Journal of Economic Cooperation **26**, 3 (2005) 35-76

EU ENLARGEMENT AND ITS IMPLICATIONS FOR THE OIC COUNTRIES

Murat İlkin*

The EU's recent enlargement on 1 May 2004 is likely to have a considerable impact on its neighboring countries, including OIC countries. Essentially, EU's new members will benefit from more EU funds. The article explains in what context the new members will benefit from membership while examining the possible implications of EU enlargement on the economies of neighboring OIC countries, particularly those ones that it has close economic ties with. To that end, EU's relations with OIC Mediterranean countries, the Gulf Cooperation Council Countries (GCC) and OIC countries in Central Asian Region are explained within the context of existing trade agreements as well as the EU's "Wider Europe – New Neighborhood" policy. It appears that OIC countries in these regions will face ever-increasing challenges from EU enlargement, as they will witness possible changes in the direction of EU's trade and investment flows. Moreover, increased EU investments in the new EU countries will become a source of challenge for the OIC countries.

1. INTRODUCTION

The establishment of the European Union (EU) dates back to the early 1950s when its founding six members[1] created a single market for their coal and steel industries on 18 April 1951 by signing the Treaty establishing the European Coal and Steel Community (ECSC), which entered into force on 23 July 1952. This was later followed by the creation of the European Economic Community (EEC) on 25 March 1957 by the Treaty of Rome. The joining of 10 new member states[2], most of them in Central and Eastern Europe, to the EU on 1 May 2004 constituted the Union's fifth enlargement since its establishment (Table A.1 in the Annex).

---

* Research Assistant at the SESRTCIC.

[1] Belgium, France, Germany, Italy, Luxembourg and the Netherlands.

[2] Hungary, Poland, the Czech Republic, Estonia, Latvia, Lithuania, Malta, Cyprus, Slovenia and Slovakia.

The decision to admit these countries to the Union was taken at the Copenhagen European Council on 12-13 December 2002. Moreover, the EU's objective is to welcome Bulgaria and Romania as member states in 2007 (Table A.1 in the Annex). In this respect, if the remaining two candidates join the Union as envisaged by the target date of 2007, all the 10 Central and East European Countries (CEECs) will have joined the EU.

Following its enlargement on 1 May 2004, the Union became more powerful, both economically and politically, in the world arena. Since the EU is already a major economic player globally, its growing power will have an impact on all regions of the world, particularly in neighbouring regions, including the OIC member states. The EU and OIC countries have traditionally maintained strong political and economic relations. Since the end of World War II, the relations between both sides have been primarily developed through trade, EU investments, bilateral association agreements and financial protocols. In this regard, close ties have been established between the Union and OIC Mediterranean countries. In fact, due to geographic proximity and historical reasons, there is a strong potential for further developing those ties in the future. On the other hand, the economic ties between the EU and the Gulf Cooperation Council (GCC) are worth mentioning since significant progress has been achieved on that front and both sides are committed to further strengthening those ties.

As the Copenhagen European Council of 12-13 December 2002 confirmed, enlargement is an opportunity to promote stability and prosperity beyond the new borders of the Union. This has been reaffirmed with Communication No. 104 on "Wider Europe–New Neighbourhood" adopted by the European Commission on 11 March 2003. It sets out a new framework for relations over the coming decade with neighbouring countries, specifically in the south and east, which do not currently have a perspective of membership but which will soon find themselves sharing a border with the Union. The Policy covers Algeria, Belarus, Egypt, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestine, Syria, Tunisia and Ukraine. With the decision of the Council of the European Union on 14 June 2004, it was extended to cover Armenia, Azerbaijan and Georgia (Council of the European Union, 2004, p. 14). Thus, this policy will require increasing regional cooperation towards achieving further prosperity in the regions concerned through strengthened relations between the EU and its neighbouring countries over the coming years. This policy is not viewed as an alternative but as a means of enhancing the Barcelona Process which constitutes the basis of the Euro-Mediterranean Partnership.

Since the "Wider Europe" policy seeks to embrace countries in nearby regions through establishing cooperative relations with them, it will be beneficial for both the EU members and their eastern and southern neighbouring countries as relations between the two could be further strengthened over the coming years. Due to their concern over potential challenges in those regions from other neighbouring countries, the EU's new members will find it necessary to strengthen their existing links with their eastern neighbours, namely the countries in the Central Asian region. It is likely that relations between the new members and the OIC countries in Central Asia will be based on mutual interest and not on competition if close economic ties are developed between those countries and the Union**.** However, competition is likely to prevail in the medium term as countries in the region experience a transitional period in adjusting to the new environment.

This policy also reaffirms the EU's continued interest in developing further economic ties with countries in its neighbouring regions and its support of other new initiatives that will lead to further integration between its members and their neighbouring countries in the years ahead. Thus, it is likely that any further regional economic cooperation that would take place between the EU and its neighbouring countries will contribute to promoting EU-OIC relations.

Regional cooperation has played a key role in the birth of the EU as well as in its successive enlargements. It has gained more worldwide recognition nowadays since more regional blocs have emerged and many countries seek to be part of those groupings as a means of avoiding exclusion from the regional economic processes that may eventually bring prosperity to their members. The EU developed its neighbourhood policy in line with considerations given to developments that are likely to take place in its immediate environment following the enlargement. This also offers an opportunity to identify new areas of cooperation between the EU and countries in nearby regions as well as develop a new framework for possible enlargements in the future.

The second section of the article discusses the enlargement process in the light of the pre-accession financial assistance provided to the CEECs. The third section reviews the EU’s relations with the OIC Mediterranean partner countries, countries of the GCC and OIC countries in Central Asia. The fourth discusses changes that are likely to take place within the Union following the enlargement and the implications and challenges of the EU enlargement for the OIC countries in neighbouring regions. The article ends with concluding remarks on the overall impact of the EU enlargement.

2. EU ENLARGEMENT AND THE CEECs: PRE-ACCESSION FINANCIAL ASSISTANCE

The Copenhagen European Council set out in June 1993 the criteria and conditions for accession to the Union. The Essen European Council finalised in December 1994 the pre-accession strategies, while the Madrid European Council asked the Commission in December 1996 to give its opinion on each applicant country. The Luxembourg European Council decided in December 1997 that accession negotiations begin immediately with six candidates, to be joined in a second wave by five more.

Following the decisions of the Copenhagen European Council in 2002, accession negotiations with the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia were successfully completed and the respective accession treaties were signed at the Athens Summit on 16 April 2003. On 1 May 2004, except for Bulgaria and Romania which are expected to join the EU in 2007, all the CEECs joined the Union.

The CEECs had close relations with the EU through cooperation agreements called the Europe Agreements which were signed in the period 1991-1996 (Table 1). Hungary and Poland were the first countries to sign those agreements in December 1991. By June 1996, Bulgaria, the Czech Republic, Romania, Slovakia, Estonia, Latvia, Lithuania and Slovenia had also signed them. All the agreements came into force by February 1998.

The Europe Agreements aim to establish a Free Trade Area (FTA) between the parties. Trade between the CEECs and the EU has been gradually liberalised since the entry into force of the Agreements in

1994. This process can be regarded as the EU's earliest attempt to gradually open its markets to its eastern neighbours.

Table 1: Europe Agreements with Central and East European Countries (CEECs)

Country	Europe Agreement signed	Europe Agreement came into force
Hungary	December 1991	February 1994
Poland	December 1991	February 1994
Bulgaria	March 1993	February 1995
Czech Republic	October 1993	February 1995
Romania	February 1993	February 1995
Slovakia	October 1993	February 1995
Estonia	June 1995	February 1998
Latvia	June 1995	February 1998
Lithuania	June 1995	February 1998
Slovenia	June 1996	February 1998

Source: http://www.europa.eu.int/comm/enlargement.

The Agreements also envisage financial assistance by the EU to help finance the economic and social reforms in the CEECs. The Poland/Hungary Assistance for the Reconstruction of the Economy (PHARE) programme[3], which was originally established to assist Hungary and Poland, is identified in the Agreements as the financial instrument specifically aimed at helping to achieve the objectives of the Agreements.

As accession to the European Union is now the main aim of the candidate countries, the Europe Agreements have become the framework within which those countries are preparing for membership. In this context, all those programmes seek to help the remaining candidate countries of the CEECs carry out the required reforms for fulfilling the accession criteria. Since Bulgaria and Romania have not yet joined the Union, they are still beneficiaries of the pre-accession financial assistance provided by the Union under those programmes.

The candidate countries of the CEECs that have joined the EU on 1 May 2004 benefited from the EU pre-accession financial assistance under the following programmes:

[3] PHARE was established in 1989 by Council Regulation no. 3906/1989.

- Poland/Hungary Assistance for the Reconstruction of the Economy (PHARE).
- Instrument for Structural Policies for Pre-Accession (ISPA)[4].
- Special Accession Programme for Agriculture and Rural Development (SAPARD)[5].

The PHARE programme was reoriented to provide assistance to the applicant countries of the CEECs following the 1993 Copenhagen Council's invitation to the CEECs to apply for EU membership. ISPA and SAPARD were established in 1999 as a supplement to the PHARE programme. These two grant instruments were established as a result of the initiatives taken on 26 March 1999 at the Berlin European Council as part of the 'Agenda 2000' programme for increased pre-accession assistance in the period 2000-2006. ISPA provides support to investments in transport and environmental protection while SAPARD is designed to channel grants into agricultural reforms and rural development.

Since its inception in 1989, the PHARE programme has undergone significant changes in terms of design, focus and country coverage. Ever since the Luxembourg Council launched in 1997 the present enlargement process, the PHARE funds have focused entirely on the pre-accession priorities highlighted in the Road Maps and the Accession Partnerships. Moreover, an additional area was identified for the period 2000-2006, which was to provide support for investment in economic and social cohesion so as to help future member states use the EU Structural Funds.

Meanwhile, the European Commission has increasingly transferred responsibility for the management and implementation of the PHARE programmes to the authorities in the candidate CEECs through a process of Extended Decentralisation. In this respect, candidate countries are required to operate under the Extended Decentralised Implementation System (EDIS) to prepare for the transition to the Structural Funds and facilitate the implementation of the PHARE projects after accession.

Moreover, substantial changes are being made to the scope of the programme after the entry of eight out of the 10 beneficiary CEECs under the PHARE programme to the Union on 1 May 2004. Although

[4] ISPA was established in June 1999 by Council Regulation no. 1267/1999.
[5] SAPARD was established in June 1999 by Council Regulation no. 1268/1999.

2003 marked the last year of programming for the acceding countries, contracting of projects will continue until 2005 and payments based on those contracts can continue until 2006. The implementation of all ongoing projects in the new member states continues under EDIS.

Until 2003, the overall annual budget for the 10 CEECs under ISPA was 1.1 billion euros and under SAPARD 560 million[6]. In 2004, while ISPA had a budget of EUR 452 million for Bulgaria and Romania, SAPARD's budget amounted to 225.2 million for those two candidate countries. Bulgaria and Romania together have been allocated some EUR 4.5 billion in pre-accession aid for the period 2004-2006 while Turkey, which benefits from a separate pre-accession funding, is due to receive approximately 1.1 billion euros during the same period (EU's Representative Office in Turkey, 2004, p. 3).

The PHARE programme will support institutional building in the new member states until 2006. Between the date of accession and the end of 2006, the EU will provide financial assistance to the new member states to develop and strengthen their administrative capacity. The strengthening of institutional capacity will be addressed in areas which cannot be financed by the Structural Funds such as justice and home affairs, financial control and internal market, including customs union.

Between 1990 and 1999, the EU committed EUR 6.9 billion within the framework of the PHARE programme. For the period 2000-2006, the programme will provide the CEECs with EUR 1.6 billion (Table A.4 in the Annex). The ISPA has a budget of EUR 1 billion per year until 2006 while the SAPARD has a budget of 520 million.

Moreover, with the phasing out of the pre-accession instruments PHARE, ISPA and SAPARD and the phasing in of the Structural Funds[7] and the Cohesion Fund[8], the EU financial support increased substantially

---

[6] Enlargement: Pre-Accession Assistance: *SAPARD*, viewed on 28 December 2004 at http://europa.eu.int/comm/enlargement/pas/sapard.htm.

[7] The Structural Funds comprise the European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Guidance and Guarantee Fund (EAGGF) and Financial Instrument for Fisheries Guidance (FIFG).

[8] The Cohesion Fund was set up in 1993 to help member states with a GNP lower than 90 per cent of the EU average, and just like the ISPA programme, it finances large-scale environment and transport projects.

and became fully decentralised. The PHARE programme does not have a direct successor as in the case of ISPA and SAPARD, which will be replaced by the Cohesion Fund and European Agricultural Guidance and Guarantee Fund (EAGGF) respectively.

Eligibility for the Cohesion Fund is restricted to member states whose GNP is less than 90 per cent of the EU average. The Cohesion Fund differs from the Structural Funds in that it is based on member states rather than regions. Member states are eligible for Cohesion Funding while eligibility for the Structural Funds is usually specific to certain regions. Ireland, Greece, Spain and Portugal were qualified as eligible countries for the Cohesion Fund[9].

The first funding period of the Cohesion Fund was 1993-1999 while the current period runs from 2000 to 2006. A mid-term review for eligibility was undertaken in 2003 and, on that basis, Ireland ceased to be eligible for the Funds from the end of 2003.

In the period 1993-1999, the total assistance from the Cohesion Fund to the four Cohesion countries amounted to EUR 6.7 billion of which Ireland received 9 per cent, Spain 55 per cent and Greece and Portugal 18 per cent each. A budget of EUR 18 billion was allocated to the Cohesion Fund for the period 2000-2006[10].

The new member states will be qualified for the Cohesion Fund support as long as they meet the necessary criteria. Moreover, those countries will receive increased financial support from the respective EU funds in the years ahead. On the other hand, it is likely that those countries will benefit from those funds at an increasing rate. This will ensure that they build on their past achievements. As a result, progress will be achieved in various economic fields at an accelerating rate over a shorter period of time which will contribute to increased investments in the new member states over the coming years.

It can be said that the Europe Agreements increased the prospect of the CEECs becoming EU members as they provided them with trade

[9] In the following sections, Ireland, Greece, Spain and Portugal will be referred to as Cohesion countries.
[10] NDP/CSF Information Office Web Site, Cohesion Fund, http://www.csfinfo.com/htm/cohesion_fund/

concessions and other benefits. By 1997, all the CEECs had applied for membership and most of them became members of the Union following the recent EU enlargement in 2004 (Table A.3 in the Annex). However, since market economy is not fully developed in those countries, it will take some time for them to adjust to the new environment. Moreover, it is likely that some of those countries will have better prospects depending on the level of progress achieved in this transitional period.

On the other hand, the European Investment Bank (EIB) has provided support for the transition and integration processes in the CEECs since 1990. The EIB loans provided in 2003 to the new member states in Central Europe amounted to EUR 3.8 billion (EIB, 2003, p. 25). More than one third of the loans signed were in favour of the transport and telecommunications infrastructures. This is important since the integration of the new and prospective member states into the Union can best be assessed through facilitating adequate transport and telecommunications infrastructures. Without enough support to this important area, it is difficult for the EU to establish the desired economic channels with its partners in neighbouring regions. Consequently, this area will remain a priority in the Union's financial assistance to particularly those countries in neighbouring regions with which the EU already has close economic ties and has in fact developed a desire for welcoming them in the Union in prospective enlargements.

Following the recent EU enlargement, new member states became at the same time shareholders of the Bank, which gave them full access to its facilities on the same basis as the 15 member states before 1 May 2004. The Bank continues to support Romania and Bulgaria in their preparations for EU membership in order for those countries to become members as envisaged in 2007. The Bank combines its financing with the EU pre-accession instruments PHARE and ISPA to help them implement their national development plans and foster their economic integration into the Union. Moreover, the Bank will co-finance projects financed by the available EU funds and the new member states will receive those grants as set out in the Accession Treaties signed with them in Athens on 16 April 2003.

3. RELATIONS BETWEEN THE EU AND OIC COUNTRIES

3.1. Relations between the EU and OIC Countries in the Southern Mediterranean and the Middle East

The EU-Mediterranean relations reached a partnership level with the launching of the Euro-Mediterranean Partnership after the 15 member states of the EU[11] and 12 Mediterranean partner countries[12] signed the Barcelona Declaration at the Euro-Mediterranean Conference of Foreign Ministers in Barcelona on 28 November 1995 (EU, 2000, p. 1). Thus, a significant achievement was made in capturing the Union's attention to the Mediterranean region by bringing the Mediterranean issue back on the European agenda and launching the Barcelona Process during the Spanish EU Presidency in 1995.

The Barcelona Process is a regional framework which brings partners together at the political and technical levels to promote their common interests. In this respect, it builds on the various Mediterranean policies developed by the EU since the 1960s. The three main goals of the EU Mediterranean policy are defined in the Work Programme of the Barcelona Declaration as follows:

- Strengthened political dialogue on a regular basis.
- Development of economic and financial cooperation.
- Greater emphasis on the social, cultural and human dimensions.

An essential feature of the implementation of the Euro-Mediterranean Partnership has been the negotiation of the Euro-Mediterranean Association Agreements between the EU and its Mediterranean partners, which replace the Cooperation Agreements dating back to the 1970s. The provisions of the Euro-Mediterranean Association Agreements governing bilateral relations vary from one partner to another but have certain aspects in common. These are[13]:

---

[11] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Holland, Italy, Ireland, Luxembourg, Spain, Sweden, Portugal and the UK.

[12] Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Palestine, Malta, Morocco, Syria, Tunisia and Turkey.

[13] *The Euro-Mediterranean Partnership: Association Agreements*, viewed on 28 December 2004 at http://www.europa.eu.int/comm/external_relations/euromed.ass_agreements.

- Political dialogue;
- Respect for human rights and democracy;
- Establishment of WTO-compatible free trade over a transitional period of up to 12 years;
- Provisions relating to intellectual property, services, public procurement, competition rules, state aids and monopolies;
- Economic cooperation in a wide range of sectors;
- Cooperation relating to social affairs and migration (including re-admission of illegal immigrants);
- Cultural cooperation.

Thus, the Euro-Mediterranean FTA foresees free trade in manufactured goods and the progressive liberalisation of trade in agricultural products. To that end, the Euro-Mediterranean Association Agreements are a step towards the creation of a wider Euro-Mediterranean FTA with the EU, which will be made possible through the full implementation of the Partnership in line with the Association Agreements.

The Association process still remains at the core of the Partnership. In this regard, the EU enlargement will act as a strong incentive for the Mediterranean EU member states to launch a more effective and comprehensive policy towards the southern Mediterranean. The agreements in force are being actively implemented through the Association councils, committees and the comprehensive set of technical sub-committees being set up (EU, 2003d, p. 4). Further progress achieved in this respect, particularly the completion of the ratification process of the Agreements not yet in force with Algeria, Lebanon and Syria, will be a valuable achievement for the Partnership (Table 2). This will also serve to further strengthen those countries' bilateral relations with the Union and help them keep pace with the developments that will take place within the EU, particularly those which will have a paramount effect on its regional policy on the Mediterranean region.

Moreover, the Association Agreements will continue to provide a useful means of enhancing trade between the EU and OIC Mediterranean partners and bridging the gap between the CEECs through budgetary compensation on accession. Thus, the Association Agreements with the OIC Mediterranean partners will positively affect those countries' foreign trade with the Union and *vice versa*.

Table 2: Progress of Negotiations on Euro-OIC Mediterranean Association Agreements

	Concluded	Signed	Entered into Force
Algeria	December 2001	April 2002	
Egypt	June 1999	June 2001	June 2004
Jordan	April 1997	November 1997	May 2002
Lebanon*	January 2002	June 2002	
Morocco	November 1995	February 1996	March 2000
Palestine**	December 1996	February 1997	
Syria	October 2004		
Tunisia	June 1995	July 1995	March 1998

Source: http://www.mic.org.mt/EUINFO/subjects/CFSP/COM(00)497.htm, p. 16.
Note: Turkey signed an Association Agreement with the EU in September 1963, which came into force in December 1964. Among others, this Agreement aims to achieve a Customs Union.
*An Interim Agreement between the European Community and Lebanon was signed in July 2002 and entered into force in March 2003.
** An Interim Agreement regarding the trade provisions of the Agreement entered into force in July 1997.

The existing Mediterranean Development Assistance (MEDA) programme is the main financial instrument of the Euro-Mediterranean Partnership. It is based on a regulation adopted by the Council of the EU in 1996 that was later amended in 2000 by another regulation known as "MEDA II". In this respect, two periods emerge under the MEDA Programme: MEDA I, covering the 1995-1999 period, and MEDA II, covering the 2000-2006 period.

The European Community grant aid has increased from EUR 3.5 billion under MEDA I to 5.4 billion under MEDA II. Thus, from 1995 to 2003, MEDA committed EUR 5.4 billion in cooperation programmes, projects and other supporting activities, the regional activities comprising around 15 per cent of this budget. At the end of 2004, payments (EUR 750 million) will, for the first time in the history of MEDA, overtake the amount of commitments (EUR 700 million) (EU, 2003d, p. 10).

During the mid-term Euro-Mediterranean Foreign Ministers' meeting, held in Crete on 26-27 May 2003, the ministers invited the Commission to explore how, within the existing MEDA framework, a more substantial involvement of the Mediterranean partners in the relevant EU programmes could be achieved. Before the end of 2005, the Commission must submit to the Council an evaluation report accompanied by proposals regarding the future of the MEDA programme with a view to its being reviewed by the Council. Future financial assistance under MEDA and its successor will further give priority to and focus on supporting reform, while also taking into account the other objectives of the Barcelona Process (EU, 2003d, p. 10).

These grants from the Community budget are accompanied by substantial lending from the EIB that has lent EUR 14 billion for developing activities in the Euro-Mediterranean partners since 1974. For the period 2002-2003, the EIB lending amounted to EUR 3.7 billion as there has been a gradual increase in the volume of EIB lending to the Euro-Mediterranean partners from EUR 1.4 billion in 2001 to 2.1 billion in 2003 (EIB, 2003, p. 26).

Lending to the Mediterranean partner countries reached a record high level in 2003, which is the first operational year since the launch of the Euro-Mediterranean Facility for Investment and Partnership (FEMIP) in October 2002[14]. The FEMIP foresees EUR 8 to 10 billion of funding for investment in those countries. As FEMIP's top priority is to promote private-sector development and support projects helping to establish a viable environment for private investment, it is likely to have a positive impact on increasing foreign direct investment (FDI) inflows to the region. The Euro-Mediterranean Investment Summit, held in Marseilles on 13-14 January 2005, studied the geo-strategic role of the Mediterranean region, including a study of the free trade zone models that have been created to stimulate FDI. Since Malta and Cyprus joined the EU, the Mediterranean region is defined as the ten southern Mediterranean and Middle East trading partners of the EU.

Communication No. 104 on "Wider Europe–New Neighbourhood", which was adopted by the European Commission on 11 March 2003, proposes a new framework for the relations with the EU's eastern and southern neighbours. As it proposes that the Union works in partnership to develop a friendly neighbourhood with those countries with which it has close, peaceful and cooperative relations, it provides an opportunity

---

[14] *Euro-Mediterranean Investment Summit, Marseille, France*, viewed on 28 December 2004 at
http://www.eib.eu.int/news/events/event.asp?event=10.

for further enhancing the relations between its neighbours. The policy initially covered Algeria, Belarus, Egypt, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestine, Syria, Tunisia and Ukraine. With the decision of the Council of the European Union on 14 June 2004, it was extended to cover Armenia, Azerbaijan and Georgia (Council of the European Union, 2004, p. 14).

This Communication, which was endorsed on 19-20 June 2003 by the Thessaloniki European Council, suggests that, in return for concrete progress demonstrating shared values and the effective implementation of political, economic and institutional reforms, all the neighbouring countries should be offered the prospect of a stake in the EU's internal market. On the other hand, it does not attempt to replace bilateral agreements but rather seeks to build upon the existing framework to promote the establishment of a more integrated and unitary pan-European market incorporating both the EU and all of its neighbouring countries. It can generate trade between the EU and those neighbours. Moreover, the implementation of this policy will include the development of Action Plans for individual countries, which will promote partnership with the country and, through its trade-related sections, encourage progress towards the objective of a greater integration and liberalisation.

At the meeting in Crete on 26-27 May 2003, the ministers discussed the application, in a concerted manner, of the policy guidelines proposed in the Commission Communication on Wider Europe to the Mediterranean partners. They agreed that the proposed new Neighbourhood Policy sets out means to reinforce the Barcelona Process and to develop closer cooperation based on the mutual recognition of common interests. The meeting provided a basis for the manner in which the approach proposed by the Communication could be used in order to improve cooperation with the Mediterranean partners, bilaterally through the Association Agreements, and multilaterally through the Euro-Mediterranean Committee and Senior Officials' Meeting. This will encourage regulatory reform, especially in the services sector, that can give a strong boost to economic growth and competitiveness.

The mid-term Euro-Mediterranean Foreign Ministers meeting, held in Dublin on 5-6 May 2004, emphasised that Europe is the most important player in the Mediterranean, and reaffirmed a strong political commitment to the Barcelona Process and all its activities. Furthermore, the EU indicated that it will continue to pursue its specific EU Strategic Partnership with the Mediterranean and the Middle East, based on the existing frameworks, in particular the Barcelona Process as far as the Mediterranean is concerned, and aim for the appropriate articulation between the different frameworks.

The meeting in Dublin also recognised the potential of the new Neighbourhood Policy to build on the Barcelona Process and to further it on the basis of jointly agreed action plans as well as the opportunities and benefits offered to the Mediterranean partner countries through this Policy. In this respect, it was acknowledged that the Association Agreements and the national action plans under the European Neighbourhood Policy should be fully utilised to support reforms and modernisation.

On 29 September 2004, the European Commission decided to simplify the funding of external assistance worldwide by reducing the number of financial instruments for the delivery of aid. In this respect, from 2007 onwards, the European Neighbourhood and Partnership Instrument (ENPI), which is one of the four new instruments to be set up under the Future Financial Perspective 2007-2013, will replace the current MEDA programme in the Mediterranean Partner countries. Since Turkey as a candidate will be covered by the Pre-Accession Instrument, the ENPI will cover 9 Mediterranean Partners only.

During the Euro-Mediterranean Foreign Ministers’ meeting held in the Hague, the Netherlands, on 29-30 November 2004, the ministers welcomed the progress made in developing the European Neighbourhood Policy as a policy to enhance the Barcelona Process (EU, 2003d, p. 2). It was stated that through this policy, the EU will work with each partner country individually, at the appropriate pace, to deepen political and economic integration and achieve the objective of a privileged relationship based on shared values, endorsed by the Barcelona Process.

In this respect, the Agadir Process, which was initiated in May 2001 with a view to creating an FTA among Egypt, Jordan, Morocco and Tunisia, is an important sub-regional initiative that will contribute to the completion of the Euro-Mediterranean FTA, launched in Barcelona in

December 1995. Egypt, Jordan, Morocco and Tunisia concluded the Agadir Agreement in March 2004 which is a major step towards regional trade and economic integration.

During the meeting in Dublin, the ministers acknowledged the Agadir Agreement as a major step forward in the South-South regional integration. Furthermore, they confirmed the common understanding that the Mediterranean partners which concluded agreements with the EU should become part of the Agadir Agreement, in accordance with its provisions, or part of the Euro-Mediterranean FTA by the target date of 2010 (EU, 2003c, p. 8). To this end, they also welcomed the signing of an FTA by Turkey and Morocco. During the meeting in the Hague, the ministers noted that the conclusion of an FTA between Turkey, on the one hand, and Morocco, Palestine and Tunisia, on the other, was a significant contribution to the creation of the Euro-Mediterranean FTA by the target date of 2010. In this respect, it is worth mentioning that more recently, on 22 December 2004, Turkey signed an FTA with Syria as well.

On the other hand, Turkey's relations with the EU trace back to earlier times compared to those between the EU and other Mediterranean partner countries as they date back to the early 1950s. Moreover, Turkey's relations with the Union are determined from a different angle as opposed to the other candidates and OIC Mediterranean partners due to its continued intention to join the Union for the last four decades.

The EU-Turkey relations have a long history. On 12 September 1963, Turkey and the EEC concluded an Association Agreement (Ankara Agreement) which entered into force on 1 December 1964. On 6 March 1995, Turkey signed a customs union agreement with the EU which entered into force in January 1996. In 1999, at the Helsinki European Council, Turkey became a candidate. This was important for Turkey because it had expected to gain this status with all the other applicants at the Luxembourg European Council in 1997.

As foreseen in the Helsinki European Council conclusions, the EU Commission started to prepare an Accession Partnership with Turkey which was adopted on 8 March 2001. Following the approval of the

Accession Partnership by the EU, Turkey announced its own National Programme for the Adoption of the EU *acquis communautaire* on 19 March 2001 and submitted it to the EU Commission a week later on 26 March. Turkey has made remarkable progress in line with the National Programme in the context of the EU Accession Process.

At the Laeken European Council (14-15 December 2001), the possibility of opening accession negotiations with Turkey was for the first time explicitly mentioned at the highest levels. The Council also decided that Turkey take part in the Convention on the Future of Europe on an equal footing with the other candidates. At the Seville European Council (21-22 June 2002), it was mentioned that new decisions could be taken in the Copenhagen European Council in December 2002 on the next stage of Turkey's candidacy based on the evaluations made by the European Commission on the progress achieved by that country until then.

The Copenhagen European Council, held in December 2002, concluded that if the European Council, on the basis of a recommendation by the Commission, decides in December 2004 that Turkey has fulfilled the Copenhagen political criteria, the EU will open accession negotiations with Turkey without delay. These conclusions were reaffirmed at the Brussels European Council in June 2004.

Throughout this period, Turkey, determined to join the EU at the earliest possible time, continued to adopt reforms in line with the Copenhagen criteria. On 29 October 2004, along with the other candidates Bulgaria and Romania, Turkey took part in a ceremony in Rome with the heads of state and government and ministers of foreign affairs of the 25 member states to sign the treaty establishing a Constitution for Europe.

The European Council of 16-17 December 2004 decided to start accession negotiations with Turkey on 3 October 2005. However, unlike in the case of Bulgaria and Romania, a definite date for membership was not pronounced. As this creates uncertainty about Turkey's exact date of membership, it also implies that Turkey is likely to go through a long and difficult process in fulfilling the other EU requirements ahead. If accession negotiations with Turkey start as scheduled on 3 October 2005, this will increase the importance of the Mediterranean region for the EU. The said European Council welcomed the decision taken by the Euro-Mediterranean Conference of Foreign Ministers in the Hague to declare 2005 as the year of the Mediterranean. Thus, the year 2005 is likely to be promising in terms of achieving the desired progress between the EU and its partners in the Mediterranean.

3.2. Relations between the EU and the Gulf Cooperation Council (GCC)

On 26 May 1981, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates established the GCC by signing an agreement to coordinate economic, political, cultural and security policies among them.

On the other hand, at the 22nd Session held in Muscat, Oman, on 30-31 December 2001, the GCC Supreme Council, after studying the measures taken for the establishment of a customs union, decided to bring forward its launching to 1 January 2003 instead of January 2005. It further decided to lower the common customs tariff to 5 per cent on all foreign goods imported from outside the customs union with some exceptions.

In 1989, the GCC and the EU concluded a Cooperation Agreement to facilitate economic and commercial relations between them. Working groups were established in the fields of industrial cooperation, energy and the environment. The Agreement also foresees holding talks on a Free Trade Agreement between the EU and the GCC. The GCC and EU Foreign Ministers meet regularly to review the relations between them with a view to improving their economic ties.

The 12th Session of the Joint Council, held in Granada in February 2002, agreed to hold negotiation rounds on the FTA at an intensive pace. It also agreed that negotiations should proceed steadily to their conclusion by removing obstacles not yet overcome and covering all the remaining sectors, including non-trade elements. Five negotiating rounds took place during 2002 and another one on 4-5 March 2003 following the Joint Council meeting on 3 March of the same year. The Joint Council reiterated its view that trade, investment and cooperation constituted the foundations on which the EU-GCC economic relations would be developed and improved. It also noted the progress achieved in the implementation of the Cooperation Agreement and in the negotiations on the FTA (EU, 2003a, p. 1-2).

The exports of the GCC member countries to the EU amounted to USD 17.3 billion in 2002 (Table A.8 in the Annex). This accounted for 12 per cent of the GCC's total exports. In the period 1998-2002, GCC exports to the EU increased by 8.3 per cent per annum. GCC imports from the EU amounted to USD 33.9 billion in 2002 (Table A.9 in the Annex). This accounted for 35.9 per cent of the GCC's total imports. In the period 1998-2002, GCC imports from the EU increased by 4.1 per cent per annum. The GCC would be able to achieve higher trade levels with the EU following the entry into force of the free trade area (FTA) between them.

FDI inflows to the GCC fell from USD 5,234 million in 1998 to 1,081 million in 2002 (Table A.12 in the Annex). The conclusion of the FTA is likely to boost those inflows which, until recently, have been modest compared to other regions' (Table A.5 in the Annex). It will also promote other regional and international investment opportunities as well as provide new investment regulations, legal protection and technology transfer. Local financing would also produce similar effects.

3.3. Relations between the EU and OIC Countries in the Central Asian Region

As with the CEECs through the Europe Agreements, the EU has Partnership and Cooperation Agreements (PCAs) with the OIC Central Asian Republics (OIC-CAR) of Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. PCAs are legal frameworks based on the respect of the democratic principles and human rights setting out the political, economic and trade relations between the EU and its partner countries[15]. Moreover, they are the foundations of the EU's relations with the Central Asian countries and their full implementation is of high significance. Each PCA is a ten-year bilateral treaty signed and ratified by the EU and the individual state. PCAs between the EU and Azerbaijan, Kazakhstan, Kyrgyzstan and Uzbekistan entered into force on 1 July 1999. Although a PCA was

[15] EU's Relations with Eastern Europe & Central Asia: *Partnership & Cooperation Agreements*, viewed on 28 December 2004 at http://europa.eu.int/comm/external_relations/ceeca/pca/index.htm.

signed between the EU and Turkmenistan, it is not yet in force. Moreover, a PCA was signed between the EU and Tajikistan on 11 October 2004 which provides for a significant strengthening of the relations between the Union and this country.

On the other hand, the inclusion of Azerbaijan in the "Wider Europe-New Neighbourhood" policy, as outlined by Communication No. 104 which was adopted by the European Commission on 11 March 2003, is an important step in further enhancing relations with other OIC countries in the Central Asian region. The EU's relations with the countries in this region have been governed by the EC's technical assistance programme for the Commonwealth of Independent States (TACIS) since the beginning of the 1990s. Thus, though not a completely new strategy, the EU's recent attempt would develop a closer partnership between the EU and the countries concerned.

The "Wider Europe" policy covers Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine from the countries to whom it had contributed financial assistance under the TACIS. In the period 1991-1999, the TACIS had committed roughly 4.2 billion euros of funding to projects in the partner countries (Table A.7 in the Annex). However, by the end of 1999, those countries experienced different patterns of development. The TACIS is now more focused on developing the market economies of those countries as it is no longer confined to a technical assistance programme following the introduction of its new phase in January 2000. The new phase, which is planned to provide assistance totalling 3.1 billion euros by the end of 2006, concentrates the TACIS activities on fewer objectives to have a sufficient impact. From 2007 onwards, the European Neighbourhood and Partnership Instrument will replace the current TACIS programme in Azerbaijan and other countries in the region that are covered by the European Neighbourhood Policy.

The exports of the OIC countries in the Central Asian region to the EU increased from USD 2,120 million in 1998 to 4,970 million in 2002 (Table A.8 in the Annex). In this period, the share of exports to the EU increased from 20.7 to 29.3 per cent. The imports of the OIC countries in the Central Asian region from the EU fell from USD 2,750 million in 1998 to 2,231 million in 2002 (Table A.9 in the Annex). In this period, the share of imports from the EU in total imports fell from 23.2 to 16.2

per cent. These countries' trade levels with the EU are likely to increase as they will enhance their ties with the Union over the coming years.

The total volume of FDI inflows to the OIC countries in Central Asia has been small in comparison to other OIC groups (Table A.12 in the Annex). This becomes clear when FDI inflows to the OIC countries in Central Asia are compared to those of other OIC groups or countries. FDI inflows to the OIC countries in Central Asia fell from USD 2,510 million in 1998 to 2,279 million in 2003. In the period 2001-2002, those inflows increased from USD 3,329 million to 4,188 million. Nonetheless, it is likely that FDI inflows to the region will increase over time as the OIC countries in Central Asia make progress towards improving the business climate and take legal action with a view to promoting their investment opportunities.

4. EU ENLARGEMENT: IMPLICATIONS AND CHALLENGES FOR THE NEIGHBOURING OIC COUNTRIES

The EU enlargement of 2004 has strengthened the Union with extended borders and a dynamic economy. In this respect, EU member states are expected to benefit from a more dynamic economic environment. Moreover, the EU is determined to achieve a coherent development for all its members. Consequently, the EU enlargement is likely to bring high prospects for the EU member states.

Concerning the new members, the CEECs are likely to benefit from EU membership in many ways. The EU enlargement will result in the redistribution of Structural Funds in favour of the new members, the CEECs (Tables A.5 and A.6 in the Annex). This will increase the latter's relative competitiveness in the EU markets over time as their economies are likely to be restructured to become stronger. Moreover, wages are currently low in the CEECs compared to those in the older members[16]. Thus, considering the benefits of wage competitiveness in the CEECs, exporters of labour-intensive sectors are likely to move their production facilities to this region. Consequently, the CEECs will be in a better position to respond to competition as well as current economic issues such as unemployment which is currently, on average, higher than in the rest of the EU (Table A.14 in the Annex).

---

[16] *Doing Business in the Triads B (Module 3898), Week 08: Doing Business in the CEEC*, viewed on 5 January 2005 at http://bsnotes.bs.uce.ac.uk/lecturers/

When the two regions are compared, the CEECs may have an advantage due to lower labour costs, but Western EU countries have the capital, experience, technology and brand names that would complement most of the advantages acquired by the CEECs. This suggests that, for the most part, the CEECs will provide labour-related advantages whereas the other EU member states will provide support in high technology and capital-intensive sectors. On the other hand, when the high technology in the EU is combined with the relatively cheap labour force of the new members, it will bring additional advantages to the competitiveness of EU firms over the firms operating in other countries, including the OIC members. Consequently, EU enterprises operating in the CEECs are likely to become an engine of growth for them. Moreover, those firms may also offer potential benefits for those countries' labour force if they invest in human resources, which will increase the skilled labour force and employment level in those countries over time.

Furthermore, the emergence of positive conditions in the CEECs will encourage some multinational corporations (MNCs) to relocate their subsidiaries in those countries. Currently, the CEECs provide a viable environment for increasing the share of FDI flows since their markets offer a high growth potential and advantages in labour. However, it is essential for those countries to continue to adopt EU rules and regulations and enhance their efforts to improve the overall investment climate to encourage foreign businesses to increase their investments, particularly in the form of FDI inflows. These investments, from the other EU member states could also intensify the competition on FDI between the CEECs and the Cohesion countries[17].

When FDI flows are observed, it becomes obvious that the amount of inflows received by the CEECs increased from 22.4 billion in 2000 to 24.6 billion in 2002 but fell to 14.5 billion in 2003 (Table A.13 in the Annex). In the Cohesion countries, FDI inflows fell from 71.2 billion in 2000 to 62.3 billion in 2002 and to 52.1 billion in 2003. When the period 1998-2002 is analysed, it is seen that the Cohesion countries experienced a higher increase of FDI inflows compared to that of the CEECs during this period. On the other hand, when the situation in 2003, which witnessed a general decrease of FDI, is included in the

[17] Greece, Ireland, Portugal and Spain.

picture, a lower rate of decrease in Cohesion countries is observed. Therefore, it can be asserted that EU members with a higher rate of convergence to the EU system are able to attract more FDI. Thus, as the institutional structure converges more to the EU system, the CEECs should be expected to utilise their comparative advantages more within the guidelines mentioned above and are likely to increase the rate of FDI they receive through time.

As there may be a shift from Cohesion countries to the CEECs, the latter could also attract a portion of the EU FDI which used to favour the OIC countries in previous periods. Since FDI is a channel for the transfer of modern technologies, innovative production facilities and style of management, the CEECs are likely to gain from such a process[18]. On the other hand, the CEECs are likely to engage in an increasing competition for private-sector capital with other countries in nearby regions that are also in need of it. This will increase the existing competition between the CEECs and the countries in nearby regions, including the OIC members.

Considering the elimination of tariff and non-tariff barriers between the EU and CEECs and the likely intensification of EU investments in the latter, the CEECs could, over the medium term, move towards specialising in more advanced products by using the know-how brought over by the FDI and utilising the enhanced skills thus acquired by their labour. Moreover, competition will increase in some specific sectors within the Union as its members will be under pressure to increase their market share of the products those countries produce.

The harmonisation of the CEECs tariffs with the Common External Tariff of the EU resulted in lowering their national tariffs which were usually higher than those of the EU. Since it would enable them to better penetrate the new EU markets, the OIC countries are likely to benefit from the said harmonisation beneficiaries. However, at some point, they may also be negatively affected by the preferential treatment that the CEECs enjoy through their membership of the Union.

[18] *EIB Financing for the Integration of the New Member States in the European Union,* viewed on 5 January 2005 at
http://www.eib.org/Attachments/access/integrating_nms.pdf.

Textiles play an important role in the economies of the OIC Mediterranean countries since they are the main industrial activity and largest employers in Morocco, Egypt, Tunisia and Turkey and an export item for Jordan, Lebanon, Morocco, Syria, Tunisia and Turkey (EC, 2004b, p. 1). Since they enjoyed a preferential treatment through the Association Agreements, textiles remained competitive in the European markets. However, since the preferential treatment that the CEECs enjoy by joining the Union outweighs that of the OIC Mediterranean partners, the new circumstances are expected to affect negatively the OIC countries' volume of trade in textiles together with the growing competition in the Union.

Moreover, the EU is the world's largest exporter of textile products and the world's second largest exporter of clothing after China (EC, 2004b, p. 1). Thus, the OIC countries, in general, should develop new policies to overcome challenges such as losing competitiveness in the textiles sector, facing business difficulties and unemployment. Furthermore, the same problems will be witnessed in the clothing sector since it also plays an important role in the economies of the OIC Mediterranean countries. On 28 September 2004, at the Euro-Mediterranean Ministerial Meeting on the future of textiles and clothing, the ministers examined the challenges facing the textiles and clothing industry after the removal of the remaining WTO quotas on 1 January 2005. The meeting also addressed the issue of reinforcing the competitiveness of the Euro-Mediterranean area so that it can be capable of attracting the much-needed investments as well as issues relating to the sustainable development and the regional integration of the Mediterranean area.

If the EU ends up increasing its production on similar products as those of the OIC Mediterranean countries, competition is likely to intensify. In such a case, the OIC Mediterranean countries, which enjoy preferential treatment in agricultural products through the Association Agreements, would be urged to negotiate on them with the EU to penetrate their markets. The OIC countries, in general, can increase their competitiveness on the EU and international markets by reducing the prices of their products. However, this would require the support of the agricultural producers in the OIC countries as in the case of some industrial countries which currently subsidise their producers. However, this may not yield the anticipated gains for those countries since such a policy is not favoured globally due to its effect of disrupting the market and lowering competitiveness. Besides, the need for additional funds for such a policy cannot be underestimated. Since cotton plays a major role in their economies, some OIC countries in Sub-Saharan Africa are being severely affected by the subsidisation in the industrial countries. In general, the OIC Mediterranean countries may be less affected by such a policy if the preferential treatment under the Euro-Mediterranean Association Agreements increases their exports to EU markets over time. In this respect, if a further liberalisation of products is achieved under the Euro-Mediterranean Association Agreements, the OIC Mediterranean countries will be in a better position to compete with the CEECs on the EU markets. This position could even be improved in the case of textiles in case of cooperation among the cotton producing OIC members in the spirit of the OIC Plan of Action.

The exports of the OIC Mediterranean countries to the EU increased from USD 42.4 billion in 1998 to 59.5 billion in 2002, equivalent to an increase of 8.9 per cent per annum (Table A.8 in the Annex). During the same period, the imports of those countries from the EU decreased by USD 600 million (Table A.9 in the Annex). On the other hand, the exports of the CEECs to the EU increased from USD 78.2 billion in 1998 to 113.2 billion in 2002, equivalent to an increase of 9.7 per cent per annum (Table A.10 in the Annex). The imports of those countries from the EU increased from USD 100.7 billion to 126.7 billion in the same period, equivalent to an increase of 5.9 per cent per annum (Table A.11 in the Annex).

The Copenhagen European Council agreed in December 2002 on a financial package for 2004-2006 to provide assistance to the 10 member states that joined the Union on 1 May 2004 (Tables A.5 and A.6 in the Annex). Consequently, those countries are likely to play an increasing role in the Union as the financial package provides them with financial assistance in areas where they are likely to lose competitiveness on the larger single European market over time. However, they need to give more weight to improving their bilateral trade with the EU and adopting EU rules and regulations in order to attract more investments from the other EU member countries. Against this foreseeable development, they are likely to gain from membership over the medium term and this is likely to have a positive impact on the Union’s economic growth.

On the other hand, new funds that will replace the old ones can be attributed to the EU's policy to reinforce partnership with neighbouring countries with which it has close relations and the effort to financially compensate those countries to sustain their competitiveness in EU markets. It is evident that the OIC countries will be affected by the developments currently taking place in the Union. However, since they maintain close ties with the Union, compared to other OIC member states, the OIC Mediterranean partners and, to a lesser extent, the OIC Central Asian countries have a relatively high potential to further strengthen their ties with the EU. This is likely to help the OIC member states in those regions become less affected by a growing and more competitive Union over the coming years. Moreover, the level of cooperation and economic activity between the Union and the OIC member states can be increased as both sides agree to cooperate bilaterally and take action on mutually beneficial measures that would lead to closer economic ties between them.

5. CONCLUSION

As the EEC has grown greatly in terms of membership, economic and political influence, and organisational infrastructure, it has provided its members with economic development and a strong growth potential. Its success in providing its members with prosperity has attracted the attention of countries in nearby regions.

The borders of Europe expanded and the EU companies are likely to move their production facilities to new locations within the enlarged Union. Furthermore, differences between the life standards of the new members and older ones are to increase the incentive for migration.

The free movement of workers is not stipulated in any agreement between the OIC and EU countries, including the Euro-Mediterranean Association Agreements. Thus, wage levels in the EU would not be greatly affected unless migration takes place at an extensive level within the Union.

The financial package agreed by the Copenhagen European Council for 2004-2006 will bring additional resources to the new members to help them face the challenges of the EU membership (Tables A.5 and A.6 in the Annex). As the financial package will adequately provide them with financial assistance in areas where they are likely to lose competitiveness in the larger single European market, it will also help develop specific sectors that are vital for the further integration of those countries into the Union. The new members will play an increasing role in the Union if they are able to attract more investments from the EU member countries. However, this may not be sufficient to overcome the challenges from the single European market completely. Thus, they need to give more attention to improving their bilateral trade with the EU as well as adopt EU rules and regulations. All in all, if they make adequate progress in this transitional period, they are likely to gain from membership over the medium term.

Since the beginning of the 1990s, the CEECs have experienced a close integration with the EU countries. The Europe Agreements have immensely contributed to this process. The Agreements have economic, scientific/technical and political dimensions through which the Union establishes links with the CEECs. Furthermore, the candidates bear the responsibility for adopting and implementing the Community legislation and strengthening their democratic institutions and public administrations and organisations. In this respect, the CEECs, including those set to join the Union in 2007, are expected to implement the Community legislation fully, effectively and efficiently.

On the other hand, although bilateral trade liberalisation through the Europe Agreements has helped increase the CEECs foreign trade with the EU substantially, it did not have the same effect on increasing the EU's foreign trade with the CEECs. In this respect, the Europe Agreements played a significant role in enhancing the EU's position as the most important trading partner of the CEECs as their exports accounted for 70.2 per cent of their total in 2002 (Table A.10 in the Annex). The EU's exports to the CEECs only accounted for 5.2 per cent of its total exports in 2002 (Table A.11 in the Annex).

Moreover, competitive wages in the CEECs as well as the Structural Funds they will receive until 2006 will not only contribute to their economic progress in the relevant areas but also increase their competitiveness within the Union. As it will constitute an emerging challenge for them, this development will have a paramount influence on the economies of the countries in neighbouring regions, including the OIC members. Consequently, it is inevitable that the regional and economic integration taking place in the EU will bring some other economic challenges for the OIC countries in the Mediterranean, Sub-Saharan Africa and Central Asia, including the diversification of their economies and foreign trade in terms of both product composition and trading partners.

These changes, along with other anticipated ones, will not only influence the EU but also impact the regions that have a high trade level with it, in particular the countries that have close ties with the Union through association or cooperation agreements. Since the OIC Mediterranean countries have Association Agreements with the Union and are geographically closer than other OIC members, they will be the ones mostly affected by the changes that will take place within the Union.

19.5 per cent of the total OIC exports in 2002 have originated from the OIC Mediterranean partners (Table A.8 in the Annex). 62 per cent of the total exports of those partners went to the EU, which is relatively higher when compared to those of the GCC, OIC countries in sub-Saharan Africa, Central Asian region and other areas in the OIC region. This shows that geographic proximity plays an important role in generating trade flows.

The Association Agreements have played a significant role in achieving good prospects in trade levels between the EU and the OIC Mediterranean countries. Thus, it is important to intensify cooperation between the EU and those countries, particularly in the area of trade, to further develop the existing relations and avoid any negative impact of changing EU policies on those relations following the enlargement. On the other hand, achieving further progress in the upcoming round of negotiations on the Trade Preferential System among the OIC Member States (TPSOIC) as well as establishing an Islamic common market would brighten the prospects for all OIC countries and provide many economic benefits through which the OIC member countries would be least affected by prospective EU enlargements.

On the other hand, private investment decisions may be affected by changes in market prospects. In this respect, countries with high market prospects will tend to attract more capital flows. Since the CEECs will possess improved institutional structures and market conditions, they are expected to be the beneficiaries of FDI following the enlargement. Similarly, OIC countries may also become beneficiaries of FDI by implementing the appropriate structural and institutional policies. Furthermore, privatisation efforts by the OIC countries will accelerate this process. Since the CEECs are in a better position to qualify for private sector capital with benefits provided to them by membership, other countries in nearby regions, including the OIC members, that are also in need of it are likely to find themselves competing with the CEECs to strengthen their economic prospects. This is likely to involve efforts of sectoral restructuring and increasing labour productivity in the neighbouring OIC countries in the medium term.

REFERENCES

Council of the European Union (2004), Press Release (10189/04), 2590th Council Meeting, 14 June 2004, Luxembourg, http://europa.eu.int/comm/world/enp/pdf/040614_GAERC_Conclusion_on_ENP_(provisional_version).pdf.

Doing Business in the Triads B (Module 3898), Week 08: Doing Business in the CEECs, viewed on 5 January 2005 at http://bsnotes.bs.uce.ac.uk/lecturers/Lewis%20Jones/Doing%20Business%20in%20the%20Triads%20B%20Module%203898%202003-4/Triads%20B%20Week%2008%202003-4.doc.

European Commission (EC) (2004a), EC Directorate-General for Enlargement, Phare Agricultural Sector Review: Interim Evaluation of Phare Support Allocated in 1999-2002 and Implemented until November 2003, Thematic Evaluation Report, April 2004, Brussels, Belgium.

——— (2004b), Directorate-General for Trade, Speeches and Press Releases, Pascal Lamy in Tunisia for Euromed Conference on future of textiles and clothing, 27 September 2004, Brussels, Belgium. http://europa.eu.int/comm/trade/issues/bilateral/regions/euromed/pr270904_en.htm.

——— (2004c), Europe Aid Cooperation Office Directorate-General, EUROMED SYNOPSIS, Weekly Newsletter on the Euro-Mediterranean Partnership and the MEDA Programme, Issue No 285, 30 September 2004, Brussels, Belgium.

Enlargement: Pre-Accession Assistance: *PHARE*, viewed on 28 December 2004 at http://europa.eu.int/comm/enlargement/pas/phare.htm
Enlargement: Pre-Accession Assistance: *SAPARD*, viewed on 28 December 2004 at
http://europa.eu.int/comm/enlargement/pas/sapard.htm.

European Institution for Research on Mediterranean and Euro-Arab Cooperation Web Site (MEDEA) (2003), GCC (Gulf Cooperation Council), http://www.medea.be/en/index063.htm.

European Investment Bank (EIB) (2003), Annual Report 2003, Luxembourg, 2003.

EIB Financing for the Integration of the New Member States in the European Union, viewed on 5 January 2005 at
http://www.eib.org/Attachments/access/integrating_nms.pdf.

Euro-Mediterranean Investment Summit, Marseille, France, viewed on 28 December 2004 at
http://www.eib.eu.int/news/events/event.asp?event=10.

European Parliament (2003), Report on 'Wider Europe–Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours', A5-0378/2003, 5 November 2003, Brussels, Belgium.

European Union (EU) (2000), "Reinvigorating the Barcelona Process", 6 September 2000, Brussels, Belgium.

——— (2003a), GCC-EU 13th Joint Council and Ministerial Meeting, Joint Communique, Doha, Qatar, 3 March 2003, CE-GOLFE 3502/03 (Presse 58), Brussels, Belgium.

——— (2003b), The Euro-Mediterranean Mid-Term Meeting of Foreign Ministers, Presidency Conclusions, 26-27 March 2003, Crete, Greece, http://europa.eu.int/comm/external_relations/euromed/conf/cret/concl.htm.

——— (2003c), The Euro-Mediterranean Mid-Term Meeting of Foreign Ministers, Presidency Conclusions, 5-6 May 2004, Dublin, Ireland, http://europa.eu.int/comm/external_relations/euromed/conf/dublin/concl.htm.

——— (2003d), The Euro-Mediterranean Meeting of Foreign Ministers, Presidency Conclusions, 29-30 November 2004, The Hague, The Netherlands, http://europa.eu.int/comm/external_relations/euromed/conf/hague/conclusions.htm.

EU's Relations with Eastern Europe & Central Asia: *Overview*, viewed on 28 December 2004 at http://europa.eu.int/comm/external_relations/ceeca/index.htm.

EU's Relations with Eastern Europe & Central Asia: *Partnership & Cooperation Agreements*, viewed on 28 December 2004 at http://europa.eu.int/comm/external_relations/ceeca/pca/index.htm.

EU's Relations with Eastern Europe & Central Asia: *TACIS*, viewed on 28 December 2004 at http://europa.eu.int/comm/external_relations/ceeca/tacis/

EU's Relations with Tajikistan: EU-Tajikistan: Signature of the Partnership and Cooperation Agreement, viewed on 29 December 2004 at http://europa.eu.int/comm/external_relations/tajikistan/intro/pca_11_10_04. htm.

EU's Representative Office in Turkey (2004), Pre-Accession Strategy for Turkey, http://www.deltur.cec.eu.int/english/e-mali-view-new.html.

Gulf Cooperation Council (GCC) Web Site (2004), http://www.gcc-sg.org/index_e.html.

International Labour Organisation (ILO) (2004), LABORSTA Internet, http://laborsta.ilo.org/

International Monetary Fund (IMF) (2002), *Direction of Trade Statistics*, Washington, DC, 2002.

Swedish Trade Council (2003), The EU Baltic Bulletin, First Edition, 21 February 2003, Brussels, Belgium.

The Euro-Mediterranean Partnership: Association Agreements, viewed on 28 December 2004 at http://www.europa.eu.int/comm/external_relations/euromed.ass_agreements

The Euro-Mediterranean Partnership: The MEDA Programme, viewed on 6 June 2002 at http://www.europa.eu.int/comm/external_relations/euromed/meda.htm.

The National Development Plan/Community Support Framework (NDP/CSF) Information Office Web Site, Cohesion Fund, http://www.csfinfo.com/htm/cohesion_fund/

United Nations Conference on Trade and Development (UNCTAD) (2004), *World Investment Report 2004: The Shift Towards Services*, Geneva, 2004.

ANNEX

Table A.1: Previous and Prospective EU Enlargements

1973	Denmark, Ireland and the United Kingdom
1981	Greece
1986	Portugal and Spain
1995	Austria, Finland and Sweden
2004	Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia
2007	Bulgaria and Romania

Source: http://www.europa.eu.int/comm/enlargement.

Table A.2: The State of Play of Accession Negotiations (26 November 2004)*

Chapter/ Country	**BULGARIA**	**ROMANIA**
1. Free movement of goods	X	X
2. Free movement of persons	X	X
3. Freedom to provide services	X	X
4. Free movement of capital	X	X
5. Company law	X	X
6. Competition	X	O
7. Agriculture	X	X
8. Fisheries	X	X
9. Transport	X	X
10. Taxation	X	X
11. Economic & Monetary Union (EMU)	X	X
12. Statistics	X	X
13. Social policy	X	X
14. Energy	X	X
15. Industrial policy	X	X
16. Small & medium-sized Undertakings (SME)	X	X
17. Science & research	X	X
18. Education & training	X	X
19. Telecomm & IT	X	X
20. Culture & audio-visual	X	X
21. Regional policy	X	X
22. Environment	X	X
23. Consumers & health protection	X	X
24. Justice & home affairs	X	O
25. Customs Union	X	X
26. External relations	X	X
27. Common Foreign & Security Policy (CSFP)	X	X
28. Financial Control	X	X
29. Financial & budgetary provisions	X	X
30. Institutions	X	X
31. Other	X	X

Source:http://www.europa.eu.int/comm/enlargement/negotiations/pdf/satateofplay_23september2004.pdf.
***** Chapters opened but still subject to negotiation are marked (O). Chapters closed are marked (X).

Table A.3: Dates of Application for EU Membership

Turkey	14 April 1987
Cyprus	3 July 1990
Malta	16 July 1990
Hungary	31 March 1994
Poland	5 April 1994
Romania	22 June 1995
Slovakia	27 June 1995
Latvia	13 October 1995
Estonia	24 November 1995
Lithuania	8 December 1995
Bulgaria	14 December 1995
Czech Republic	17 January 1996
Slovenia	10 June 1996
Croatia	21 February 2003
Macedonia	

Source: http://www.europa.eu.int/comm/enlargement.

Table A.4: Indicative Annual Allocations per Country for PHARE, ISPA and SAPARD Starting from 2000-Comparison with Pre-Accession Flows 1995-1999

	PHARE Indicative annual allocation (national programmes)	**SAPARD Indicative annual allocation**	**ISPA**		**Total Indicative Annual Allocation**		**Average allocation from PHARE 1995-1999**
	EUR million	EUR million	EUR million		EUR million		EUR million
			Minim.	Maxim.	Minim.	Maxim.	
Bulgaria	100	52.1	83.2	124.8	235.3	276.9	83
Czech Rep.	79	22.1	57.2	83.2	158.3	184.3	69
Estonia	24	12.1	20.8	36.4	56.9	72.5	24
Hungary	96	38.1	72.8	104	206.9	238.1	96
Latvia	30	21.8	36.4	57.2	88.2	109	30
Lithuania	42	29.8	41.6	62.4	113.4	134.2	42
Poland	398	168.7	312	384.8	878.7	951.5	203
Romania	242	150.6	208	270.4	600.6	663	110
Slovakia	49	18.3	36.4	57.2	103.7	124.5	48
Slovenia	25	6.3	10.4	20.8	41.7	52.1	25
Total	**1.085**	520	1,040		2,645		730
Total inc. CBC et al*	**1.577**						

Source: http://europa.eu.int/comm/commissioners/barnier/document/eston_en.pdf, p. 6.
***** Includes Cross Border Cooperation Programme.

Table A.5: Copenhagen Agreed Financial Package–Maximum Enlargement-Related Commitments, 2004-2006 for 10 New Member States (EUR million, 1999 prices)

	2004	2005	2006
Heading 1: Agriculture of which	1,897	3,747	4,147
1a. CAP	327	2,032	2,322
1b. Rural development	1,570	1,715	1,825
Heading 2: Structural actions after capping of which	**6,070**	**6,907**	**8,770**
Structural Fund	3,453	4,755	5,948
Cohesion Fund	2,617	2,152	2,822
Heading 3: Internal policies and additional transitional expenditure of which	**1,457**	**1,428**	**1,372**
Existing Internal policies	846	881	916
Nuclear safety	125	125	125
Institution building	200	120	60
Schengen facility	286	302	271
Heading 5: Administration	**503**	**558**	**612**
Total (Headings 1, 2, 3 and 5)	**9,927**	**12,640**	**14,901**
Total commitment appropriations (Berlin 1999 scenario)	11,610	14,200	16,780
Payment appropriations (Enlargement)	5,686	10,493	11,840
Payment appropriations (Berlin 1999 scenario)	8,890	11,440	14,220
Special cash flow facility	1,011	744	644
Temporary compensation	262	429	296
Total	**1,273**	**1,173**	**940**

Source: http://www.europa.eu.int/comm/enlargement/financial_package.

Table A.6: Copenhagen Agreed Financial Package–Total Commitment Appropriations, 2004-2006 (EUR million, 1999 prices)

	CY	CZ	EE	HU	PL	SL	LT	LV	SK	MT	Total
Agriculture											
- CAP											**4,682**
- Rural development	66	482	134	534	2,543	250	434	291	352	24	**5,110**
Structural actions	101	2,328	618	2,847	11,369	405	1,366	1,036	1,560	79	**21,746**
Internal Policies											**4,256**
of which:											
Existing policies											2,642
Institution building											380
Schengen facility	0	0	69	148	280	107	136	71	48	0	858
Nuclear safety	0	0	0	0	0	0	285	0	90	0	375
Administration											**1,673**
Special cash-flow Facility	38	358	22	211	1,443	101	47	26	86	66	**2,398**
Temporary budgetary Compensation	300	359	0	0		131	0	0		166	**987**
Total Commitments					0				0		**40,852**

Source: http://europa.eu.int/comm/enlargement/negotiations/pdf/financial_framework.pdf.
Note: CY: Cyprus; CZ: Czech Republic; EE: Estonia; HU: Hungary; PL: Poland; SL: Slovenia; LT: Lithuania; LV: Latvia; SK: Slovakia; MT: Malta.

Table A.7: TACIS Funds Committed by Country, 1991-1999 (EUR million)

	1991-1999
Armenia	58.9
Azerbaijan	87.2
Baltics	15.0
Belarus	56.6
Georgia	66.0
Kazakhstan	111.9
Kyrgyz Rep.	49.5
Moldova	61.8
Mongolia	28.5
Russia	1,274.0
Tajikistan	8.0
Turkmenistan	39.9
Ukraine	460.8
Uzbekistan	102.5
Regional Programmes*	1,194.8
Donor Coordination**	308.0
Programme Implementation Support***	254.8
Others****	42.9
Total	**4,220.9**

Source: http://www.europa.eu.int/comm/external_relations/ceeca/tacis/figures/pdf.
* Includes the Inter-state, nuclear safety and cross-border cooperation programmes.
** Includes EBRD Bangkok Facility, Partnership and Coordination Programme, and International Science and Technology Centre.
*** Includes coordinating units, information, monitoring and evaluation.
**** Includes the Democracy Programme and STAP-Liikanen Facility.

Table A.8: Exports of OIC Countries to the EU (Million USD)

	Total Exports		Exports to EU		% of Total Exports	
	1998	**2002**	**1998**	**2002**	**1998**	**2002**
Albania	254	330	250	320	98.4	97.0
Algeria	10,931	18,528	7,580	13,500	69.3	72.9
Egypt	4,900	6,972	2,560	3,080	52.2	44.2
Jordan	1,340	2,674	180	190	13.4	7.1
Lebanon	716	971	180	180	25.1	18.5
Libya	7,046	9,886	6,350	8,930	90.1	90.3
Morocco	4,634	8,262	5,850	6,040	58.6	73.1
Syria	2,890	6,545	1,670	383	57.8	5.9
Tunisia	5,768	6,799	4,980	5,810	86.3	85.5
Turkey	26,974	35,058	15,890	21,060	58.9	60.1
Med. & ME Area	**65,453**	**96,025**	**42,357**	**59,493**	64.7	62.0
Bahrain	3,083	8,462	350	370	11.4	4.4
Kuwait	8,083	15,875	1,200	1,730	14.8	10.9
Oman	4,426	8,659	240	430	5.4	5.0
Qatar	4,914	5,821	130	450	2.6	7.7
Saudi Arabia	40,949	66,698	8,920	11,530	21.8	17.3
UAE	25,207	38,774	1,750	2,780	6.9	7.2
GCC	**86,662**	**144,289**	**12,590**	**17,290**	14.5	12.0
Benin	244	198	60	60	24.6	30.3
Burkina Faso	263	171	90	50	34.2	29.2
Cameroon	2,027	1,904	1,740	1,470	85.8	77.2
Chad	124	66	83	40	66.9	60.6
Comoros	-	-	-	-	-	-
Côte d'Ivoire	4,395	5,045	2,740	2,600	62.3	51.5
Djibouti	-	-	-	-	-	-
Gabon	2,491	2,976	320	560	12.8	18.8
Gambia	128	27	23	20	18.0	74.1
Guinea	814	870	500	410	61.4	47.1
Guinea-Bissau	76	120	11	10	14.5	8.3
Mali	286	167	110	60	38.5	35.9
Mauritania	495	402	340	390	68.7	97.0
Mozambique	271	808	120	610	44.3	75.5
Niger	270	156	170	80	63.0	51.3
Nigeria	11,791	17,027	3,300	4,760	28.0	28.0
Senegal	536	949	380	390	70.9	41.1
Sierra Leone	146	97	100	90	68.5	92.8
Somalia	187	85	12		6.4	
Sudan	539	1,974	200	200	37.1	10.1
Togo	420	304	50	60	11.9	19.7
Uganda	501	327	310	23	61.9	7.0
OIC-SSA	**26,004**	**33,673**	**10,659**	**11,883**	31.4	30.1
Azerbaijan	703	1,630	60	1110	8.5	68.1
Kazakhstan	5,404	9,670	1,070	3,260	19.8	33.7
Kyrgyz Rep.	513	486	210	20	40.9	4.1
Tajikistan	575	737	100	60	17.4	8.1
Turkmenistan	575	2,710	140	160	24.3	5.9
Uzbekistan	2,447	1,720	540	360	22.1	20.9
OIC-CAR	**10,217**	**16,953**	**2,120**	**4,970**	20.7	29.3
Bangladesh	3,822	5,442	2,290	3,080	59.9	56.6
Brunei	1,986	2,109	310	70	15.6	3.3
Guyana	483	548	160	180	33.1	32.8
Indonesia	54,399	57,144	10,130	9,850	18.6	17.2
Iran	12,768	21,446	4,620	5,320	36.2	24.8
Iraq	4089	6,668	2,410	2,640	58.9	39.6
Malaysia	73,470	93,387	12,830	14,000	17.5	15.0
Pakistan	8,433	9,886	2,720	2,770	32.3	8.0
Suriname	436	495	151	110	34.6	22.2
Yemen	1,497	3,271	100	110	6.7	3.4
Others	**161,383**	**200,396**	**35,721**	**38,130**	22.1	19.0
OIC Total	**349,719**	**491,336**	**103,447**	**131,776**	**29.6**	**26.9**

Source: IMF, Direction of Trade Statistics, yearbooks 1999 and 2003.

* CAR: Central Asian Republics.

Table A.9: Imports of OIC Countries from the EU (Million USD)

	Total Imports		Imports from EU		% of Total Imports	
	1998	**2002**	**1998**	**2002**	**1998**	**2002**
Albania	864	1,499	620	1,020	71.8	68.0
Algeria	9,889	11,809	5,840	7,590	59.1	64.3
Egypt	22,146	19,573	8,170	6,010	36.9	30.7
Jordan	3,914	5,250	1,250	1,850	31.9	35.2
Lebanon	7,060	6,291	3,160	2,800	44.8	44.5
Libya	4,922	5,425	2,910	2,960	59.1	54.6
Morocco	8,427	13,370	6,630	7,230	78.7	54.1
Syria	3,895	7,055	1,730	1,970	44.4	27.9
Tunisia	8,830	9,528	6,300	7,140	71.3	74.9
Turkey	45,935	49,663	25,340	22,780	55.2	45.9
Med. & ME Area	**115,882**	**129,463**	**61,950**	**61,350**	53.5	47.4
Bahrain	2,831	4,024	850	890	30.0	22.1
Kuwait	7,542	8,717	2,310	2,730	30.6	31.3
Oman	5,119	5,655	1,590	1,290	31.1	22.8
Qatar	3,909	2,874	1,510	1,780	38.6	61.9
Saudi Arabia	42,434	30,353	13,150	13,850	31.0	45.6
UAE	32,979	42,884	9,500	13,360	28.8	31.2
GCC	**94,814**	**94,507**	**28,910**	**33,900**	30.5	35.9
Benin	1,045	1,545	480	520	45.9	33.7
Burkina Faso	636	645	280	250	44.0	38.8
Cameroon	1,704	2,180	1,070	1,040	62.8	47.7
Chad	153	449	98	200	64.1	44.5
Comoros	-	-	-	-	-	-
Côte d'Ivoire	2,991	3,115	1,730	1,170	57.8	37.6
Djibouti	-	-	-	-	-	-
Gabon	1,127	1,143	650	760	57.7	66.5
Gambia	335	403	120	110	35.8	27.3
Guinea	742	881	350	410	47.2	46.5
Guinea Bissau	91	112	46	40	50.5	35.7
Mali	1,239	1,440	370	360	29.9	25.0
Mauritania	610	492	320	370	52.5	75.2
Mozambique	1,300	1,270	180	300	13.8	23.6
Niger	632	395	170	200	26.9	50.6
Nigeria	7,446	12,450	3,120	4,890	41.9	39.3
Senegal	1,650	1,958	970	1,120	58.8	57.2
Sierra Leone	200	487	90	280	45.0	57.5
Somalia	282	351	18	30	6.4	8.5
Sudan	1,992	2,155	540	520	27.1	24.1
Togo	1,103	941	280	410	25.4	43.6
Uganda	1,414	1,111	220	190	15.6	17.1
OIC-SSA	**26,692**	**33,523**	**11,102**	**13,170**	41.6	39.3
Azerbaijan	1,600	1,868	370	520	23.1	27.8
Kazakhstan	4,257	6,584	1,390	1,530	32.7	23.2
Kyrgyz Rep.	841	587	100	80	11.9	13.6
Tajikistan	738	721	50	30	6.8	4.2
Turkmenistan	1,118	1,819	180	31	16.1	1.7
Uzbekistan	3,277	2,198	660	40	20.1	1.8
OIC-CAR	**11,831**	**13,777**	**2,750**	**2,231**	23.2	16.2
Bangladesh	7,313	7,848	640	700	8.8	8.9
Brunei	2,393	373	690	160	28.8	42.9
Guyana	547	562	80	100	14.6	17.8
Indonesia	29,114	31,285	4320	4,300	14.8	13.7
Iran	13,089	20,396	4920	7,570	37.6	37.1
Iraq	1,353	5,828	550	1,660	40.7	28.5
Malaysia	58,319	79,506	5990	7,690	10.3	9.7
Pakistan	9,308	11,238	1740	2,010	18.7	17.9
Suriname	552	604	168	180	30.4	29.8
Yemen	2,167	2,777	740	710	34.1	25.6
Others	**124,155**	**160,417**	**19838**	**25,080**	16.0	15.7
OIC Total	**373,374**	**431,687**	**124,550**	**135,731**	**33.4**	**31.5**

Source: IMF, Direction of Trade Statistics, yearbooks 1999 and 2003.
* CAR: Central Asian Republics.

Table A.10: Exports of CEECs to the EU (Million USD)

	Total Exports		Exports to EU		% of Total Exports	
	1998	**2002**	**1998**	**2002**	**1998**	**2002**
Bulgaria	4,064	5,631	2,710	3,270	66.7	58.1
Czech Republic	26,315	30,080	16,460	25,870	62.5	86.0
Estonia	3,243	4,333	2,150	3,060	66.3	70.6
Hungary	23,005	33,975	16,950	24,110	73.7	71.0
Latvia	1,812	2,311	1,890	2,150	04.3	93.0
Lithuania	3,711	5,472	1,670	2,630	45.0	48.1
Poland	28,228	40,986	18,580	26,730	65.8	65.2
Romania	8,128	13,868	5,780	9,820	71.1	70.8
Slovakia	10,720	14,366	6,140	9,030	57.3	62.9
Slovenia	9,034	10,357	5,880	6,560	65.1	63.3
Total	**118,260**	**161,379**	**78,210**	**113,230**	**66.1**	**70.2**
Total EU Imports			**1,635,600**	**2,321,900**		
CEECs Exports to the EU as a % of Total EU Imports			**4.8**	**4.9**		

Source: IMF, Direction of Trade Statistics, yearbooks 1999 and 2003.

Table A.11: Imports of CEECs from the EU (Million USD)

	Total Imports		Imports from EU		% of Total Imports	
	1998	**2002**	**1998**	**2002**	**1998**	**2002**
Bulgaria	4,528	7,831	2,780	3,970	61.4	50.7
Czech Republic	28,797	36,315	19,140	27,390	66.5	75.4
Estonia	4,786	5,863	2,950	3,330	61.6	56.8
Hungary	25,727	37,312	19,100	23,490	74.2	63.0
Latvia	2,900	4,041	2,020	2,430	69.7	60.1
Lithuania	5,794	7,357	2,650	3,790	45.7	51.5
Poland	47,053	55,069	31,350	35,150	66.6	63.8
Romania	10,615	16,200	6,820	10,810	64.2	66.7
Slovakia	13,073	16,496	6,370	8,170	48.7	49.5
Slovenia	10,068	10,932	7,530	8,120	74.8	74.3
Total	**153,341**	**197,416**	**100,710**	**126,650**	**65.7**	**64.2**
Total EU Exports			**2,188,200**	**2,430,200**		
CEECs Imports from the EU as a % of Total EU Exports			**4.6**	**5.2**		

Source: IMF, Direction of Trade Statistics, yearbooks 1999 and 2003.

Table A.12: Foreign Direct Investment Inflows to the OIC Countries
(Million USD)

	1998	1999	2000	2001	2002	2003
Albania	45	41	143	207	135	180
Algeria	501	507	438	1,196	1,065	634
Egypt	1,076	1,065	1,235	510	647	237
Jordan	310	158	787	100	56	379
Lebanon	200	250	298	249	257	358
Libya	-128	-128	-142	-101	-96	700
Morocco	417	850	215	2,825	481	2,279
Palestine	218	189	62	20		
Syria	82	263	270	110	115	150
Tunisia	668	368	779	486	821	584
Turkey	940	783	982	3266	1,038	575
Med. & ME Area	**4,329**	**4,346**	**5,067**	**8,868**	**4,519**	**6,076**
Bahrain	180	454	364	81	217	517
Kuwait	59	72	16	-147	7	67
Oman	101	39	16	83	23	138
Qatar	347	113	252	296	631	400
Saudi Arabia	4,289	-780	-1,884	20	-615	208
UAE	258	-985	-515	1184	834	480
GCC	**5,234**	**-1,087**	**-1,751**	**1,517**	**1,097**	**1,081**
Benin	33	38	56	41	41	51
Burkina Faso	4	8	23	8	9	11
Cameroon	50	40	31	75	176	215
Chad	22	25	116	453	1,030	837
Comoros	-	-	-	1	-	1
Côte d'Ivoire	380	324	235	273	230	389
Djibouti	3	4	3	3	4	11
Gabon	104	-205	-43	-88	251	53
Gambia	24	49	44	35	43	60
Guinea	18	63	10	2	30	8
Guinea Bissau	4	9	1	1	1	2
Mali	9	1	78	104	102	129
Mauritania	-	1	40	92	118	214
Mozambique	235	382	139	255	155	337
Niger	-1	-	9	26	8	31
Nigeria	1,051	1,005	930	1,104	1,281	1,200
Senegal	60	142	62	39	54	78
Sierra Leone	-10	6	5	2	4	8
Somalia	-	-1	-	-	-	1
Sudan	371	371	392	574	713	1,349
Togo	19	29	41	71	53	20
Uganda	210	222	275	229	249	283
OIC-SSA	**2,586**	**2,513**	**2,447**	**3,300**	**4,552**	**5,288**
Azerbaijan	1,023	510	130	227	1,392	3,285
Kazakhstan	1,151	1,472	1,283	2,835	2,590	2,068
Kyrgyz Rep.	109	44	-2	5	5	25
Tajikistan	25	21	24	9	36	32
Turkmenistan	62	125	126	170	100	100
Uzbekistan	140	121	75	83	65	70
OIC-CAR	**2,510**	**2,293**	**1,636**	**3,329**	**4,188**	**2,279**
Afghanistan	-	6	-	1	1	1
Bangladesh	190	180	280	79	52	121
Brunei	573	748	549	526	1,035	2,009
Guyana	47	48	67	56	44	26
Indonesia	-241	-1,866	-4,550	-2,977	145	-597
Iran	24	35	39	55	276	120
Iraq	7	-7	-3	-6	-2	
Malaysia	2,714	3,895	3,788	554	3,203	2,474
Maldives	12	12	13	12	12	12
Pakistan	507	530	305	385	823	1,405
Suriname	38	-24	-97	-27	-74	-92
Yemen	-219	-308	6	136	102	-89
Others	**3,652**	**3,249**	**397**	**-1,206**	**5,617**	**5,390**
OIC Total	**18,311**	**11,314**	**7,796**	**15,808**	**19,973**	**24,144**

Source: UNCTAD, World Investment Report, 2004.

Table A.13: Foreign Direct Investment Inflows to the CEECs and Cohesion Countries
(Million USD)

	1998	1999	2000	2001	2002	2003
Bulgaria	537	819	1,002	813	905	1,419
Czech Republic	3,700	6,310	4,984	5,638	8,483	2,583
Estonia	581	205	387	542	284	891
Hungary	3,828	3,312	2,764	3,936	2,845	2,470
Latvia	357	347	411	163	384	360
Lithuania	926	486	379	446	732	179
Poland	6,365	7,270	9,341	5,713	4,131	4,225
Romania	2,031	1,041	1,037	1,157	1,144	1,566
Slovakia	707	428	1,925	1,584	4,123	571
Slovenia	218	106	137	369	1,606	181
CEECs Total	**19,250**	**20,324**	**22,367**	**20,361**	**24,637**	**14,445**
Greece	85	571	1,089	1,560	51	47
Ireland	8,579	18,218	25,843	9,659	24,486	25,497
Portugal	3,144	1,234	6,787	5,892	1,844	962
Spain	11,797	15,758	37,523	28,005	35,908	25,625
Cohesion C.	**23,605**	**35,781**	**71,242**	**45,116**	**62,289**	**52,131**
EU Total	249,931	479,372	671,417	357,441	374,000	295,154
Cohesion C. as a % of EU Total	9.4	7.5	10.6	12.6	16.7	17.6

Source: UNCTAD, World Investment Report, 2004.
Note: Cohesion Countries are Greece, Ireland, Portugal and Spain.

Table A.14: Unemployment Rates in the EU-15 and CEECs, 2003

EU-15	
Austria	7.0
Belgium	12.3
Denmark	6.2
Finland	9.0
France	9.7
Germany	11.2
Greece	-
Ireland	4.6
Italy	8.7
Luxembourg	3.8
The Netherlands	3.4
Portugal	6.3
Spain	11.3
Sweden	4.9
UK	3.1
CEECs	
Bulgaria	13.7
Czech Republic	10.3
Estonia	5.3
Hungary	8.4
Latvia	8.6
Lithuania	9.8
Poland	18.0
Romania	7.2
Slovakia	15.2
Slovenia	11.2

Source: http://laborsta.ilo.org/cgi-bin/brokerv8.exe.