\\_papers/2001/elpl05en.pdf](http://europa.eu.int/comm/economy_finance/publications/enlargement_papers/2001/elpl05en.pdf)

*A study on the impact of enlargement of the European Union on Small and Medium-sized Enterprises in the Union:*

[http://europa.eu.int/comm/enterprise/enlargement/enlarg\\_study.htm](http://europa.eu.int/comm/enterprise/enlargement/enlarg_study.htm)

*A Commission Staff Working Paper: Impact of Enlargement on Industry:*

[http://europa.eu.int/comm/enterprise/enterprise\\_policy/industry/doc/sec\\_234\\_2003\\_en.pdf](http://europa.eu.int/comm/enterprise/enterprise_policy/industry/doc/sec_234_2003_en.pdf)

*Commission Communication: Industrial Policy in an Enlarged Europe:*

[http://europa.eu.int/comm/enterprise/enterprise\\_policy/industry/policy.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/industry/policy.htm)

## **2.2. Will the enlargement bring benefits to all sectors of the economy?**

In general, candidate countries' economies are already highly integrated with the European Union in terms of trade and investment: 60-70% of candidate countries' exports go to the EU and in the 1990's EU companies strongly increased their investments in candidate countries. The Europe Agreements concluded between the European Union and each of the candidate countries have practically established free trade between the parties before enlargement. They have also contributed to the approximation of the internal market legislation.

Enlargement will further improve the general economic environment in which enterprises operate: in a larger market production levels will increase leading to higher productivity and economies of scale. A common regulatory framework provided by the Single Market will increase the overall efficiency of the economy by improving the allocation of resources, increasing the degree of specialisation and enhancing competition.

Enterprises in candidate countries have progressively adjusted themselves to this new environment characterised by increased competition. Major industrial restructuring has been completed, with the exception of some sensitive sectors including steel. For some sectors in manufacturing industry, the new environment presents an opportunity. This includes labour and capital-intensive sectors such as textiles, wood products, furniture and basic metals, where candidate countries have traditionally had a comparative advantage. In the service sector, tourism and transportation services will benefit from the enlarged market.

Producers of skill-intensive goods and business services in candidate countries are likely to face a stronger competition, as exports from current Member States will increase. However, in many candidate countries, technology-driven industries already account for growing shares of exports. Furthermore, there are encouraging signs of the creation of EU-wide production networks, e.g. in the automotive sector, that draw on complementary patterns of specialisation and go beyond low-cost delocalisation strategies. They are based on the change of value chains integrating the technological inputs and skills of candidate countries in a way that complements those of Member States' producers.

### **2. 3. What impact will membership have on enterprises?**

The overall impact of enlargement on enterprises is likely to be positive. Trade and investment flows are expected to increase further after accession as the single market will ease access to EU markets and thus offer new trading possibilities to enterprises in the acceding countries.

Larger companies are traditionally best placed to make use of the advantages of the international division of labour as they are more able to bear the transaction costs related to distance.

The impact of enlargement on SMEs companies generally depends on the type of company. Export-oriented medium-sized enterprises are likely to face increased competition in the single market. However, at the same time, they can profit from the opportunities offered by the enlarged market, provided that they have the capacity and willingness to be innovative, in other words adapt their strategies to the new environment. The micro and small enterprises that serve mainly local needs and are not export-oriented will not experience much change in the short-term but may face increased competition in the long run. These companies will also need to adapt to the new environment.

In the short term the border regions may need to adjust more than other regions to the changing market conditions. In general, labour-intensive sectors are likely to benefit from the enlargement, while technologically advanced sectors are likely to face increased competition. To ensure that the enlargement will be a "win-win" situation also for the border regions, the Commission has adopted an action plan that proposes a series of measures to help them prepare for enlargement. These measures aim at providing specific additional funding to border regions in the areas of transport and environmental infrastructure, SMEs, networking activities and youth exchanges (*see question 4.4.*).

*Useful links:*

*Enterprise policy and enlargement:*

### **3. Business environment (including regulatory aspects)**

#### **3.1. What does the European Union do to help simplify the business environment?**

Small businesses are a key source of new jobs, innovation, economic dynamism and greater social inclusion in the European Union. They are the key players in the so-called Lisbon strategy, which sets the long-term goal of making the European Union the most dynamic and competitive knowledge based economy in the world by 2010. One of the targets within this strategy is the aim of moving towards full employment. This goal can only be achieved if there are dynamic and growing businesses to create new jobs and drive innovation. It is obvious that small enterprises cannot face this challenge alone. An important step towards achieving this goal is to improve the environment where enterprises operate and to make it more business friendly. This means in practice that Member States, candidate countries and the Commission have to make laws and create policy measures which are good for small businesses.

**The European Charter for Small Enterprises** which was approved by EU leaders at the Feira European Council in June 2000 is a core policy document aiming at putting the concerns of small enterprises at the heart of policy making in the EU. The Charter calls upon the Commission and the Member States to take actions to support and encourage small enterprises in ten key areas:

- Education and training for entrepreneurship;
- Cheaper and faster start-up;
- Better legislation and regulation;
- Availability of skills;
- Improving online access;
- Getting more out of the Single Market;
- Taxation and financial matters;
- Strengthening the technological capacity of small enterprises;
- Making use of successful e-business models and developing top-class small business support;
- Developing stronger, more effective representation of small enterprises' interests at Union and national level.

The process of including the candidate countries in the Lisbon strategy was launched in 2001 when the Commission in close co-operation with the candidate countries drew up a report on candidate countries' measures to support entrepreneurship and competitiveness (the "CC BEST" Report). The final report identifies and compares best practices in selected fields of enterprise policy. It is a useful complement to candidate countries' own efforts to improve the business environment and to gather information about best practice in other countries.

In April 2002 at a landmark conference in Maribor (Slovenia), all thirteen candidates for EU accession made a commitment to take action to improve the business environment in all ten areas covered by the Charter. Endorsing the Charter's priorities is crucial for involving the candidate countries more extensively in policies and working methods designed to help Europe become the world's most competitive economy.

The Charter is a tool for promoting entrepreneurship locally and improving business environment in the whole of Europe. As of 2002 its implementation in the candidate countries is monitored. The first implementation report on their performance, adopted in January 2003, stresses the areas where progress has been made (education for entrepreneurship, simplification

of procedures and better legislation), but also areas in which progress is still urgently needed (access to finance, innovation and representation of SME interests). The report is complemented by detailed national reports, provided by the countries themselves, which contain useful information on the initiatives carried out to implement the Charter and contact details.

*The European Charter for Small Enterprises*

[http://europa.eu.int/comm/enterprise/enterprise\\_policy/charter/index.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/charter/index.htm)

To get an overall view, the **Enterprise Scoreboard** gives a comparison of different countries with regard to key parameters for enterprise development. Its 2002 edition includes candidate countries for the first time as far as data availability permitted.

*Useful links:*

*Candidate countries BEST report*

<http://europa.eu.int/comm/enterprise/enlargement/best.htm>

*Directory of measures in favour of entrepreneurship and competitiveness in Candidate Countries*

[http://europa.eu.int/comm/enterprise/enterprise\\_policy/enlargement/cc-best\\_directory/index.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/enlargement/cc-best_directory/index.htm)

*Better business environment*

[http://europa.eu.int/comm/enterprise/enterprise\\_policy/better\\_environment/index.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/better_environment/index.htm)

*European Union One Stop Shop for Business:*

<http://europa.eu.int/business/en/index.html>

*EU enterprise policy:*

[http://europa.eu.int/comm/enterprise/enterprise\\_policy/index.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/index.htm)

### **3.2. What are the main features of EU industrial product legislation?**

The free movement of goods is one of the cornerstones of the European Single Market. Its main tenet is that manufacturers do not need to produce to different requirements for the domestic and for the EU market and that (if required) they have to perform conformity assessment procedures only once.

The principle on which the removal of technical barriers to trade between Member States is based is mutual recognition. It means that producers and service providers, who have complied with the legislation in force in their Member State of origin, have in theory the right to market their products and services under the same conditions in all other Member States. This principle applies to all products and services, which are not subject to legislation that has been harmonised at EU level.

The legislation on industrial products is harmonised at EU level, when there is a need to secure high levels of product safety all over the European Union and when the political and economic aims of Member States' national measures diverge.

Member States may only challenge the application of the mutual recognition principle and the enforcement of the EU harmonised legislation in cases where public safety, health or environment protection are at stake. In these cases, any measure must be proportionate.

The harmonised legislation on industrial products combines two approaches to legislation, based on:

- (i) a specific product approach that contains detailed technical specifications (directives for motor vehicles, foodstuffs, chemicals, pharmaceuticals, cosmetics, crystal, wood, textiles and footwear); and
- (ii) legislation defining the 'essential requirements', but not detailed technical specifications for broad categories of products and/or risks (i.e. 'New Approach' directives covering not only, for example, toys, recreational craft, mechanical devices, personal protective equipment, electrical equipment, radio and telecommunications equipment, medical devices, gas appliances, pressure vessels, construction products, but also electromagnetic compatibility).

This legislation is binding on the Member States as regards its objectives but leaves it to the national authorities to decide on how to transpose these into their legal systems.

Under the 'New Approach', Member States have the responsibility of ensuring that products placed on the market and put into service do not endanger health and safety. Manufacturers are obliged to ensure that these products meet the essential requirements set down in the applicable Directives. Compulsory pre-marketing controls are replaced by post-market surveillance carried out by the Member States' authorities. The whole system is therefore based on trust, i.e. the trust in economic operators and the trust between Member States (in the accreditation authorities, in the conformity assessment bodies and in the market surveillance bodies).

The legislation introduces the notion of essential requirements for products and services, which are defined in general terms (e.g. for electrical equipment, ensure that 'temperatures, arcs and radiation which would cause a danger are not produced') as opposed to detailed technical specifications. It also specifies the procedures that can be applied to demonstrate the conformity of the products and services to these essential requirements. These conformity assessment procedures are proportionate to the levels of risks. Thus the involvement of a third party (conformity assessment body) that performs certification, testing and inspection is not always obligatory. In a number of cases a self-declaration from the manufacturer can suffice.

When several procedures (modules) are proposed by the legislation, it is up to the manufacturer to decide on the most suitable one. For each category of products EU harmonised standards are defined, following a mandate issued by the European Commission, by the European standardisation bodies, in which the interests of industrialists, consumers, regulators, certifiers and accreditors are represented. The use of these standards gives a presumption of conformity with the essential requirements (see section 3.4 for more details), although their use is not mandatory.

New Approach Directives provide for the use of mandatory CE marking. In affixing the CE marking, the manufacturer declares that the product conforms to all applicable Directives and that the appropriate conformity assessment procedures have been completed.

Candidate Countries have already transposed most of the industrial product legislation. For manufacturers in certain sectors it means that additional investment to conform to the new legislation may be required (e.g. in the chemicals sector). The EU has developed several initiatives to help SMEs anticipate the changes (see chapter 4 for more details).

*Useful links:*

*Community legislation under the management of the Enterprise Directorate-General:*  
<http://europa.eu.int/comm/dgs/enterprise/acquis.htm>

*Single Market legislation – New and global approach:*  
<http://europa.eu.int/comm/enterprise/regulation/index.htm>

*Guide to the implementation of New Approach (documents to download):*  
<http://europa.eu.int/comm/enterprise/newapproach/legislation/guide/legislation.htm>

*Conformity assessment:*  
<http://www.conformityassessment.org/directory/main>

*European Standards Organisations:*  
<http://www.cenorm.be/>  
<http://www.cenelec.org/>  
<http://www.etsi.org/>

### **3.3. What is a PECA and why is it important?**

A **PECA** - "Protocol to the Europe Agreement on Conformity assessment and Acceptance of industrial products" is an agreement, which serves to eliminate technical barriers to trade between the EU and candidate countries. PECAs are a key political and economic element in the EU's enlargement process. They create an expanded single market for certain industrial products before candidate countries join the Union. As such, they represent recognition of the progress made by future members in adopting and implementing the relevant EU legislation and in creating the necessary infrastructure.

Each PECA consists of a framework agreement that establishes general principles and procedures for the mutual recognition of results of conformity assessment procedures and the mutual acceptance of industrial products. This is completed by sectoral annexes, which depend on the extent to which a candidate country is implementing the relevant EU technical legislation.

PECAs depend on the following basic elements. Under the terms of the Europe Agreements, candidate countries are required to approximate their legislation to that of the Community. In addition, the country has to create a range of structures for accreditation, standardisation, metrology, product testing, certification and market surveillance. Furthermore, each party has the obligation to recognise the conformity assessment results issued by the designated bodies of the other for the sectors and products covered by the agreement.

Finally, candidate countries have to eliminate third party requirements with a view to securing access for EU products that are not subject to such requirements within the Union.

Potentially, PECAs can be beneficial to a wide range of sectors and firms across Europe. Certifying products to harmonised standards enables EU and candidate country manufacturers to enjoy significant economies of scale in design and testing and to access each other's markets without having to meet any further conformity assessment obligations.

As PECAs extend the internal market in certain sectors already in the pre-accession phase, they help to acclimatise candidate country administrations, producers and consumers to the wider market in which they will operate following accession.

Cutting certification costs improves prospects for exports, employment, investment and competitiveness. Because these costs are the same for all firms, the benefits of reducing them

will be proportionately greater for small businesses. PECAs may be extended to more industrial sectors as and when future members bring their national legislation into line with EU requirement.

*Useful links:*

*Protocol to the Europe Agreement on Conformity assessment and Acceptance of industrial products:*

<http://europa.eu.int/comm/enterprise/regulation/pecas/pecas.htm>

### **3.4. What will EU standards mean to SMEs in the acceding countries?**

Standards are documented, voluntary agreements, which establish important criteria for products, services and processes. Standards, therefore, help to make sure that products and services are fit for their purpose and are comparable and compatible. Standardisation cannot be imposed: only if the market sees an interest in making and using standards will it do so.

The adoption and implementation of EU standards in the candidate countries is one of the conditions for full participation in the Single Market. It is therefore important for industries in the candidate countries to be aware of the European standardisation and to effect use of standards.

Standards play a useful role in helping to create the single market by supporting a series of legislation called new approach directives. This European-wide legislation sets the key requirements that products need to meet so that they can be sold across the whole European Union. New approach directives are special in that they do not contain technical detail; they contain broad safety requirements. Manufacturers therefore need to translate these broad 'essential' requirements into technical solutions. One of the best ways that manufacturers can do this is to use specially developed European standards. These standards are called harmonised standards and they are said to give a 'presumption of conformity' with the directive for which they have been written.

European standards are a powerful means of enhancing the competitiveness of enterprises in the EU. They can help to protect the health, safety and environment of Europe's citizens. Standards offer technical solutions to problems and facilitate trade and co-operation across the European Community. They help to transfer and disseminate technology to everyone's benefit. More specifically, standards can improve the effectiveness of important Community policies on consumer welfare, environmental protection, trade and the single market. European standardisation assists European industry to achieve a degree of importance in global markets and, at the same time, contributes to complete the internal market where standards are used in support of legislation. Standardisation has come to be regarded as an essential strategic tool, the use of which assists industry in obtaining market access and achieve economies of scale.

For a standard to be European it has to be adopted by one of the European standards organisations and be publicly available. There are three European standards organisations: CEN (European Committee for Standardisation) which deals with all sectors except the electrotechnology and telecommunication sectors, CENELEC (European Committee for Electrotechnical Standardisation) which deals with standards in the electrotechnical field, and ETSI (European Telecommunications Standards Institute) which covers the telecommunications field and some aspects of broadcasting.

*Useful links:*

*The New Approach to Technical Harmonisation and Standardisation:*

<http://europa.eu.int/comm/enterprise/newapproach/standardization/harmstds/index.html>

*Standards policy:*

[http://europa.eu.int/comm/enterprise/standards\\_policy/index.htm](http://europa.eu.int/comm/enterprise/standards_policy/index.htm)

## **4. Support to small and medium sized enterprises (SMEs)**

### **4.1. How does the EU define an “SME”?**

There are 19 million SMEs in the European Union representing around 99 % of all EU enterprises and employing more than 74 million people. These enterprises are a source of employment, innovation, entrepreneurship and growth. Small businesses have also become the backbone of economic development in the candidate countries. Today there are about 6 million enterprises, most of which are micro-sized. SMEs account for 72% of total employment. In an enlarged EU, small businesses will continue to be the key to generating growth, competitiveness and jobs.

A common EU definition of what constitutes a SME is crucial as it is used as a basis for decisions in EC legislation on state aid and structural funding. This means that the various categories of SMEs (micro, small and medium) have to be defined in a way that is economically fair, legally secure for the enterprises and easy to apply by the Member State administrations.

The Commission Recommendation 96/280/EC defines SMEs as being enterprises of less than 250 employees and having either a maximum annual turnover of € 40 million or having an annual balance sheet total not exceeding €27 million. They also have to conform with the criterion of independence: those enterprises which are not owned as to 25% or more of the capital or the voting rights by one enterprise, or jointly by several enterprises falling outside the definition of an SME. A small enterprise has fewer than 50 employees and reaches either a maximum annual turnover of €7 million or an annual balance sheet total at maximum of €5 million. The micro-enterprise is further distinguished from other small enterprises as an enterprise of less than 10 employees.

The current SME definition has been used for some time. It is clear that the current definition needs to be adapted by taking into account the economic developments and in order to fit the recent changes regarding the state aid and structural funding regulations. A new definition is likely to be adopted in 2003.

The main changes in the definition relate to:

- an important rise in the financial thresholds for micro, small and medium-sized enterprises;
- a model of a more user-friendly declaration of enterprises;
- a clearer typology of enterprises ("autonomous", "partner", "linked" enterprises) which makes possible to grant to partner enterprises much more favourable treatment than under current regulation and therewith relating a revision of the criterion of independence;
- more favourable treatment of apprentices and students in professional training who benefit from an apprenticeship contract or training.

*Useful links:*

*Definition of Small and Medium-Sized Enterprises:*

[http://europa.eu.int/comm/enterprise/consultations/sme\\_definition/](http://europa.eu.int/comm/enterprise/consultations/sme_definition/)

#### **4.2. How much money does the EU spend on support schemes for the enterprise sector in candidate countries?**

Between 1990 and 2000 the European Commission allocated to the candidate countries about € 7.6 billion out of which direct support to SMEs, private sector development and restructuring amounted to almost €1 billion<sup>1</sup>.

Pre-accession assistance to the ten candidate countries of Central and Eastern Europe has more than doubled since 2000, as decided by the Berlin European Council in March 1999. This means that the total pre-accession assistance to the Central and East European candidate countries amounts to €3,120 million per year since 2000 (for the time after accession see question 4.8.).

#### **4.3. What other enterprise related EU programmes are already now open to candidate countries?**

*Multiannual Programme for Enterprise and Entrepreneurship, and in particular for small and medium-sized enterprises (2001-2005)*<sup>2</sup>:

The opening up of Community programmes plays a key role in the pre-accession period. It provides the candidate countries with the opportunity to become familiar with Community policies and instruments, and provides the basis for an even closer co-operation and exchange of experience between the EU and the candidate countries in a wide range of areas.

All candidate countries<sup>3</sup> participate in the present Multiannual Programme for Enterprise and Entrepreneurship (2001-2005), and is the legal basis for most actions that are undertaken within the Enterprise policy work of the Commission. For their participation in all parts of the programme the candidate countries pay in a financial contribution and take also part in the Programme's Management Committee.

The objectives of the programme can be divided into 3 key areas:

- *Best procedure* for identification and exchange of best practice, mainly on governmental level. It provides a framework for participating countries to identify and exchange best practice through benchmarking or other methods, and stimulating continuous improvement in the business environment. For instance, one project made a comparison of the costs and time for setting up a new business in different countries. An overview table of best projects is available under [http://europa.eu.int/comm/enterprise/enterprise\\_policy/best/best\\_projects\\_2001.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/best/best_projects_2001.htm)
- In order to get an overall view of the situation of SMEs in Europe the Commission publishes on a yearly basis the SME observatory, which is now (more and more) being extended to candidate countries: [http://europa.eu.int/comm/enterprise/enterprise\\_policy/analysis/observatory.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/analysis/observatory.htm)
- *financial instruments* with the aim to help bridge some of the gaps or failures in capital markets for start-up companies and SMEs. These initiatives are managed by the European Investment Fund (EIF) (see question 4.5. for further details).

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<sup>1</sup> this amount represents measures focusing specifically on enterprise development, not containing infrastructure measures and the like

<sup>2</sup> Council Decision 2000/819/EC of 20 December 2000, published in the Official Journal of the European Communities L 333 on 29.12.2000

<sup>3</sup> Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey.

- support services to enterprises at European level through the *Euro Info Centres* network. (see question 4.6.)

*Useful links:*

*The Multiannual Programme for Enterprise and Entrepreneurship, and in particular for Small and Medium-sized Enterprises 2001-2005:*

[http://europa.eu.int/comm/enterprise/enterprise\\_policy/mult\\_entr\\_programme/programme\\_2001\\_2005.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/mult_entr_programme/programme_2001_2005.htm)

*Sixth Framework Programme for research, technological development and demonstration activities (2002 to 2006)*

All 13 candidate countries are associated with the EU's Sixth RTD Framework Programme (FP6). It attaches great importance to the participation of SMEs. A total of almost € 2,200 million will be dedicated over the next four year to supporting research and innovation in SMEs, making it one of the largest financial instruments for SMEs in the world. With this in mind, the European Commission has drafted a working document entitled "Support to the participation of SMEs in FP6" which provides an overview of the various measures which will be implemented to support the participation of SMEs.

*Useful links:*

*The CORDIS network: EU research for SMEs*

<http://sme.cordis.lu/home/index.cfm>

*Support to the participation of SMEs in the 6<sup>th</sup> Framework Programme:*

<http://sme.cordis.lu/research/Support-18%20Dec%2002-Secon%20Edition.pdf>

*The 6<sup>th</sup> Framework programme:*

<http://www.cordis.lu/fp6/find-doc.htm>

[http://europa.eu.int/comm/research/fp6/index\\_en.html](http://europa.eu.int/comm/research/fp6/index_en.html)

*Leonardo da Vinci Community vocational training action programme (2000-2006)*

This programme supports innovative transnational initiatives for promoting the knowledge, aptitudes and skills necessary for successful integration into working life and the full exercise of citizenship. The programme has three general objectives:

- to improve the skills and competencies of people, especially young people, in initial vocational training at all levels
- to improve the quality of, and access to, continuing vocational training and the lifelong acquisition of skills and competencies with a view to increasing and developing adaptability, particularly in order to consolidate technological and organisational change
- to promote and reinforce the contribution of vocational training to the process of innovation, with a view to improving competitiveness and entrepreneurship, also in view of new employment possibilities; special attention will be paid in this respect to fostering co-operation between vocational training institutions, including universities and undertakings, particularly SMEs.

The programme is open to a wide range of European countries: all Member States, the EFTA/EEA countries as well as all candidate countries. Proposals may be submitted by private, public or semi-public organisations and institutions involved in vocational. Potential promoters

will therefore include: enterprises, particularly SMEs, including businesses active in the vocational training field; as well as professional organisations including chambers of commerce etc. Addresses of National Agencies can be found on the Leonardo da Vinci Website:

[http://europa.eu.int/comm/education/leonardo/leonardo2\\_en.html](http://europa.eu.int/comm/education/leonardo/leonardo2_en.html)

#### **4.4. More in detail – what support is available to enterprises until accession?**

Until accession the candidate countries will benefit from pre-accession funding from the Community budget. The most important funding is provided through the so called PHARE programme, which aims at assisting the candidate countries of Central and Eastern Europe in their preparations for accession. Two other programmes are ISPA for transport and environment and SAPARD for agriculture. The three Mediterranean candidate countries, Cyprus, Malta and Turkey, are also receiving financial support.

PHARE assistance to SMEs in the candidate countries has been delivered through a wide range of instruments. *PHARE National Programmes* have supported SME development, privatisation, enterprise restructuring and modernisation of banking and financial services through the provision of know-how. They have provided support for installing proper legislation and structures, promoted institution building and the development of local business support services. The *PHARE Economic and Social Cohesion Programme* focuses on regional development and serves as a predecessor to the future use of structural funds. Depending on the country specific priorities it may contain a number of direct support measures for enterprise development like training and investment grants. SMEs in the candidate countries have also received indirect benefit from other programmes under PHARE, for instance programmes on environment, foreign direct investment promotion, education, training, research, energy, trade development and employment.

The *SME Finance Facility* has provided loans and equity finance to financial intermediaries to facilitate access to finance for SMEs (see question 4.5.).

The *PHARE Business Support Programme* enhances the development and functioning of business representation (Chambers of Commerce etc.) in candidate countries in close co-operation with similar organisations in the present Member States and on the EU level. It also give support to business organisations in candidate countries to give information to the enterprises on the EU legislation (*acquis communautaire*) relevant to them.

*PHARE Cross Border Co-operation Programmes* have promoted co-operation between border regions of central and Eastern Europe and between these regions and adjacent regions of present Member States. Their components have addressed SME development issues at cross border level.

Also the *SAPARD programme*, which focuses on agriculture, contains measures to support rural enterprise development in order to create alternative or additional employment opportunities for former agricultural employees and to diversify the economic base of rural areas.

*Useful links:*

*PHARE programme:*

<http://europa.eu.int/comm/enlargement/pas/phare/index.htm>.

*PHARE Information Centre:*

[http://europa.eu.int/comm/enlargement/contacts/info\\_centre.htm](http://europa.eu.int/comm/enlargement/contacts/info_centre.htm)

Call for tenders and information on specific projects:  
<http://www.europa.eu.int/comm/europeaid/cgi/frame12.pl>

SAPARD:  
<http://europa.eu.int/comm/enlargement/pas/sapard.htm>

ISPA:  
<http://europa.eu.int/comm/enlargement/pas/ispa.htm>

#### **4.5. How does the EU improve the access to finance for SMEs in the candidate countries?**

Access to finance remains one of the biggest hurdles to enterprise development in candidate countries. Due to the high collateral requirements of commercial banks, many enterprises, especially micro-enterprises and start-ups, have difficulty in obtaining external financing. In addition, interest rates are often higher. Finance for enterprises with high growth potential, such as venture capital or funding from business angels, is scarce. Therefore, while commercial banks remain the primary source of external financing, public support is provided where the biggest market gaps exist.

Depending on the countries' priorities, *PHARE programmes* contain measures to improve access to external finance, such as support for loan guarantee, micro loan or venture capital schemes. Other measures, like investment grants or subsidised interest rates, aim to reduce the cost of external finance. All such schemes are implemented in a decentralised way through intermediaries in the candidate countries who can also provide more detailed information on the different schemes available in a given country. Enterprises in the candidate countries should always approach these national contact points first, rather than the European Commission. A website link to the major national contact points can be found in annex 2.

The *SME Finance Facility* is a joint initiative of the PHARE programme, the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank in association with the German Kreditanstalt für Wiederaufbau (KfW) and the European Investment Bank (EIB). It provides loan, leasing and equity finance to financial intermediaries (commercial banks, leasing companies and venture capital funds) to increase their capacity to lend to or invest in SMEs. In addition, by providing technical assistance - training loan officers in best practice lending to SMEs - it provides financial intermediaries with the skills to lend profitably and sustainably to SMEs, thus encouraging them to develop this activity over the long term. For details and the list of participating intermediaries in candidate countries, see:

<http://europa.eu.int/comm/enlargement/pas/phare/programmes/multi-bene/smefinance.htm>

[http://europa.eu.int/comm/enlargement/pas/phare/pdf/sme\\_facility.pdf](http://europa.eu.int/comm/enlargement/pas/phare/pdf/sme_facility.pdf)

The *financial instruments* of the *Multiannual Programme for Enterprise and Entrepreneurship* (see question 4.3) – the SME Guarantee Facility, ETF Start-up Facility and Seed Capital Action – provide, respectively, co- or counter-guarantees for existing national loan guarantee schemes (direct guarantees can also be given), venture capital for existing venture capital funds and grants for the hiring and training of specialist fund managers in seed and early stage funds. The instruments, which are open to Member States, EFTA/EEA<sup>4</sup> and candidate countries, increase the amount of loan and equity finance available to SMEs. Financial intermediaries interested in participating should contact the European Investment Fund (EIF) in Luxembourg (an international financial institution managing the financial instruments on behalf of the EU). Individual SMEs, however, should not contact the EIF, since it does not itself manage any direct assistance programme, but should rather check the EIF's website to see which national financial

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<sup>4</sup> Iceland, Liechtenstein and Norway

intermediaries are participating and then contact these directly. More precise information can be found in the guidelines for the financial instruments on the EIF's website at [http://www.eif.org/publications/pub\\_oper.htm](http://www.eif.org/publications/pub_oper.htm).

#### **4.6. How does the EU support business support institutions and Europe-wide business-related information and networking?**

The *Euro Info Centres network* (EIC) is financed under the Multiannual Programme for Enterprise and Entrepreneurship (see question 4.3.). It consists of around 300 information offices across all over Europe – EU member countries, EFTA/EEA- countries and the candidate countries.

The EIC network has been present in Central – and Eastern European Countries since the early 1990's. In 2003 the total number of EICs in the candidate countries including Turkey, Malta and Cyprus is expected to increase to above 70 offices.

The mission of the EIC business support network is to provide advice and assistance to enterprises on a wide range of Community issues. This includes in particular information on EU legislation and the search for business partners in other countries.

*Useful links:*

*Euro Info Centres network:*

<http://europa.eu.int/comm/enterprise/networks/eic/eic.html>

#### **EIC – campaign: “Business Opportunities with Enlargement”**

EU enlargement means market integration, new challenges and commercial possibilities for trade and industry across Europe. The EIC network is in a strong position to identify SME needs, new market opportunities and to provide tailor made services to the local business community. This is why DG Enterprise has launched the EIC - campaign “Business Opportunities with Enlargement” – of which the core events take place in a local or regional setting – awareness raising conferences, business clubs and enlargement services. The EIC network is a reference point on where to seek information, advice and assistance on business opportunities with enlargement.

SMEs interested to participate should contact their local EIC!

<http://eic.ccc.eu.int/enlargement>

*Useful links:*

*Improving business support measures:*

[http://europa.eu.int/comm/enterprise/entrepreneurship/support\\_measures/index.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/index.htm)

*Start ups:*

[http://europa.eu.int/comm/enterprise/entrepreneurship/support\\_measures/start-ups/helping.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/start-ups/helping.htm)

*Commission Staff Working Paper: Creating Top Class Business Support Services:*

[http://europa.eu.int/comm/enterprise/entrepreneurship/support\\_measures/top-class/index.htm](http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/top-class/index.htm)

#### 4.7. How does the EU support innovation in candidate countries?

Within the Framework Programmes for Research and Technological Development a network has been set up of about 70 *Innovation Relay Centres* all over Europe, including the candidate countries. The mission of the centres is to support innovation and transnational technological co-operation in Europe with a range of specialised business support services. Their services are primarily targeted at technology-oriented small and medium-sized enterprises (SMEs), but are also available to large companies, research institutes, universities, technology centres and innovation agencies.

<http://irc.cordis.lu>

Other EU policy activities in support of innovation in candidate countries include the following:

Sixteen projects were launched in the candidate countries, in 2001-2002, with the aim of developing and implementing regional innovation strategies (RIS). Furthermore, candidate countries have also been welcomed into the network of Innovative Regions in Europe.

<http://www.innovating-regions.org>

On 11 March the Commission adopted a communication on innovation policy addressing the particular circumstances of candidate countries. It aims to encourage a coherent development and implementation of innovation policies in Europe, in particular by contributing to an environment conducive to innovation.

The European Commission has commissioned a review of innovation issues in candidate countries: "Innovation policy in six Candidate countries"<sup>5</sup>, and "Innovation policy in seven Candidate Countries"<sup>6</sup>. It also contains detailed individual country reports.

<http://www.cordis.lu/innovation-policy/studies>

To get an overall view and a comparison to present Member States, the European Innovation Scoreboard compares key parameters for innovation performance. Its 2002 edition includes for the first time candidate countries as far as data availability permitted ( <http://www.cordis.lu/scoreboard> ). The *Trend Chart on Innovation* follows programmes and schemes on innovation ( <http://trendchart.cordis.lu> ).

*Useful links:*

*Innovation and Technology transfer:*

<http://www.cordis.lu/itt/itt-en/02-spec01/index.htm>

<http://www.cordis.lu/itt/itt-en/02-spec01/links.htm>

#### 4.8. What kind of support will be available after accession?

After accession has taken place, the new Member States will benefit from the Structural Funds. The ten new Member States will benefit from € 21,9 billion from 2004 – 2006 (on average about €7,3 billion a year). In present Member States an important part of structural funds are spent on "aid for the production sector", i.e. enterprise development related measures. It is likely that a similar development will take place in the future Member States, which would mean that the structural funds will be one of the most important sources for enterprise support programmes over the years to come. However, it is largely up to the countries themselves to prioritise and choose the areas on which they want to spend the Structural Funds at their

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<sup>5</sup> Published, covering: Cyprus, Czech Republic, Estonia, Poland, Hungary and Slovenia

<sup>6</sup> Final report expected April 2003, covering Bulgaria, Latvia, Lithuania, Malta, Romania, Slovakia, Turkey

disposal. Structural funds will be implemented in a decentralised way through intermediaries in the respective country, so the European Commission does not deal with any direct applications from enterprises.

The final PHARE and pre-accession programming for acceding countries is taking place in 2003. To ensure an appropriate transition to structural funds PHARE project implementation will continue into the first years after accession.

*Useful links:*

*EU regional policy: key documents:*

[http://europa.eu.int/comm/regional\\_policy/sources/key/key\\_en.htm](http://europa.eu.int/comm/regional_policy/sources/key/key_en.htm)

*Structural actions in support of enlargement:*

[http://europa.eu.int/comm/regional\\_policy/themes/enlarge\\_en.htm](http://europa.eu.int/comm/regional_policy/themes/enlarge_en.htm)

## **5. Impact of enlargement on different sectors in the acceding countries**

### **5.1. What impact will the accession have on steel industry in acceding countries?**

The steel industry in candidate countries is currently undergoing a substantial restructuring. Reminiscent of the European restructuring of the mid 80's, it will differ in many respects although the aims remain the same: to restore the viability of companies and to safeguard the effective functioning of the Single Market.

Restructuring is the prerequisite of accession. When successfully completed, it will restore viability and competitiveness to an industry which is currently plagued by overcapacity in certain products, low overall productivity, a production rather than market oriented sales strategy and high levels of production costs (especially when it comes to energy efficiency) These industries will also become integral parts of a huge market which consumes 18,6% of the world's crude steel production, second only to China. A result of adopting the Community environmental "acquis" for steel, the new Member States will benefit from an increased environmental protection

A plethora of challenges lies ahead for the acceding countries' steel industry. The greatest one of all is to face successfully the competition pressure of the EU's steel market, hence surviving in an environment that bears little resemblance to the non-competitive Comecon framework. Shifting the product range towards higher value added products, will inevitably bring acceding countries' steel industries in competition with modern European steel plants. In order to survive this competition they must acquire comparable cost structures as well as extremely apt management capable of linking production to the market. This is a one-time opportunity, after accession the granting of state aid in the purpose of restructuring will no longer be permissible under EU competition legislation. Finally due to the concentration of the acceding countries' steel industry in certain regions (Silesia triangle) the societies as a whole will have to face regional and social challenges.

*Useful links:*

*Enterprise Directorate General's Steel web site:*

<http://europa.eu.int/comm/enterprise/steel/index.htm>

## **5.2. What impact will the enlargement have on the automotive industry in the acceding countries?**

The harmonisation of the motor vehicle technical regulations throughout Europe ensures high levels of safety and environmental protection for the present and future EU population. At the time of accession all candidate countries must fully implement the EC legislation on Motor Vehicle Type-Approval. At present candidate countries are finalising the process of aligning their respective national regulations with the EC legislation. The new legislation will help to reduce many of the technical obstacles and administrative procedures that both manufacturers and consumers in the candidate countries are currently facing. European level harmonisation allows larger production series, thereby contributing to cost reduction for both manufacturers and consumers. Finally, technical harmonisation in conjunction with the new rules on car distribution and the introduction of the Euro will enhance consumer choice.

Many international producers have been establishing manufacturing operations in the acceding countries since the early 1990s, as a part of their globalisation strategy. Central and Eastern Europe offers strategic advantages, both as a market, and as an industrial base. The main strategic advantage consists of the high potential for market growth. New car sales are expected to increase significantly, as a result of the fast growing economies in Central and Eastern Europe, as well as the extension and improvement of its road infrastructure. The main competitive advantage of the sector in the acceding countries is lower production costs. Local supply of components alone can reduce a car manufacturer's costs by as much as 12 percent. Despite the fact that wage rates and production costs are rising, they are expected to remain below the current EU levels for several years. The availability of skilled workforce is another asset for the motor vehicle industry, which offers many opportunities for an international career.

Some relocation of production from the present 15 EU Member States to the acceding countries has taking place, and this trend will be facilitated by the implementation of the Internal Market policy in these countries. Nevertheless, it is expected that the increase of capacity in the candidate countries will mainly cater for the expected increase in motor vehicle demand in Eastern Europe.

At present, products from third countries, such as Japan and the USA, are subject in the acceding countries to tariff duties, which are generally higher than those of the EU. By the time of the acceding, candidate countries will adopt the EU tariff levels. In consequence, industry and consumers will benefit from a reduction of the costs of imports from third countries.

The automotive industry in the candidate countries will have to continue adjusting to an increased exposure to global business and an increased demand for environmental protection.

*Useful links:*

*Enterprise Directorate General's Automotive web site:*

<http://europa.eu.int/comm/enterprise/automotive/index.htm>

## **5.3. What impact will enlargement have on the pharmaceutical industry in the acceding countries**

The forthcoming enlargement will make it easier for pharmaceutical companies in Central and East Europe to gain access to the important markets of the existing Member States. The current Member States will be obliged to recognise authorisations granted by the acceding countries which are in line with the Community standards. This key benefit of the Single Market will allow Central and Eastern European companies to expand their commercial activities much more than today to the territory of the current EU.

After accession companies will have to respect the European standards of quality, safety and efficacy. In many cases companies operate already on this basis so that no change is needed. In a number of cases though it might be necessary to make further investments in old medicines. But these investments should generally be outweighed by the improved business conditions after accession.

The fundamental objective of the Community's pharmaceutical legislation is to protect public health. For this reason, all medicinal products have to fulfil the necessary safeguards of quality, safety and efficacy and to obtain a marketing authorisation before they can be marketed. For highly innovative medicines, this marketing authorisation is granted directly by the European Commission and it is valid throughout the entire Community.

With enlargement, the Community marketing authorisations will become valid in the new Member States, too. This will have the important and positive effect that these medicines may be marketed in the new Member States and hence may be made available to the patients and animals without the need to obtain a new marketing authorisation. If industry makes use of this possibility, it offers an importance chance to increase the availability of key medicines in the new Member States.

The majority of medicinal products are based however on national marketing authorisations, issued by competent authorities of the respective countries. These national authorisations have to respect the same criteria of quality, safety and efficacy. Authorisations already existing in the acceding Member States have to respect these criteria, which is very much in the interest of patients in these countries.

It is not to be expected that this will lead to significantly fewer medicines in the new Member States. Generally speaking, these countries have aligned their national law to the Community standards already several years ago. So the more recent medicines should comply with the necessary criteria of quality, safety and efficacy.

Only the older medicines will have to be assessed again. But where the acceding Member State had the impression that it might be too difficult to realise this reassessment until accession, they asked and obtained transitional periods up to 2008. This leaves more time and can help to maintain certain medicines on the market of the acceding Member State, until the product fully complies with the EU standards.

On the whole enlargement should have a positive effect also on the availability of medicines in the new Member States.

*Useful links:*

*Pharmaceuticals, biotechnology:*  
<http://pharmacos.eudra.org/>

#### **5.4. What impact will enlargement have on the chemical industry in the acceding countries?**

By the date of accession the candidate countries must ensure that all goods on its market meet the required EU legislation. The specific legislation for chemicals is based on the need to ensure a single market without barriers to trade. Compliance with the chemical acquis might seem more of a burden than a benefit, but in fact, the chemical industry in the acceding countries gains a single market with all EU Member States using the same legislation.

EU accession will enhance stability in the acceding countries, which will lead to additional foreign direct investments. Companies in many chemical sub-sectors need foreign investments to carry out restructuring programmes. Investments are crucial bringing both know-how and capital to the sector.

In most candidate countries the chemical sector is an important part of the manufacturing industry, producing a wide range of products. In the first phase of transition, the output of the sector declined more than the rest of the economy. However, since 1993 the situation has improved and output started to grow. Among the CEECs, Poland is the largest producer of chemicals, followed by Hungary and the Czech Republic. The chemical sector is a relatively attractive sector for foreign investors. Foreign Direct Investment has been particularly strong in detergents and paints.

Wages in the sector are above manufacturing average but much lower than in the EU. During transition, wages increased faster than productivity. Since the wage increase has been higher than the productivity increase, unit labour cost has risen on the cost of competitiveness for the sector.

The EU is the most important trading partner for chemicals, accounting for 60-70% of chemical imports. However, exports are less oriented towards the EU markets than total manufacturing and trade deficits are increasing. Basic chemicals dominate exports, while imports from the EU are more diversified.<sup>7</sup>

The chemical industry in the candidate countries has had to face several challenges since the initial stage of transition. It has had to adjust to privatisation, legal changes, new technology, restructuring and the loss of the eastern market.

With the removal of national barriers and increased exposure to global business, companies must adapt. Low salaries compared to the EU are a competitive advantage but rising wage levels, smaller plant capacity and outdated production techniques put pressure on the industry to restructure. In particular, chemical SMEs will face difficulties to implement EU rules on workplace safety and environmental protection.

Growth potential still exists, but both on the domestic and export markets there is strong competition.

Another challenge for the chemical industry in the acceding countries is the new chemicals policy, which at present is being drafted by the Commission services. Candidate countries are now in the process of implementing the existing *acquis* but within some years a new system will need to be put in place. The existing legislation is a good platform for the new legislation but industry should be made aware of the contents of the new chemicals policy.

*Useful links:*

*Enterprise Directorate General's Chemicals web site*

<http://europa.eu.int/comm/enterprise/chemicals/enlargement/enlargement.htm>

## **5.5. What impact will enlargement have on textile and clothing industry in the acceding countries?**

In some candidate countries, the textile and clothing industries have traditionally played an important role in the manufacturing industry. Many EU-based companies have already relocated

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<sup>7</sup> Development and Prospects of the Chemicals, Chemical Products and Man-made Fibres Sector in the Central and Eastern European Countries, WIIW, 2001/3

mass production to the candidate countries, particularly in the sub-sector of clothing manufacture. Further integration into the EU is likely to continue to attract European investors and more EU businesses will develop relations and co-operation strategies with their counterparts from candidate countries.

The main comparative advantage of the sector in the candidate countries continues to be their low labour costs compared to EU 15, and these are likely to persist in the short term.

The rapid completion of a Pan-Euro-Med production and consumption zone is seen by many to be a vital complement to EU enlargement for the textile and clothing sector. The creation of a Pan-Euro-Med Zone would benefit the textile and clothing sector, by keeping all the steps in the chain of production at close proximity to EU markets.

The textile industry in the existing Member States has undergone severe restructuring and modernisation over the past two decades, which has increased its competitiveness in international markets but which has led to substantial job losses. In order to cope with competitive pressure and market forces within the EU, businesses in the candidate countries will have to undertake a similar process.

Moreover, the adoption of the EU's trade policy acquis at the moment of enlargement is likely to have a severe impact on companies in the sector, and their markets risk being invaded by products (mainly from Asia) in direct competition with their low and medium-price products. Further relocation to third countries (e.g. the Balkans, Ukraine, Mediterranean rim) may result.

Businesses will also face the challenge of having to adapt to EU legislation and regulations in areas such as competition policy, state aid rules, intellectual property, social affairs, and in particular health and safety and environmental protection.

*Useful links:*

*Enterprise Directorate General's Textiles and Clothing web site*

<http://europa.eu.int/comm/enterprise/textile/enlarg.htm>

*Conference on the future of the textile and clothing industry in an enlarged Europe*

[http://europa.eu.int/comm/enterprise/textile/conf\\_tc200303\\_en.htm](http://europa.eu.int/comm/enterprise/textile/conf_tc200303_en.htm)

*Useful links to other sectors on Enterprise Directorate General's web page:*

[http://europa.eu.int/comm/enterprise/policy\\_en.htm](http://europa.eu.int/comm/enterprise/policy_en.htm)

## **Annex 1**

### **Other useful links to Commission web pages**

#### ***Agriculture***

[http://europa.eu.int/comm/agriculture/external/enlarge/index\\_en.htm](http://europa.eu.int/comm/agriculture/external/enlarge/index_en.htm)

#### ***Audiovisual Policy***

[http://europa.eu.int/comm/avpolicy/extern/enlar\\_en.htm](http://europa.eu.int/comm/avpolicy/extern/enlar_en.htm)

#### ***Budget (economic and budgetary impact on current Member States)***

[http://europa.eu.int/comm/budget/financing/enlargement\\_en.htm](http://europa.eu.int/comm/budget/financing/enlargement_en.htm)

#### ***Competition***

<http://europa.eu.int/comm/competition/enlargement/>

#### ***Development***

[http://europa.eu.int/comm/development/elarg\\_en.htm](http://europa.eu.int/comm/development/elarg_en.htm)

#### ***Economic and Financial Affairs***

[http://europa.eu.int/comm/economy\\_finance/publications/enlargementpapers\\_en.htm](http://europa.eu.int/comm/economy_finance/publications/enlargementpapers_en.htm)

[http://europa.eu.int/comm/economy\\_finance/about/activities/activities\\_thirdcountriseconomic\\_en.htm#enlargement](http://europa.eu.int/comm/economy_finance/about/activities/activities_thirdcountriseconomic_en.htm#enlargement)

#### ***Energy and Transport***

[http://europa.eu.int/comm/energy\\_transport/en/elarg\\_en.html](http://europa.eu.int/comm/energy_transport/en/elarg_en.html)

#### ***Employment and Social Affairs***

[http://europa.eu.int/comm/employment\\_social/intcoop/index\\_en.htm](http://europa.eu.int/comm/employment_social/intcoop/index_en.htm)

[http://europa.eu.int/comm/employment\\_social/empl&esf/enlargement\\_en.htm](http://europa.eu.int/comm/employment_social/empl&esf/enlargement_en.htm)

[http://europa.eu.int/comm/fisheries/enlargement/index\\_fr.htm](http://europa.eu.int/comm/fisheries/enlargement/index_fr.htm)

<http://www.europa.eu.int/comm/enlargement/negotiations/chapters/chap2/index.htm>

[http://www.europa.eu.int/comm/enlargement/docs/pdf/migration\\_enl.pdf](http://www.europa.eu.int/comm/enlargement/docs/pdf/migration_enl.pdf)

#### ***Enterprise***

[http://europa.eu.int/comm/enterprise/enterprise\\_policy/enlargement/index.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/enlargement/index.htm)

#### ***Environment***

[http://europa.eu.int/comm/environment/enlarg/index\\_en.htm](http://europa.eu.int/comm/environment/enlarg/index_en.htm)

#### ***Fisheries Policy and the Enlargement***

[http://europa.eu.int/comm/fisheries/enlargement/index\\_fr.htm](http://europa.eu.int/comm/fisheries/enlargement/index_fr.htm)

#### ***Health and Consumer Protection***

[http://europa.eu.int/comm/dgs/health\\_consumer/enlargement/index\\_en.html](http://europa.eu.int/comm/dgs/health_consumer/enlargement/index_en.html)

#### ***Information Society***

[http://europa.eu.int/information\\_society/topics/international/index\\_en.htm](http://europa.eu.int/information_society/topics/international/index_en.htm)

#### ***Internal Market***

[http://europa.eu.int/comm/internal\\_market/en/update/enlarg/index.htm](http://europa.eu.int/comm/internal_market/en/update/enlarg/index.htm)

#### ***Regional Policy***

[http://europa.eu.int/comm/regional\\_policy/themes/enlarge\\_en.htm](http://europa.eu.int/comm/regional_policy/themes/enlarge_en.htm)

***Research***

<http://www.cordis.lu/fp5/enlargement.htm>

[http://europa.eu.int/comm/research/inco/newsletter/candidate\\_en.html](http://europa.eu.int/comm/research/inco/newsletter/candidate_en.html)

## **Annex 2**

### **List of contact addresses for EU enterprise support programmes in the acceding countries**

#### **Cyprus**

Cyprus Chambers of Commerce [www.cci.org.cy](http://www.cci.org.cy)

#### **Czech Republic**

Business Development Agency [www.arp.cz](http://www.arp.cz) Economic Chamber of Commerce [www.komora.cz/eu](http://www.komora.cz/eu)

Confederation of Czech Industry [www.spcr.cz](http://www.spcr.cz)

#### **Estonia**

Enterprise Estonia [www.eas.ee](http://www.eas.ee)

Credit and Export Guarantee Fund [www.kredex.ee](http://www.kredex.ee)

Estonian Chamber of Commerce and Industry [www.koda.ee](http://www.koda.ee)

Estonian Association of SME's [www.evea.ee](http://www.evea.ee)

The Confederation of Estonian Employers and Industry [www.ettk.ee](http://www.ettk.ee)

#### **Hungary**

Hungarian Chamber of Commerce and Industry [www.mkik.hu/eng](http://www.mkik.hu/eng)

The Hungarian Investment and Trade Agency [www.itd.hu](http://www.itd.hu)

Hungarian Foundation for Enterprise Promotion [www.mva.hu](http://www.mva.hu)

#### **Latvia**

Latvian Chamber of Commerce and Industry [www.chamber.lv](http://www.chamber.lv)

Latvian Development Agency [www.lda.gov.lv/eng](http://www.lda.gov.lv/eng)

#### **Lithuania**

Lithuanian Agency for Small and Medium Sized Enterprises [www.svv.lt](http://www.svv.lt)

Lithuanian Development Agency [www.lda.lt](http://www.lda.lt)

Confederation of Lithuanian Industrialists [www.lpk.lt](http://www.lpk.lt)

#### **Malta**

The Malta Chamber of Commerce [www.chamber.org.mt](http://www.chamber.org.mt)

Malta Federation of Industry [www.foi.org.mt](http://www.foi.org.mt)

Institute for the Promotion of Small Enterprise [www.ipse.org.mt](http://www.ipse.org.mt)

#### **Poland**

Polish Agency for Enterprise Development (PARP) [www.parp.gov.pl](http://www.parp.gov.pl)

#### **Slovakia**

National Agency for Development of Small and Medium Enterprises (NADSME) <http://www.nadsme.sk/index.html>

#### **Slovenia**

Small Business Development Agency <http://www.pcmg.si>

The **Euro Info Centres network** (see question 4.7.) also provides information on EU support programmes

<http://europa.eu.int/comm/enterprise/networks/eic/eic.html>

*Enlargement Address Book*

<http://europa.eu.int/comm/enlargement/pas/phare/publist.htm>

## Annex 3

### Basic checklist concerning entrepreneurship – how to prepare for enlargement

Almost all of the below mentioned areas lie in the responsibility at national level. Therefore it goes without saying that the first and major source of information and interaction are of course contacts with the national, regional or local authorities. Contacts with business support institutions and banks are a further step. This list is only meant to provide some additional hints where to find supplementary information on topics of interest for entrepreneurial activity in an enlarged single market. References are made to the relevant questions of the paper.

#### What to look for...

... **if setting up a company** (see also question 4.6.)

- Verify if *business support institutions* exist in the country that can provide advice on all formalities – perhaps they even provide one-stop shop services, i.e. an applicant can do the different formalities and get advice in just one place; check on the website of the enterprise support institutions in the actual country - see annex 2.
- Check which *literature, brochures and websites* are available which contain information and advice (from administration, banks, Chambers of Commerce etc.)
- Business support institutions but also banks may give advice on how to *elaborate a business plan*. Such a plan will help to make a sound start and get external finance.
- See the below access to finance point, look for possible seed capital and start-up facilities.
- Verify whether there is a business incubator, business or technology park in the area, which might offer a good start-up conditions (business infrastructure, beneficial rent, advice and contacts).
- In case of a university or a research centre, there might be specific schemes for so-called “spin-off” (see below point on innovation).

... **if searching external advice and training on business development, quality, export**

- Business support services, if available, can deliver advice on many of the above areas.
- In some countries, training and consultancy grants are provided for from European assistance programmes. They co-finance the costs of external expertise. Check with the institutions in annex 2.
- There is possibly an export promotion agency in the country in question?
- The sectoral business association for the business’ area of activity might have information on sector specific items related to quality, training and export

... **if searching external finance** (see also above question 4.5.)

- Check first the opportunities offered by the local *commercial bank*. Ask whether they have any specific programmes for SMEs, start-ups etc.
- Check on the *SME finance facility* website which commercial banks in the country in question participates in the facility and should thus be more inclined to work with SMEs (see question 4.5. – list of participating commercial banks)
- Ask if there are any *loan guarantee schemes* operational in the country/region, which will lower the risk of the bank and thus make the bank more inclined to give a credit for the business development. Ask whether they offer better rates in combination with a loan guarantee given that the bank’s risk is diminished.
- In case of a very small enterprise check whether there are *micro-loan schemes* operated in the region/country; in case of a start-up there might also be specific seed capital and start-up measures.
- Especially if the enterprise operates in an area with ‘high-growth potential’ (often in the area of high-tech, ICT etc.) but also higher business risks check the availability of

venture/risk capital<sup>8</sup> (see for some further description and contact addresses the EIF websites, question 4.5. and addresses in annex 2). Are any business angel schemes<sup>9</sup> operating in the country?

- In case the enterprise works in the agricultural field, also check whether it is eligible to any support measure under the EU SAPARD programme (see question 4.4.).

... **knowledge on EU legislation** (see also question 3.2., 3.3 and 4.6.)

- First of all, contact the nearest Euro Info Centre. It is part of a Europe wide network and has access to a pool of all EU legislation (see website question 4.6.)
- TAIEX, the Technical Assistance Information Exchange Office of the Commission for candidate countries, has a number of databases. One of them contains the full texts of the translation of the *acquis communautaire* into the languages of the candidate countries. The database is called CCVista and can be found at <http://ccvista.taiox.be>
- TAIEX also offers a database with the reference to national legislation of the candidate countries in respect of the *acquis*. The database is called LAD (Law Approximation Database) and can be found at <http://lad.taiox.be>
- The website of the European Commission, CELEX and EUR-Lex, contains all EU legislation in the language of present Member States.  
<http://europa.eu.int/eur-lex/en/index.html>  
[http://europa.eu.int/celex/hm/celex\\_en.htm](http://europa.eu.int/celex/hm/celex_en.htm)
- The general Commission website also contains many information about policy trends and coming legislative changes ( [http://europa.eu.int/comm/index\\_en.htm](http://europa.eu.int/comm/index_en.htm) see in particular Directorate General for Enterprise (industrial products), Internal Market, Environment, and Health and Consumer Protection).
- Contact the national ministry for national laws implementing EU legislation.
- The sectoral business association for the business' area of activity might have information on sector specific legislation

... **adapting production to EU standards** (see also question 3.4.)

- Check relevant legislation (see above point).
- Check relevant standards on the website of the Commission and the European and national standardisation organisations (see links under question 3.4.)
- Contact the national standard organisation and sectoral business associations.
- Check for possible special financial help for adapting the production facilities to EU standards (see question on access to finance).

... **business partners abroad** (see also question 4.6.)

- The nearest Euro-Info Centres can help with partner research (see question 4.6.).
- The local Chamber of Commerce might be able to offer assistance.
- Is there an Export Promotion Agency in the country, which might offer some help.
- Contact the sectoral business association, Chambers of Commerce, (Foreign) Investment promotion agency, Ministry of Economy of the country in case of entrepreneur looking for business partners.

... **setting up a business abroad in an EU Member State**

- Again, the nearest Euro Info Centre can help as they are linked to the Euro Info Centres in the country of interest (see question 4.6.)

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<sup>8</sup> risk/venture capital = external finance for higher risk enterprises, mainly in the form of equity capital, i.e. the venture/risk capital fund participates with shares in your business, thus sharing the risk but also the opportunities of your business with also some influence on the management decisions

<sup>9</sup> business angel = experienced (often former) business people participate in your business by providing capital and advice

- Contact the sectoral business association, Chambers of Commerce, (Foreign) Investment promotion agency, Ministry of Economy of the country of destination.
- Check the relevant labour law with the labour offices in the country of destination, the Ministry of Labour of the country concerned might have website information.
- With regard to the EU legislation on freedom of establishment, free movement of service and of workers until accession and after accession consult the website of the Directorate General for the Internal Market of the European Commission (see address in annex 1, see also question 3.2.).

... **introducing innovation** (see also question 4.7.)

- Think about co-operating with other enterprises, universities, research institutions or foreign investors or partners.
- In case of a university/research institute which wants to set up a business there might be specific “spin-off” programmes.
- Is there any technology centre or science park, which might help or which offers space for rent? Is there a technology agency in the country offering specific help.
- There might be a special programme, possibly supported by EU funds, providing advice and financial support for innovation activities.
- Ask the *Innovation Relay Centres* for help, in particular if looking for cross-border co-operations.
- Verify whether participation in the *EU's Sixth Framework Programme* for Research and Development is an option (see question 4.3.).