Cyprus: accession to the European Union and progress in negotiations

1997/2171(COS) - 08/11/2000 - Supplementary non-legislative basic document

This Regular Report for 2000 on Cyprus follows largely the same structure as the Commission's 1997 Opinion and of subsequent reports; however, it differs from that used in previous years on two minor points. Firstly, the part of the present report assessing Cyprus's ability to assume the obligations of membership has been structured to follow the list of 29 negotiating chapters covering the acquis. Secondly, this part has been broadened to cover also Cyprus's administrative capacity to apply the acquis under each of the negotiating chapters (previously discussed in a separate section of the report). This report takes into consideration progress since the 1999 report and looks at whether intended reforms referred to in the 1999 report have been carried out and it also examines new initiatives. As regards the relations between the European Union and Cyprus, there are intensifying as the accession negotiations progress. Moreover, on the basis of a new Financial Regulation, an Accession Partnership was established by a Council Decision of 20 March 2000. In mid September Cyprus submitted a first National Programme for Adoption of the Acquis (NPAA) to the Commission, in which it outlines the strategy for accession including how to achieve the priorities contained in the Accession Partnership. As far as Community aid is concerned, four financial protocols are signed with Cyprus between 1978 and 1999. After the expiry of the Fourth Financial Protocol with Cyprus on 31 December 1999, the Council adopted on 13 March 2000 Regulation 555/2000/EC, on the implementation of operations in the framework of the pre-accession strategy for Cyprus and Malta. The global amount of pre-accession aid available to Cyprus for the whole five year period 2000-2004 will be EUR 54 million. For the time being no twinning projects have been implemented but the possibility of using twinning is being envisaged for 2001. Cyprus continues to fulfil the Copenhagen political criteria. The predominant political problem is the continued division of the island, but over the last year important efforts have been made in the search for a political settlement in line with the Accession Partnership. From the fourth round of proximity talks held in September there were encouraging signs that the two sides were engaging in substantive discussion. In terms of the economy, it is continuing to grow strongly and is operating at full employment. Some progress is being made in the areas of liberalisation and structural reforms. On the other hand, macroeconomic stability has weakened recently, and the current level and stance of fiscal policy are not susutainable over the medium term. There is a need to develop a credible and coherent approach to fiscal consolidation. With a view to progressive capital liberalisation, monetary policy must be made more efficient and market-oriented by the use of indirect instruments rather than direct interventions. Overall, during the period covered by this report, Cyprus has achieved substantive progress in various areas of the acquis adn continued with further harmonisation measures. Progress has been made in the areas of the internal market, although further efforts are still needed in respect of standardisation and certification; indirect taxation; transport and fisheries;justice and home affairs. It should be noted that the situation relating to State aid remains unsatisfactory, as there stilll exists no proper State aid control and no legal basis for it. Further efforts are needed both in relation to veterinary controls at border posts and the setting up of regulatory authorities.