

The challenge of EU enlargement

Talk given at The 3rd European Fulbright Alumni Workshop
Biblioteca del Alcázar - Conference Room -
Toledo, 2 September 2000

Introduction

The topic of my talk is the challenge of EU enlargement, but to be correct, the challenge of enlargement consists of two parallel challenges which cannot be looked at in a separate way.

On the one hand, enlargement poses a challenge for the Thirteen official candidates of Central and Eastern Europe and the Mediterranean which have to adapt to the European Union's political, economic, social, legal and administrative standards in order to qualify for EU membership. The legacy of forty years of Communist rule makes this challenge as enormous as unprecedented that, in fact, little parallelism can be drawn with respect to the accession of Greece, Spain and Portugal in the eighties despite the fact that these countries emerged also from non-democratic rule.

On the other hand, enlargement poses an immense challenge to the Fifteen EU member states, their political elite, and their public opinion. So far, the European Union has digested its previous enlargements processes by moderately moving forward along the integration path, adapting and transforming itself in a non-dramatic and incremental way. Until this moment, the EU has avoided the discussion of its final goals, the so-called *finalité politique*. But, for reasons I will explain later, this enlargement forces us to face this question. In these circumstances, many argue, the EU will either have to significantly raise its ambitions and move into a supranational democratic union or significantly scale these ambitions down and be satisfied with being a market-oriented regulatory agency non-accountable to the European citizens. The first option confronts us with the problem of "how to make Europe without Europeans", the second option confronts us with the problem of how to make compatible economic growth with the maintenance of the European social model. But before examining these issues, let us examine the question of enlargement as comprising two sets of negotiations: "accession negotiations" and "integration negotiations"

Accession negotiations

Who is the EU negotiating with? At present, ten countries of Central and Eastern Europe (Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Lithuania, Latvia, Estonia, Bulgaria, and Romania -) plus Cyprus and Malta are negotiating their accession to the European Union (Turkey is a formal candidate but the country does not meet the EU membership criteria).

Which are these criteria? As defined by the European Council meeting in Copenhagen in 1993, the criteria which will determine whether a candidate can become member of the European Union are the following.

First, membership requires "that the candidate country has achieved stability of the institutions guaranteeing democracy, the rule of law, human rights, and the respect for and protection of minorities".

Second, membership requires "the existence of a functioning market economy". A "functioning market economy", as defined by the European Commission, includes no less than the free interplay of market forces in establishing prices, supply and demand, macroeconomic stability, sustainable public finances, a stable financial sector, the absence of barriers for firms' market entry and exit.

Imagine what this means in terms of regulations and laws for a former Communist economy (property, bankruptcy laws ...)

Third, membership requires, "the capacity to withstand competitive pressures and market forces within the Union", which means, among other, stability for economic agents to take their decisions, a sufficient amount of human and physical capital including energy, telecommunications and transport infrastructure, education and research, as well as a good number of healthy small and medium-size enterprises.

Fourth, membership requires "the ability to take on the obligations of membership, including the adherence to the aims of political, economic and monetary union". This means the adoption of all EU legislation, i.e. the transposition, implementation and enforcement of between eighty and two hundred thousand pages of EU legislation regulating the functioning of the single market, economic and monetary union (EMU) and cooperation in foreign policy (CSFP) and home and justice affairs (HJA). In practice, these refers to legislation regulating from the free circulation of workers to veterinary controls, from merger laws to occupational training, from environmental standards to visa policies, which requires a modern and well developed civil service and judiciary counting on adequate financial and human resources.

As you can see, becoming member of the European Union may entail significant benefits, but bears also considerable costs. Above all, the Union is a Community of law and accession to the EU is basically a process of legal integration. Just think of the case of the former Eastern Germany, what it has meant to upgrade a whole country not to a reasonable modern standard, but to the highest standard available. In the case of Central and Eastern Europe, accession to the EU means raising 10 countries and more than a 100 million inhabitants from the collapse of Communism to some of the highest world standards of economic competitiveness, administrative efficiency and social policy.

Just to have an idea of the difficulty to shrug off the legacy of forty years of central planning:

The countries which have done "best" in economic terms between 1989 and 1999 (Poland, Hungary, the Czech and Slovak Republics and Slovenia) have only managed to raise their GDP (in real terms) to the 1989 levels. All the other economies are still below the 1989 levels (Romania at 78%, Bulgaria at 66%, Latvia at 58%). As you see, the legacy of Communism is so tremendous that it has taken these countries ten years to get back to 1989.

But back to accession negotiations, it is evident that these negotiations are not real negotiations. Negotiations are governed by the principle of the indivisibility of the *acquis communautaire*, in other words, there is no "à la carte" membership for would-be-members allowing them to pick only those parts of the EU which they like and rejecting those they dislike. Little will be negotiated, except the length of the transitional periods which candidate countries will enjoy to adopt, implement and enforce the 31 chapters in which EU regulations are divided.

An example here: EU membership presupposes a free market of land, but for obvious reasons Poland wants seventeen years of transitional period before Europeans (meaning Germans) can buy land in Poland (meaning the land adjacent to the Oder-Neisse river, formerly German). Conversely, Poland may want the free circulation of agricultural products to apply on day one of enlargement, but the European Union, also for obvious reasons, may want to postpone this as much as it can.

Obviously, there will be tensions, as both parties try to maximise their gains and minimise their losses, but "negotiations" in this sense are the smallest problem this enlargement is facing. This may reflect only the fact that the power and bargaining asymmetry between the Union and the candidates is so large that the final agreement would reflect more the preferences of the Union than those of the candidates, but such has always been the story when the EU has enlarged.

When Spain was negotiating its accession, it had to accept that its fishing fleet, the largest in Europe, would not be allowed to freely fish in Community waters until the year 2002, that is, a transitional period of sixteen years. When González complained to Thatcher about the harsh entry conditions Spain was being forced to sign, Thatcher reports in her memoirs that she told him that "entry into the EU consists of two things: first, signing everything they place before you in order to get in, second, once member, undoing all the amazing things you had sign in order to get in" .

Who is the EU negotiating with? Following significant tensions on who should become member first, and out of fears that the EU would imitate NATO and enlarge only to Poland, Hungary and the Czech Republic, the European Council meeting in Luxembourg in December 1997 adopted the so-called "regatta approach" by which all countries meeting the membership criteria would start negotiations at the same time and would conclude them on their own individual merit. Therefore, there are two groups of candidates at the moment. In the first group, there are those candidates which meet the political and most of the economic criteria. In this first group we find Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus. The second group consists of countries which meet the political, but not the economic criteria (Slovakia, Bulgaria, Romania, Lithuania, Latvia and Malta - after a change in government, Malta reactivated his 1990 application).

Negotiations started in February this year and might be considerably conditioned by the capacity of these countries to implement the core single market regulations. Childcare institutions in Romania, the nuclear reactors of Bulgaria, linguistic rights in Estonia and Latvia, the status of the Roma population and political and judicial corruption in all countries are still focus of EU concern at the political level, otherwise the content of negotiations deals fundamentally with the economic criteria.

Negotiations with the first group started in March 1998, some chapters are already closed and ideally they should be closed and their results ratified by December 2002 so the first countries could become members in 2003. However, the situation within the EU is such that the candidates might be ready before the Union is ready itself. How can we explain this?

Integration negotiations

For the last ten years, the European Union has been pointing the candidate countries of Central and Eastern Europe the political, economic, administrative and legal reforms they had to adopt in order to be ready for accession to the European Union. First by way of the Europe association agreements, then by means of a structured dialogue, later through the various pre-accession partnerships, the EU has been continuously telling the candidate countries what to do and how to do it, just leaving to them the decision of whether to do it and when to do it. The paradox is, I will argue in this talk, that whether the EU has given the candidate countries a roadmap clearly showing all the turns they have to take and the obstacles they have to sort, the EU lacks such a roadmap for itself.

So far, I have deliberately omitted that the Copenhagen European Council established a fifth condition, namely "that the Union itself be ready to accept new member while maintaining the

momentum of the European integration process" . This means that the real negotiations which will determine when enlargement takes place and in which conditions, are not the negotiations between the candidates and the members, but those among the EU members and, in practice, EU readiness is the most fundamental problem which today threatens enlargement.

And at this point, one is obliged to note that the necessary amounts of leadership, courage, generosity and coherence are lacking within the EU. It is very evident how the euphoria of 1989 has translated into the feeling of having received a burden. As a result, the EU's Sunday speeches point in one direction, but daily actions point in opposite. EU member states simply lack the consensus needed to successfully meet the challenge of this enlargement.

So far, there has always been a positive relationship between enlargement and the integration process. Enlargement has always come in "packages", i.e. each enlargement has both required and produced a significant impulse to the European integration process. These "packages" have included varying combinations of five elements:

First, what it is usually described as "negative integration" or "**market creation**", the removal of economic barriers, the steps towards the completion of the single market and the four freedoms of circulation (goods, services, capital, and labour) or monetary and economic union (the customs unions in the first enlargement, the single market in the second, Economic and Monetary Union in the third)

Second, **expansion of the authority** or decision-making capacity of the main Community institutions. This has been particularly visible in the increase of powers of the European Parliament and in the role played by the European Court of Justice but also in the increasing number of policy areas in which unanimity has been replaced by qualified majority voting.

Third, "positive integration" or "**market correction**", the adding up of new tasks and policies of a predominant social or political content (from development co-operation to immigration policies, from gender equality to environmental policies).

Fourth, a significant increase of the **budgetary resources** available for common and new policies (the CAP in the seventies, structural policies in the eighties and cohesion policies in the nineties)

Fifth, a strengthening of the **foreign policy** identity and capabilities of the Community/Union (first with the 1970 EPC, then with the EPC provisions of the SEA, later with the CSFP)

Why would the EU be unable to bundle a new package together and simultaneously enlarge and move along the integration path? What makes this enlargement different? What makes the EU so ill-equipped to deal with it?

Some elements have to do with the candidates (the candidates are too many, too small, and too poor), but other are intrinsic to the European Union (the end of the so-called permissive consensus granted by European public opinion to their political elite, and the lack of a shared identity). Let us see first why the candidates are giving the EU such a headache.

Numbers are telling, the original Community of six accepted three new member in the seventies, three more in the eighties and three more in the nineties but twelve more in this decade (this excluding a reactivation of Norway's or Switzerland's applications, or enlargement to the former Yugoslav Republics and Turkey which could bring the number of EU members above thirty).

OVERHEAD 1 [EU-15, EU-20, EU-25]

figures from: "Old 'Foundations' and new 'Rules' for an Enlarged European Union".

<http://olymp.wu-wien.ac.at/eiop/texte/1997-001a.htm>;

With the exception of Poland and Romania, all the candidates are smaller than average EU countries. This would not be a problem was it not for the fact the Union's institutional system considerably over-represents small states. Luxembourg has 2 votes and Germany 10, which means that the 5 million citizens of Cyprus, Malta, Luxembourg, Estonia, and Slovenia will have the same voting power as Germany with 81 million (not a funny thing if you are a German taxpayer, don't you think?).

In order to safeguard decision-making efficacy, enlargement requires abandoning unanimity in favor majority voting. With the present system of assigning votes, even Qualified Majority Voting (71% of the votes) would lead the Union to collapse (if only because veto coalitions will enormously increase). However, the move on to simple majority voting might aggravate the present democratic deficit. For, would it be democratic that 25% of the EU population would have 51% of the voting power in our institutions? Would the excluded 75% of the EU population consider decisions taken in this way legitimate and would feel bounded by them? Alternatively, would it be democratic to introduce population criteria into the voting system if this meant, for example, that the citizens of eighteen small-and-medium sized states could be continuously outvoted by the largest member states? Wouldn't such a directory of great powers be rather undemocratic?

OVERHEAD 2 [TABLE 1 AND 2 IMPACT OF ENLARGEMENT]

On the top of this, the candidates are poor. Eastern enlargement will result in a negative change in GDP per capita of 16%. The EU will increase its population by 29%, but its aggregate GDP will only increase 9% . This means that the EU of the XXI century will be 25% poorer than the EU of Six members which saw the light in 1957.

As you know, the EU spends 80% of its financial resources, which are of only 1.27% of the combined GDP of the EU fifteen in two policies: the Common Agricultural Policy and the Structural and Cohesion Policies. By way of the CAP, maintaining the 5% of our agricultural populations (some 20 million farmers) costs EU taxpayers some 45 billion euro a year. Well, agricultural populations represents 22% of Eastern European population, which means the adding of another 20 million farmers to the EU and the soaring of agricultural expenditure.

OVERHEAD 3 [HOW THE UNION SPENDS ITS BUDGET]

Similarly, with the present system, all the candidates will qualify for receiving structural and cohesion funds. As things stand now, in an European Union of 26 members, 61% of the population, that is, almost 300 million people should benefit from the assistance given by EU structural funds.

Despite these figures, enlargement will be relatively cheap. Why? Because the EU has chosen to reform its agricultural and structural policies so as to limit the impact of Eastern enlargement and limit the amount of assistance new members will be entitled to receive to 4% of their GDP. If Eastern enlargement takes place under the terms envisaged by the European Commission in its Agenda 2000, it should be relatively cheap in financial terms at least until year 2006 (some 16 billion euro are earmarked for enlargement, which represents only 0.2% of EU-15 GDP.

OVERHEAD 4 [THE WELFARE DIVIDE]

Obviously, a cheap enlargement means that the welfare divide will take longer to be bridged and that the EU will not only be poorer as a whole, but more uneven. At present, the poorest region of the EU (in Greece) stands at 66% of the Union's average and the richest (in Germany) at 169%. But the richest candidate (Slovenia) has a GDP per capita of 56% of the Union's average, whereas the poorest (Latvia) has only 16%.

Is this the Europe we want? Is this compatible with our identity, with our discourse about our social values and our pride about our "social model"? And, more practically, would this kind of Europe be politically sustainable? As we know, economic unevenness does not match well with political or social stability and makes the prospect of democratic consolidation (in Eastern Europe) and democratic construction (at the EU level) rather problematic. Hence, enlargement requires the EU to move ahead in political terms but at the same time it undermines this possibility.

OVERHEAD 5 [SUPPORT FOR ENLARGEMENT]

I mentioned before that there were elements within the EU responsible for this situation. What do Europeans think about this challenge? First, support for Eastern enlargement is very low in all Europe, an average of 42%. Even more worrying, support for enlargement is below 30% in two basic countries, Germany and France, and below 40% in the UK. Only Sweden, Denmark, Greece, the Netherlands, and Finland clearly support enlargement. Moreover, net support in the EU for enlargement to Malta, Hungary, Poland, Cyprus and the Czech Republic is low, but is even zero or negative for the rest of countries, with a significant one third of the European public being against admitting the other seven countries. On the top of this we find that European public opinion sees no hurry to enlarge Eastwards. It is telling that 77% of European citizens consider that the European Commission should have consumer protection as a priority, but only 22% agree with the Commission giving priority to enlargement.

Therefore, European public opinion shows reluctant to assume the burden of Eastern enlargement and polls show that the mental divide between European *ossies* and *wessies* may prove more difficult to bring down than the iron curtain itself. But the truth is that internal solidarity within the EU-15 is low as proved by last year's financial revolt of the net contributors to the EU budget (mainly Germany, Austria, Sweden, and the Netherlands) and the budget cuts decided in Berlin in February 1999 with respect to cohesion and structural financial transfers from the richer to the poorer EU members.

OVERHEAD 6A [AGENDA 2000 AND BERLIN AGREEMENT]

OVERHEAD 6B [LESS MONEY FOR STRUCTURAL AND COHESION FUNDS]

OVERHEAD 6C [GERMANY CONTRIBUTES JUST TOO MUCH]

Solidarity is low, I believe, because identity is also low. It takes either coercion, fear, or a shared identity for the richest to pay taxes to finance the needs of the poorest. Well, identity in the EU is still very low with only 50% of the citizens of the EU-15 member states considering themselves Europeans as much as nationals from their member states. Clearly, EU citizens are not ready yet to practice solidarity in a continental scale, less to integrate into a supranational democracy in which others could impose duties on them. European citizens may have common interests, but little shared identities to sustain them. Where does this leave us?

OVERHEAD 7 (EUROPEAN IDENTITY BY COUNTRY)

Concluding remarks

I argued at the beginning that, faced with enlargement, the EU would either have to significantly raise its ambitions and move into a supranational democratic union or significantly scale these ambitions down and be satisfied with being a market-oriented regulatory agency, a sort of central bank, deliberately unaccountable to the citizens.

The first option confronted us with the problem of "how to make Europe without Europeans", i.e. how to sustain the process of European integration legitimate to a people which is not bounded yet by strong links and which may see their national identity threatened by the imposition from the outside of various types of solidarity (whether financial, military or other). Our next speakers from the European Parliament might have a lot to say about how do you feel when you are the government **of** the people, but this people does not bother much about the institution representing it.

The second option confronts us with the problem of how to sustain the European social model in face of the economic globalization process. So far, European's citizens alienation with the European Union has had a lot to do with the predominance of market creation over market correction elements and with the lack of accountability of political leaders at the EU level. To this point, EU leaders have governed **for** the people and hid the undemocratic character of their governance at the European level in terms of their efficiency, their capacity to deliver. But the days of technocratic rule may be over, because citizens perceive some fundamental values to be at stake.

I would like to conclude with a paradox which may well represent the blind alley the Union has reached. A successful enlargement may require the EU becoming first a supranational democracy, but this supranational democracy may collapse when trying to digest Eastern enlargement. Alternatively, the sustainability of an European Union stretching from Lisbon to Tallinn and from Dublin to Bucharest only on the basis of market mechanism and ad hoc cooperation institutions is doubtful. A midway between the two is yet to be found and this is the task ahead for all of us. I conclude here, many thanks.

Interesting web links:

- The European Commission Enlargement Webpage: <http://europa.eu.int/comm/enlargement/index.htm>
- The European Parliament Enlargement Webpage: <http://www.europarl.eu.int/enlargement/>
- The IGC (Intergovernmental Conference for Institutional Reform) Webpage: http://www.europa.eu.int/igc2000/index_en.htm
- European University Institute. Robert Schuman Center. <http://www.iue.it/RSC/PublicationsRSC-Welcome.htm>. Suggestions: EUI/RSC Policy Papers. No 99/7, Horst Günter Krenzler and Karen E. Smith, *Preparing the EU and Its Institutions for Enlargement*, December 1999; No 99/2, Amato, Giuliano and Batt, Judy, *Socio-Economic Discrepancies in the Enlarged EU*; No 98/5, Amato, Giuliano, and Batt, Judy, *Minority Rights and EU Enlargement to the East*; No 99/1, Amato, Giuliano and Batt, Judy, *The Long Term Implications of EU Enlargement: Culture and National Identity*.
- European Public Opinion Surveys: Eurobarometer and other. <http://europa.eu.int/comm/dg10/epo/>
- *Eurointernet*. <http://fgf.wu-wien.ac.at/nentwich/euroint.htm> Information Resources Related to European Integration in the Internet. EuroInternet provides you with the ultimate collection of Internet resources for all issues concerning the integration of Europe.