


THE ENLARGED EU: MIGHTY EUROPE OR FLOP?

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The EU member states should stop fretting about enlargement and start thinking ahead about the new challenges in wider Europe. The benefits of enlargement outweigh the costs, but the process must be well managed.

1.  IN 2002 NEGOTIATIONS FOR THE ACCESSION to the EU of ten countries of eastern and southern Europe¹ are supposed to be brought to a close, leaving behind in the enlargement process just Bulgaria and Romania. Together with the euro, enlargement constitutes no doubt the most ambitious and important project of the EU of the past decade. As the current member states start quarrelling over who pays what and who gets what, as negotiations enter their most critical phase, it is worth reviewing the reasons that led the political leaders in the early 1990s to allow the countries until then behind the Iron Curtain to “join the European family” and to fulfil their dream of a “return to Europe”. Although enlargement is expected to benefit all member states, as well as the candidate countries, the benefits of such process are unevenly spread and entail quite fundamental restructuring of the EU’s complex institutional and decision making set-up as well as some of its major policies. Before examining the good reasons to enlarge, some of the problems inherent to the process will be highlighted. Finally, the time has come to start asking questions about the future EU that go beyond the debate on the political and institutional form it will take: what new challenges will it have to confront? What will be its weight in international politics?

For the purposes of this article, I will concentrate on the policy issues that have important political implications rather than attempt to decipher the details of

1. In 1993 the EU officially opened its doors to other European countries: in alphabetical order, Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia started the negotiation process between 1998 and 2000. Turkey was recognized as a candidate in 1999 but has not yet fulfilled the conditions to start negotiations. The conditions include “the stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union, and the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union”.

the decision making agreement reached in Nice in December 2000. Suffice to say that the agreement was based on the minimum common denominator: it technically makes sure that the EU works even with up to 27 members without questioning the constitutional philosophy behind the already complex institutional set-up, but by introducing the double majority (of votes, checked by the size of member states' populations) has left unresolved the big question of the efficiency of the Council – the main decision maker of the Union. Nice sorted out the so-called left-overs of Amsterdam, but gave the Convention on the Future of Europe and the following intergovernmental conference the task of solving the left-overs of Nice and, hopefully, the real challenge of reforming the institutions in favour of greater efficiency and democracy.

The big policy issues started to be addressed between 2001 and 2002, and the negotiations between the European Commission and the candidate countries started to acquire a political dimension for the member states and their public opinions – a political dimension that was hitherto hidden behind the technocratic nature of the negotiations and of the chapters of the lengthy *acquis communautaire* under discussion. To complicate matters further, the critical negotiation chapters are discussed during a period of elections in many countries in western and eastern Europe alike: in 2002 there have been or will be elections in 10 of the 27 current EU members and negotiating candidate countries. Fears of an invasion of cheap labour from the east, of losing regional development funding for the poorer EU regions, and of having to share the generous agricultural support with the more rural countries of eastern Europe are among the policy issues that have triggered a political debate within the current member states. Instead in the candidate countries there is a risk that a badly managed enlargement process could weaken the already declining support for accession to the EU and cause a nationalist backlash. The consequences of the enlargement process falling hostage to particular national interests should not be underestimated, as it could put the whole strategy into question.

2. Fears of waves of immigrants seeking work in the rich EU-15 are more perceived than real, as the forecasts on the subject establish.² Yet set against the backdrop of an increased importance of nationalist and xenophobic parties in western Europe, as well as the vulnerability of some poor regions bordering eastern Europe, the EU, led by Germany and Austria, asked the candidate countries to swallow the bitter pill of a transitory period before upgrading to one of the fundamental freedoms of the EU: free movement of people and workers. But it is regional and agricultural policies, which essentially constitute what could be called the EU welfare state, that impinge directly on the pockets of the member

2. An influential study estimates that if ten countries were to accede to the Union and enjoy freedom of movement, 335,000 people would emigrate to the current EU-15. See EUROPEAN INTEGRATION CONSORTIUM, *The Impact of Eastern Enlargement on Employment and Labour Markets in the EU Member-States*, Berlin and Milan 2000.

states, as the Common Agricultural Policy (CAP) and the Structural Funds take up over 80% of the Community budget. In these fields in particular, the member states are demonstrating the limits of their concepts of EU solidarity – which should underpin this particular form of welfare.

Extending the CAP without reform is unsustainable: in the ten countries of central and eastern Europe (including rural Bulgaria and Romania) over 18% of the labour force is employed in the agricultural sector while producing only 3.8% of their combined GDP. In the EU-15 4.7% of the labour force is employed in agriculture producing 1.5% of GDP.³ But member states, and France in particular are reluctant to go ahead with changing the system of direct income support and guaranteed prices. The Commission has instead proposed what could euphemistically be called a “phasing in” strategy, which foresees the gradual introduction of farm direct aid in the future EU member states (25% in 2004, 30% in 2005, reaching 100% in 2013) and attempts to compensate such unequal treatment with rural development aid. The response to the Commission’s proposal in the EU was generally supportive, although some net contributors to the budget complained of it being “too generous”. So, at the time of writing, it looks like the EU will go to the negotiation table with such a proposal, to the dismay of the eastern counterparts: the Polish agriculture Minister has defined it “neither generous nor fair” and “in breach with the fundamental principles of the Single European Market”.⁴ On these premises, it is hard to avoid foreseeing an enlarged EU with first and second-class members. On the other hand, some member states hope that enlargement will provide the trigger to reform the costly and protective CAP.

On the Structural Funds for regional development and cohesion, the matter is equally contentious, given that with enlargement Europe will increase its regional disparity. The issue can also be subject to political manipulation on part of current and future members alike. The Financial Framework for 2000-2006 agreed upon in Berlin can cover the costs of enlargement even in the now likely event of a “big bang” accession of the ten countries further ahead in negotiations. But the post-2006 scenario still needs to be defined, and Spain, one of the four current major recipients of funding, has ensured its veto right on regional policies until 2007, thus covering the time for the next negotiation on the EU budget. In the meantime, the Commission is working on a number of options to reform the distribution criteria and the definition of the poorer regions.⁵ Indeed, should the criteria to enjoy Structural Funds remain the same (to give an example, regions eligible to the so-called Objective 1 criterion must have a per capita GDP lower than 75% of the EU average) many of the currently eligible regions would lose their funding as a

3. Data is of 1999, European Commission, DG Agriculture, www.europa.eu.int/comm/dgs/agriculture.

4. See *Uniting Europe*, no. 180, 27 March 2002.

5. For a study on possible reform options, see C. WEISE, M. BANSE, W. BODE, B. LIPPERT, F. NÖLLE, S. TANGERMANN, *Reformbedarf bei den EU-Politiken im Zuge der Osterweiterung*, Berlin and Gottinga 2001, www.diw.de/english/abteilungen/wlt/projekte/index.html.

consequence of the statistical effect (i.e. the average EU GDP would be lowered with the entry of poorer countries).

All the chapters under negotiation are moving targets for the candidate countries, in the sense that the *acquis* is in constant evolution. Since September 11, the Justice and Home Affairs pillar and the Schengen *acquis* on border policies have undergone significant acceleration due to the fight against terrorism and provisions regarding internal security. In this increasingly important field, the candidate countries will not be capable of acquiring all the relevant norms, structures and procedures necessary to adopt the *acquis*. Rather than delay enlargement, the Commission has proposed that, rather like some current members of the Schengen agreement, the candidate countries adopt all the provisions in a two-stage process: the first upon accession requires the adoption of the *acquis* (to which the candidate countries, unlike some member states of the EU, do not have the possibility of opting out), but the removal of border controls will take place only at a second stage. It will be necessary to support the candidate countries in their institutional and administrative capacity to control borders and to adapt to the increasing competences in the field of Justice and Home Affairs and Schengen.

3. Despite these (and other) issues on which negotiations risk getting stuck,⁶ the economic, political and security rationale in favour of enlargement is overwhelmingly convincing. First of all the numbers: exact figures can vary, but all economic studies on the costs and benefits of enlargement point in the same direction. Enlargement is due to bring positive, even if modest, benefits that outweigh the costs outlined in the section above. This holds true at the regional as well as at the aggregate level, even if the benefits will be unevenly distributed between member states and their regions. A recent study of the European Commission estimates that enlargement will accrue the yearly GDP growth rate of the candidate countries of between 1.3% and 2.1%, while for the current member states the yearly GDP growth rate should increase on average of 0.7%.⁷ An influential 1997 study estimates, using three types of scenario from the pessimistic to the optimistic, that the net costs can vary from 8 billion euro to zero, while in the long term the benefits would amount to 10 billion euro. For the candidate countries the net benefits would be of 23 billion euro.⁸ Furthermore, central and

6. The issues described here are those that are currently affecting the debate in the current member states more strongly. This is not to say that other issues at stake are less difficult. Divided Cyprus is at the top of the list; there also is a host of issues in the candidate countries themselves, such as property law for agricultural lands (fears of western European large-scale enterprises buying land at the expense of eastern European farmers), to give an example. There also are minor issues that can cause diplomatic obstructions, such as disputes of the name of wines. However, for reasons of brevity, I have preferred to concentrate on a selection of major problems and on those of greatest budgetary impact.

7. EUROPEAN COMMISSION, DG FOR ECONOMIC AND FINANCIAL AFFAIRS, *The Economic Impact of Enlargement*, Brussels, May 2001.

8. R. BALDWIN, J. FRANÇOIS and R. PORTES, "The Costs and Benefits of Eastern Enlargement", *Economic Policy*, no. 24, 1997.

eastern European countries represent an important market for western European products, and such importance is destined to increase with the creation of a single European market of 500 million consumers, without even considering the impact of such economic giant on the rest of the world.

Geopolitics and security, however, are the paramount reasons behind the decision to enlarge. The logic underpinning the integration process of the western European countries from 1957 onwards is extended towards the east to create a larger zone of peace, democracy and prosperity where conflict, or potential conflict, is managed through peaceful means. To avoid conflict in the new and fragile democracies, impinging directly on the borders of the Union, as the dissolution of former Yugoslavia dramatically demonstrated, the means is to anchor those new institutions and economies to the stability of western Europe.

Indeed, a counterfactual argument is compelling evidence of the benefits of enlargement: the conflict in Yugoslavia, which the EU was unable to contain especially during the first half of the 1990s, represents a type of conflict that could have expanded to central and eastern Europe too. The collapse of the legitimacy of state institutions together with the Berlin Wall, the politicization of ethnic difference, the re-emergence of nationalism, are all risks to which central and eastern Europe was not immune – and in some cases the risk is still there. The security implications for the EU became evident during the 1990s: humanitarian crises, the expansion of criminal networks exploiting the void created by weak or absent institutions, illegal immigration and the traffic of human beings, arms, drugs and so on. Conversely, by using its civilian arms of expansion, of pushing for transition while offering incentives, the EU has provided the new leaderships of central and eastern Europe a real as well as symbolic prospect to manage transition and soften the social costs of change.

In this context, it is also worth underlining that the member states have taken on a political responsibility of rather large proportions: should these final stages of enlargement be badly managed, the risks of disillusionment in an increasingly Euro-sceptic public opinion in the east, could well lead to the return of the spectres of the early 1990s. To live up to the promises is not just a question of altruism; it could be better called “enlightened interest”. Not only does the EU directly benefit from letting these European countries join; the consequences of not joining could be an inversion of the positive economic growth trends in the candidate countries that, if coupled with dissatisfaction with democracy, could lead to the affirmation of nationalist and/or anti-western sentiment, undermining the environment appreciated by foreign investors who, in turn, contribute to the economic growth of these countries. Among one of the possible consequences could be precisely what the EU member states fear: mass migration of eastern Europeans to the wealthy west.

There is a final and more general reason to accomplish this project: international credibility. The enlargement process has been one of the most important manifestations of the EU's actual capabilities in developing foreign

policies, or forms of foreign policy, especially in the light of its failures elsewhere. Indeed, the current EU commitment in the Balkans follows the lines of the instruments put in place in the context of enlargement. The EU's most successful tools of foreign policy are in the creation of association agreements with third countries that cover more issues than trade, and that have been replicated with varying degrees of success at a global level. In southeastern Europe the EU has put in place a Stabilization and Association Process whose objective is the gradual integration of these countries into the Euro-Atlantic structures. An unsuccessful outcome of enlargement would demonstrate to all those placing high hopes on Europe's capacity as a regional stabilizer that it does not put words into deeds.

The Balkans would be the first to suffer the blow, but similar arguments could be voiced in other countries entertaining or developing strong relations with the EU. Turkey, a candidate country still unable to start negotiations, internally split between the "westerners" heirs of Ataturk's secular tradition and more Islamic-fundamentalist wings of society, is one of the EU's strategic partners and member of NATO. But apart from promising accession (somewhere in the not very near future), the EU has not been able to develop a foreign policy strategy to suit its interests. Should enlargement fail, it could well be the final straw in the oscillating relations between Brussels and Ankara. Or, to look at current affairs, should the EU's international credibility be dashed by a badly managed enlargement, what pretence could the European capitals have to play a role in the current Arab-Israeli conflict? Conversely, some of the civilian tools developed through the enlargement process (democracy and institution-building programmes, economic incentives, trade liberalization) could prove useful instruments should an agreement be reached between the warring parties in the Middle East. The EU's international credibility rests strongly on what the EU itself declared to be its most important geopolitical project: enlargement.

4. But what will enlarged Europe look like in world politics? With 500 million citizens, it will greatly enhance its status as the world largest and richest trading bloc, but will it finally be able to unfulfill the prophecy of being an "economic giant, political dwarf and military worm"? I will leave aside the military and defence aspects as they require a separate analysis, and concentrate instead on the political aspects, confident in the belief that there is much to be said for the civilian tools at the EU's disposal to ascribe it some political clout in global politics. I will also avoid a discussion of the institutional and decision making dimensions of the Common Foreign and Security Policy (CFSP) of the Union, except for outlining some basic scenarios. Instead, it could be a useful exercise to start thinking about the future challenges of an enlarged EU.

Should an EU of 25 or more member states maintain the intergovernmental structure of CFSP, with each state retaining its veto right, the EU would no doubt be even more incapable of reaching common positions in foreign policy than it

different foreign policy priorities to Portugal. If the EU is to maintain its stated objective of harmonizing the foreign policies of the member states and of playing a stronger role in international affairs united, nothing short of bringing the CFSP pillar into supranational structures will solve the impasse. Another required reform could be the abolition of the rotating presidency, an institutional formula conceived to allow all the member states to have their moment of glory when the big decisions are made but which is very confusing to the external observer and interlocutor.

A way out of possible paralysis is offered by a bizarre conception invented at Amsterdam and strengthened at Nice: “enhanced cooperation”. Put simply, this allows some member states to pursue some policies independently of others, providing they do not conflict with the treaties. This tool could prove useful if we look at the new security challenges that an enlarged and more ambitious EU might have to confront.

Should the “big bang” hypothesis stand, the enlarged EU will border with Russia, the Russian enclave Kaliningrad, Belarus, Ukraine, Romania, Serbia-Montenegro, Croatia, plus its current borders with Turkey, Macedonia and Albania through Greece. Enlargement to Bulgaria, Romania and at a later stage to Turkey would extend the frontiers to Moldova, Georgia, Armenia, Iran, Iraq and Syria.⁹ But the political frontiers do not necessarily reflect the political, economic and ethnic lines of the area. To give a couple of examples, ethnic Hungarians are sizeable minorities in Romania, Serbia, Slovakia and Ukraine cut off from their “motherland” by the 1920 Trianon Treaty, towards which the outgoing Orban government has already developed policies to provide benefits to the Magyar citizens of other states – a provision that was negatively greeted by the governments in Bucharest and Bratislava who see it as an attempt to exert influence in other countries. Estonia and Latvia have significant Russian minorities, a historically loaded issue about which Russia is extremely sensitive and over which the EU had to put its foot to ensure that the new governments carried out citizenship policies in respect of fundamental and minority rights. The border between Poland and the Ukraine is highly permeable: workers cross it daily (so do all sorts of other goods and people illegally), creating trans-border economies of scale that provide work and take the pressure off high unemployment areas on both sides of the border. The Ukrainian President Leonid Kuchma has already warned of the dangers of creating a “paper curtain” cutting eastern Europe in the “ins” and “outs”.

The future members of the EU will bring their experience in eastern Europe to the foreign policy agenda. These will include difficult historical relations with Russia and relations with all the countries on the other side of the new border:

9. On the geopolitics of the future frontiers of the Union, as well as its political and policy implications, see G. AMATO and J. BATT, *The Long-Term Implications of EU Enlargement. The Nature of the New Border*, Final Report of the Reflection Group, The Robert Schuman Centre for Advanced Studies, European University Institute and The Forward Studies Committee, European Commission, Florence: 1999.

countries whose transition is following uncertain directions, strategically important, also from the point of view of the transport of energy from the east, and which cannot be considered in 19th century terms as buffer states.

Stringent Schengen provisions permitting, it is desirable that the countries with the most important ties with the “outs” develop good neighbourhood policies. These could follow the model developed by the northern countries for cooperation in the entire Baltic region, involving member states, candidate and non candidate countries in a process of cooperation on economic, political, environmental and energy issues – a process known as the “Northern Dimension”. Similarly, the Mediterranean countries might want to revamp the ailing Euro-Mediterranean Partnership. These are among the types of policies that could be developed precisely through “enhanced cooperation” mechanisms.

However, it should be in the interest of the EU as a whole to take advantage of the experience of the future members to enhance relations with countries that are important to the candidate countries as well as to the current member states. In this regard, a crucial aspect regards relations with Russia, which the candidate countries cannot ignore especially once they will have joined the EU and will be able to shrug off the legacy of the Soviet Union. Indeed, for the EU, Russia has always been a crucial partner (it is first single trade partner) and, in recent years, it has insisted for its involvement in the international management of crises. This becomes more pressing in the aftermath of September 11 and considering Russia’s vast and under-exploited energy resources.

5. The relationship between the costs and benefits of enlargement are thus positive for the former countries of the USSR bloc, but also for the member states. In fact, so much is attached to the EU enlargement project – crucial expectations in the candidate countries, in the neighbouring countries and in the world, the EU’s credibility as an international actor, expectations of investment of European business in the future members, the maintenance of stability in Europe – that not to enlarge could well have huge costs. At this stage, the priorities become three. Firstly, to manage the process smoothly, living up to expectations and avoiding the creation of battle grounds based on particular interests, while losing sight of the broad picture. Secondly, to carry out sensible reforms of the EU using a degree of imagination: flexibility will be necessary to manage enriched diversity, but convergence on the main objectives and principles of integration should be enhanced at the same time. The aesthetics of the institutional set-up could be sacrificed to a common idea of what the EU is for, rather than continue debating about what it is. Finally, member and candidate countries should start preparing for the next challenges on the new borders and in the Eurasian continent if it is to live up to its claim to play a role in global politics.