

## **EASTERN ENLARGEMENT OF THE EUROPEAN UNION**

### **ABSTRACT**

*The accession of the East European countries to the European Union presents a challenge to both the candidate countries and the EU itself. Ten former communist countries are waiting to achieve membership in the prestigious Union. This contribution summarises and analyses three criteria set by the Council of Europe in Copenhagen (system of parliamentary democracy, successful operation on the Union's free common market, adherence to and implementation of the Union's legislation) which must be met by each of the candidates in order to attain membership.*

*Key words: EU accession, transition, parliamentary democracy, common market, EU legislation*

Eastern enlargement represents an unprecedented challenge to both the European Union and the applicants which have barely graduated from their stage as transition economies. Hence utmost care needs to be exercised to make accession a success story for both sides. The first stage in the lengthy process to EU membership has already been completed: The Commission's analysis on the ten candidate countries' readiness to become EU members in the medium term (i.e. in roughly 5 years time). The ten reform countries had similar post-war histories (Soviet occupation - except for Slovenia, Stalinist terror, forced heavy industrialisation, collectivisation - except for Central/East Poland and Slovenia, the destruction of the middle classes and civic society, massive resource misallocation, environmental degradation etc.). Yet at the same time there are vast differences in both their fate under communism and their experience at managing transition successfully. In consequence the European Council in Copenhagen instructed the Commission to look at three criteria for each country individually when producing its opinions on membership:

1) Whether the country was a parliamentary democracy based on the rule of law, with all democratic procedures safely in place, including the rights of ethnic minorities.

2) Whether the country would be in a position to operate successfully in the integrated borderless Internal Market of the Union, given the fact that all transition coun-

tries due to their modernisation needs, currently have large trade deficits with the EU. Would their economies be able in the mid term to compete successfully, and generate sufficient and sustainable economic growth to catch up based on effective transformation, privatisation, FDI inflows and an encouraging export performance?

3) Whether the country is capable not only to adopt the complexities of EU law (the *acquis communautaire*), but also to implement it effectively and reliably. This requires an efficient, incorrupt and professional public administration in the fields of taxation, auditing, statistics, veterinary services, patent protection, transport safety, occupational safety, environmental controls, consumer protection, regional planning, standards and certification, and last but not least an expeditious and equitable law enforcement and a responsive judiciary. The latter is the most important since Amsterdam legal co-operation and the Schengen provisions will become "communitarised" (*vergemeinschaftet*) that is a shared competence for the Union institutions before enlargement becomes effective. Frequently also implementation of EU law will be expensive. To adhere to EU standards on the environment (especially air, surface water, drinking water and proper waste management), on safety at work, transport safety, food hygiene, etc. requires huge investments which may not be seen immediately as national priorities in hardship times of nation-wide restructuring.

In a nutshell the Commission has found - after conducting an extensive questionnaire exercise with the applicants - and after extensively consulting expert outside sources - that regarding the political criteria it was satisfied by the developments in all candidates except one (Slovakia), in which regrettably authoritarian and repressive tendencies had re-emerged in wide areas of sensitive constitutional issues (constitutionality of rule, minority rights, freedom of opinion, autonomy of universities, parliamentary control of the secret service, etc.). As regards the economic and *acquis* implementation criteria, five countries: Hungary, Estonia, the Czech Republic, Slovenia and Poland were seen to be able to face up to the realities of EU membership in the medium term, provided that ongoing adjustment efforts are maintained and sometimes even reinforced.

As the transition economies are still in a dynamic and sometimes fragile state, the Commission's opinions by necessity are a snapshot in the ten candidates' marathon race towards membership. Hence the Commission proposes annual reviews of the candidates progress on the three criteria, including effective implementation of EU law. For those "pre-ins" with whom negotiations are not yet underway - provided that there is sufficient progress in key parameters which would justify a positive assessment for medium term membership - the Commission would then recommend a speedy inclusion in the ongoing negotiation process, a proposition to which the Council would have to respond. In contrast, should a country currently proposed for the immediate opening of accession talks fall back and face problems in its economic, political or administrative development or in its commitment to participate in the European integration, obviously a certain slow down of the accession process for the country in question would be in order. In sum hence the accession process would be inclusive for all applicants in principle,

but at the same time will need to become more flexible as regards effective accession, more so certainly than during previous enlargement rounds (EFTA I, Iberian, EFTA II).

In the Commission's view the Phare programmes need to become reoriented towards an accession driven agenda, in order to help all ten candidate countries to be able to implement the voluminous and sometimes expensive *acquis* from Day One of accession to the utmost. The opinions already indicate areas (typical are environmental standards, safety at work, transport safety, veterinary controls etc. and *acquis* related public institution building) which need to be intensified if accession is not to risk delays due to wide-spread non-compliance with EU standards on the prospective date of accession. These differences and their EU co-funded remedies will be spelt out (in more operational detail) in forthcoming country specific 'accession partnership,' for which Phare funding will be roughly doubled.

On a more symbolic plane - but also in substance as regards the so far more inter-governmental issues of Foreign and Security Policy Co-operation and Justice and Home Affairs (the 'second' and 'third pillar' of Maastricht) the European Conference which will commence in late February 1998 will equally underline the inclusive nature of the enlargement process by encompassing the EU 15, all 10 + 1 applicants, and possibly even Turkey, a long standing but patiently unprepared candidate as regards all three Copenhagen criteria.

The Commission's Agenda 2000 proposals also address the EU's own homework. They concern the needed institutional reform and the EU's big spending programmes: Agriculture and Structural policies. The reform of the Union's institutions had been the task of the intergovernmental conference of 1996/97, which was concluded at the Amsterdam summit. Its results (some extension of majority voting in the Council - e.g. on some environmental and social matters, the Communitarization of the internal security and judicial aspects, i.e. "third pillar," and increased co-decision rights for the European Parliament in a move towards a bi-cameral system for the Union) represent some welcome progress but are clearly insufficient to prevent the blockage of EU decision making and prevent further progress on integration in key areas once the Union has expanded from 15 to some 26 members. With such an expanded membership in the Council on issues in which unanimity remained the rule for decision making integrative progress can almost certainly no longer be expected. As a multitude of relatively small countries will join, due to the positive discrimination of the weighted votes in favour of smaller countries, a (largely net-receiving) minority of the Union's population would enjoy a majority in the Council over a (largely net-paying) majority of the EU population. Hence rebalanced re-weighting is essential prior to enlargement. The same applies to a fixing of an upper limit on the number of Commissioners (20) and of MEPs (700) in order to keep both institutions operational. According to a joint French/Belgian/Italian proposal the "unfinished business" of Amsterdam should be resolved by the Council - possibly by means of new short IGC - around 2000 (which would go in parallel to the enlargement negotiations and would not need to hold up this process).

The same *mutatis mutandis* applies to the big spending programmes of the Union. In agriculture the necessary reduction of product support prices (ranging between - 30% for cereals and - 10% for dairy) should be compensated by increased direct income support to farmers (for their environmental performance, etc.), and by setting up integrated rural development programmes which should be of benefit also to the non-farming rural population and provide employment alternatives in rural tourism, local food and wood processing, etc. This is a concept which should also be appropriate to the rural structures of the reform countries, which had been neglected under real socialism and which still (except for the uncollectivised parts of Slovenia and Poland) are dominated by cooperative forms of farming - with little of the family farms of CAP ideology yet in evidence. An extension of the CAP's high support price level to the accession countries would risk overhigh food prices there (with underconsumption and inflationary pressures) combined with overproduction (due to an overallocation of resources to the farm sector) and the unwanted re-emergence of food mountains in the EU's intervention stocks in consequence.

In the field of structural policies a refocusing of scarce available budgetary means is necessary. Regions which have developed well during the last decades should be allowed to 'graduate' gradually from public support. Similarly the confusing multitude ("alphabet soup") of regional support programmes should be merged into manageable proportions. This should allow budgetary savings and a reform on these areas and problems which really deserve public support.

In total, the four elements: CAP and structural policy reform, the mobilisation of previously earmarked but unspent EU funds and normal economic growth, should allow proper funding for Eastern enlargement without having to augment the allocation of EU funds from member states as they will be in place in 1999. Budgetary estimates of the costs of Eastern enlargement are helped by the time honoured concept of the limited "absorptive capacity" of the newly acceding countries, which is much in evidence among the "success stories" of EU cohesion countries (i.e. Spain, Portugal, Ireland), where total net transfers from EU funds never exceeded 4% of the domestic GDP. Budgetary transfers in excess of these ceilings would have increased the risk of "consumptive spending," i.e. pilferage, waste or serious co-financing difficulties. Hence a limit of 4% of GDP for total EU transfers appears appropriate for each of the applicants for the foreseeable future: It is suitably generous and effective to stimulate their economic catching up, yet at the same time it does not discourage self-up and avoids an unsuitable 'culture of dependency,' in which all intellectual resources are unallocated into resentful lobbying for funds, a pattern which is said to be visible in certain developing countries.

In consequence, the costs of enlargement to the EU budget would be easily quantifiable. The population of the EU 15 would not have to fear to pay into a bottomless pit. Based on the mentioned premises - agricultural and structural policy reform, mobilisation of unused budgetary resources (money committed for projects which were not actually undertaken), normal economic growth expectations (conservatively esti-

mated at 2.5 %, p.a.), and the proposed ceiling put on cumulative transfers - then Eastern enlargement should be financed entirely from the revenue allocation available by 1999.

To indicate time frames for the likely first possible accession is a tricky undertaking. December 12, 1997, will be decision time for the European Council at Luxembourg to either follow the Commission 5 + 1 proposal (with an inclusive scenario for the other 5) or to make a different decision (such as the 'starting line' or 'regatta approach,' to begin negotiations with all eleven, and to differentiate only thereafter according to the individual readiness to join the Union).

In late February '98 the European Conference, reuniting the EU 15 plus 11, plus possibly Turkey will be opened solemnly by Her Britannic Majesty. The opening of the Conference will provide all the necessary symbolism to underline the inclusive nature of European integration and the definite cessation of the system of Yalta. In substance according to the Commission's proposals it will discuss matters of CSFP co-operation and Home Affairs and Judicial co-operation - the intergovernmentally conceived "2<sup>nd</sup> and 3<sup>rd</sup> pillars" of Maastricht. Real accession negotiations should commence relatively low key as the necessary technical 'acquis screening' exercise four to six weeks later. Given the complexity of this exercise (80.000 pages of legal texts on the EU side alone), the screening could well take one year. The results are clarifications on both sides on the real adjustment and negotiation needs. During the course (and certainly at the latest at the end) of this exercise both sides will have defined their bargaining positions. The Commission's basic tenet is that transition arrangements should remain as limited as possible in number and in its duration so as to safeguard the integrative acquis in the enlargement process (and to refute public charges of environmental, social dumping, distorted competition, etc.). Yet on the Union's side it will be up to the Council to define its negotiations mandate and it is the Council's rotating presidency which will formally conduct the negotiations. First public indications are that the Union could (similar as in case of Iberian enlargement) ask for lengthy transition periods on the freedom of movement for occupational purposes, on cross border offers of services (e.g. cabotage), limited access to certain agricultural markets, on diploma recognition, ceilings on financial transfers etc.

On the other hand, some applicants (as Poland has already indicated in its National Strategy for Accession of January 1997) might request transmission arrangements on issues which are either politically sensitive (like real estate acquisition for EU nationals, control of state aids, etc.), or would require increased human and capital resources (e.g. on environmental standards, safety at work norms, transportation safety, veterinary and phytosanitary standards, consumer protection, etc.) or would put a burden on the poorer strata of society (e.g. the immediate introduction of CAP support price levels - which are however supposed to be lowered in the EU).

In any event, it should be recalled that the Union's acquis is not negotiable, a not always joyful experience which all previous applicants had to make in past enlargement rounds. Past negotiations lasted between 13 months (EFTA II round) and 8 years (Spain).

It seems a safe bet that the forthcoming negotiations with the least problematic candidates (i.e. those whose economic and administrative development progresses smoothly, which make great efforts to implement the *acquis* and which insist only a minimum of transition arrangements) could last 2 to 3 years following the screening process - provided also that there are also no difficulties on the Union's side (i.e. institutional and policy adjustments progressing smoothly). One should calculate one further year for ratification of the accession treaty, whom 15 national parliaments, the European Parliament and the parliament of the acceding country (often combined with a referendum) must approve. This may well lead us into the year 2003, but given the extent of the necessary adjustment work necessary to make this unprecedented round a success story, the productive use of the pre-accession period is surely more important than the earliest possible date of accession.

N.B. My analysis follows the logic of the Commission's 'Agenda 2000.' But kindly note that some of the above statements necessarily represent personal views. My contribution should hence not be interpreted as an official position of the European Commission.