

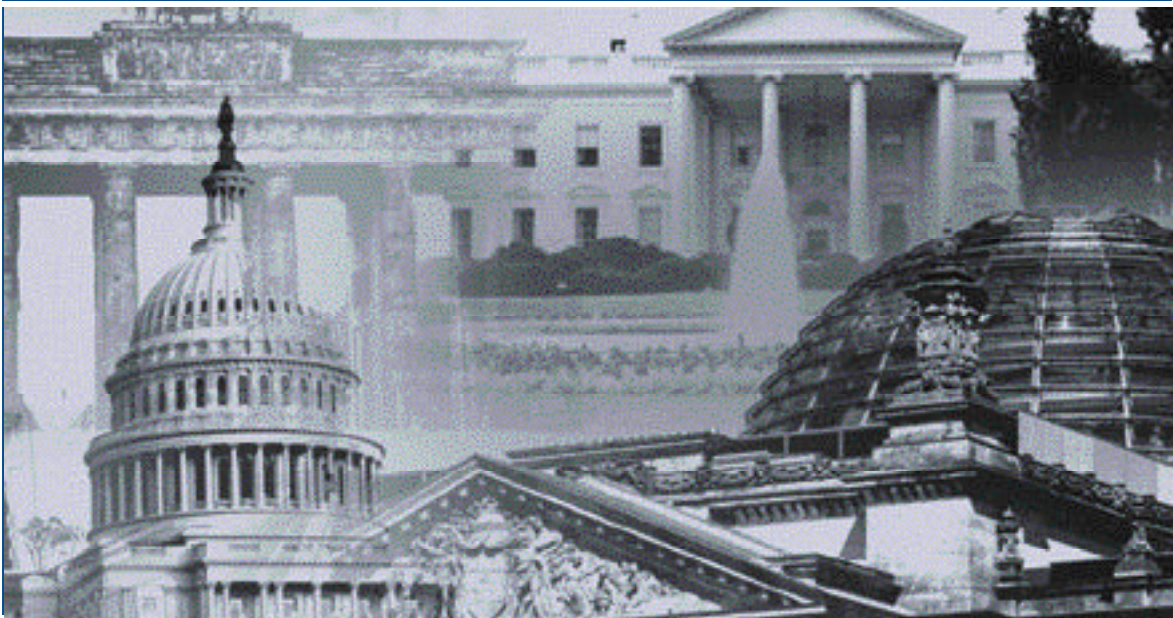


THE CHANGING FACE OF EUROPE:  
EU ENLARGEMENT AND  
IMPLICATIONS FOR  
TRANSATLANTIC RELATIONS

John Van Oudenaren

*The American Institute for Contemporary German Studies*

The Johns Hopkins University



***AICGS POLICY REPORT #6***



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## *FOREWORD*

The international dispute over the Iraq crisis has laid bare new divisions and fissures across the Atlantic and through Europe. While much attention has been focused on differences between the United States, France, and Germany, the letter signed by a group of eight present and future EU members criticizing the Franco-German stance on Iraq and fractious intra-European debate over NATO planning for Turkey's defense make it clear that Europe does not always speak with one voice.

As the Iraq debate underscores, the enlargement of the European Union will have significant implications for the way the EU defines itself and for its relationship with the United States. The enlargement agreed to in Copenhagen in December 2002 is unprecedented in both its size and its scope, bringing into the European Union many of the former communist states of central and eastern Europe as well as Cyprus and Malta, resulting in a Union that will be more diverse than ever. The expansion of the EU will cement ties of the new member states to the West. The diversity of membership in the new EU, however, will also entail numerous challenges and has the potential to tax the already overburdened EU institutions as well as its ability to speak with one voice.

In order to understand the complexities of enlargement and its consequences for transatlantic relations, AICGS in 2001 convened a Study Group on "The Changing Face of Europe." The group met in November 2001 in Washington, D.C., in Brussels in March 2002, and in Berlin in June 2002. A final conference of the project was held in Prague, Czech Republic on December 6, 2002 to consider the prospective results of the negotiations with candidate countries; the external implications of enlargement; the perspectives of the candidate countries; and the impact of enlargement on the United States. The project benefited from the extensive experience and insights of the Study Group's "core" members, as well as additional participants in the group's discussions, including EU officials, government officials from Germany and the candidate countries, respected scholars, and journalists.

In this Policy Report, Study Group pilot John Van Oudenaren, Chief of the European Division, Library of Congress, addresses these issues and offers concrete policy recommendations for the United States. In addition to this

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report, a volume of expanded and revised background papers by the Study Group members will be published in March 2003.

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The author would like to thank the members of the study group for their many contributions to this report: Michael Baun, Fran Burwell, Lily Gardner Feldman, Ulrike Guérot, Kai-Olaf Lang, and, in particular, Keith Crane, who in addition to his own background paper carefully reviewed an earlier draft of this report and made numerous helpful suggestions.

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March 2003

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## *ABOUT THE AUTHOR*

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## **EXECUTIVE SUMMARY AND POLICY RECOMMENDATIONS**

At the Copenhagen summit in December 2002 the European Union (EU) decided to admit ten new member countries—eight from central and eastern Europe plus Cyprus and Malta—into the EU on May 1, 2004. Along with the decisions at the November 2002 NATO summit in Prague to bring another seven central and east European states into NATO, the agreements reached at Copenhagen mark a significant milestone in European history. A little more than a decade ago, these countries were members of the Soviet-dominated Warsaw Pact and the Council for Mutual Economic Assistance—indeed, in the case of Estonia, Latvia, and Lithuania, they were part of the Soviet Union itself. Political democracy did not exist and freedom of thought and expression were severely limited. Goods were scarce, consumer choice almost non-existent, and pollution high. Soviet troops were stationed throughout the region, posing what was widely seen as an existential threat to the security of western Europe. Today, in contrast, these countries all have market economies, democratic governments, and, in the case of the Baltic countries, they have recovered their national independence. While these changes might have come about even in the absence of an EU or NATO membership perspective, joining these organizations is seen in the region as a recognition of the changes that have taken place and a guarantee that they will not be reversed, either by internal or external political forces.

Beyond its historical significance, enlargement will have important implications for transatlantic relations and U.S. interests in Europe.

### **Economic Relations**

#### *U.S. Exports*

In the economic sphere, enlargement will mean increased export opportunities for U.S. firms, as the differential treatment accorded U.S. exports under the Europe Agreements ends and as the accession countries adopt the EU's Common External Tariff, which generally is lower than the current tariffs that these countries apply to imports from the United States. EU membership will mean the harmonization of accession country health, safety, and related standards to EU norms. This process also will be on balance favorable to U.S. firms, which sell to and from the EU and thus already meet many EU standards.

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### *Agriculture*

At the same time, however, accession will mean acceptance by the candidate countries of some EU rules and standards that the United States regards as unfair barriers to trade. Enlargement also could mean a potential increase in agricultural protectionism and a further loss of U.S. agricultural exports as the EU's Common Agricultural Policy (CAP) squeezes out U.S. exports and as various EU bans on U.S. products (hormone-treated beef, genetically-modified organisms) are extended to the accession countries.

### *Investment*

Enlargement will create a larger and more favorable environment for U.S. investments through the strengthening of transparency, property rights, protection against corruption, and effective and impartial mechanisms for dispute resolution. However, problems could arise over the United States' bilateral investment treaties with countries in the region, which the EU is insisting that the accession countries abrogate or renegotiate to conform to EU norms.

Other economic effects of enlargement include a potential increase in preferential trade agreements with third countries on the EU's extended periphery with potentially negative effects for U.S. exporters, and a modest potential boost for the euro, as enlargement increases the demand for euros by accelerating somewhat the rebalancing of reserves from the dollar to the euro and expands the value of international trade conducted in euros.

### **Political Relations and Security Issues**

In the political and security sphere, enlargement will affect U.S. interests in three areas: NATO and the U.S. defense role in Europe; global issues such as the International Criminal Court (ICC), the Landmine Treaty, and the Kyoto Protocol on greenhouse gas emissions; and EU "proximity policy" toward such countries as Russia, Ukraine, the Balkans, and North Africa and the Middle East.

#### *NATO and the U.S. Defense Role*

The roughly simultaneous expansion of NATO and the EU will increase by eight the number of countries that are members of both organizations, thereby mitigating the problem of differentiated levels of security within the EU or of "backdoor" security commitments by the United States to EU members that are not members of NATO. However, differences in membership, some

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transitory and relating to different accession timetables and some likely to be permanent, will persist and could create some difficulties.

Because of their direct exposure to potential instability emanating from the Newly Independent States and the Balkans and their historical memories of Russian/Soviet threats to their independence, the new member states of the EU will have a strong interest in preserving the viability of the Atlantic alliance and highlighting its enduring character as a defensive military alliance through which the United States remains engaged in European security affairs. The accession countries thus are likely to be somewhat more “Atlanticist” in outlook than some of the current members of the EU. However, this difference may not be permanent and its importance should not be overstated. EU membership will mean that the countries of central and eastern Europe will be caught up in processes of internal bargaining and consultation that will draw them closer to Brussels than to Washington, which will mean pressures on the new member states to side with the EU on multilateral issues with security implications and to participate fully in the further development of the European Security and Defense Policy, even if it conflicts with NATO priorities. For the most part, however, EU and NATO efforts should be complementary, as force improvements made to benefit the EU Rapid Reaction Force will benefit the proposed NATO Response Force and vice versa.

Arms sales to central and eastern Europe could be a disappointing area for those in the United States who expected that NATO membership would open up promising new markets for defense equipment in these countries. These countries will be under economic and budgetary pressures, which will constrain increases in defense spending. In cases where these countries do make major arms purchases, they may face pressures to buy European as they bargain with their fellow EU member states on a far wider range of issues than they do with Washington. On the other hand, the accession countries may want to preserve their freedom to buy American systems, especially if, as some observers predict, an enlarged EU divides into permanent formations of producer and buyer states, with all or nearly all of the accession countries in the latter category.

#### *Global Issues*

With regard to global issues, the candidate countries already generally side with the EU on most multilateral questions, for example votes in the United Nations or support for multilateral treaties such as Kyoto and the Rome Statute

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establishing the ICC. Upon accession, they will come under formal treaty obligations to coordinate their actions in international organizations and at international conferences. Enlargement thus will increase the size, relative weight, and cohesion of the EU voting bloc in the UN and other international forums.

*Relations with “Proximity” Countries*

Finally, enlargement will increase the salience of EU “proximity policy” toward non-member countries on the periphery of an expanded Union. The United States has an interest in seeing that proximity policy succeeds but that it does so in a non-discriminatory way. Failure by the EU to stabilize its periphery could include a return to war or severe internal instability in the Balkans, a sharp deterioration in relations between Russia and the EU or a radical change in the situation in Ukraine, or increased instability, internal conflict, environmental disasters, and Islamic fundamentalism in the Mediterranean region. These developments would be damaging to U.S. interests. However, it also would be damaging to U.S. interests if EU proximity policy were to “succeed” too well in transforming Europe’s hinterland into a zone of influence to which the EU had “privileged” access from which the United States was partially excluded.

**U.S. Policy Recommendations**

Specific recommendations for U.S. policy as it confronts an enlarged EU include the following:

- U.S. policymakers should be generous in acknowledging enlargement as a positive achievement for the EU and for Europe as a whole. It will be important to preempt the emergence of myths in Europe that the United States wants enlargement to fail or to succeed on terms that the EU itself would not recognize as such. This can be accomplished through positive statements that recognize enlargement as a success and that are not confined to complaints about unfinished business (such as the delay in fully embracing Turkey), and by minimizing the fallout from bilateral disputes over secondary economic issues that will arise as enlargement proceeds.
- The United States should continue to bargain with the European Commission over compensation under international trade treaties for market losses in agriculture and selected other areas that are likely to

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come with enlargement. However, given the political advantages of enlargement and the relatively modest economic interests at stake, it probably would not be wise to provoke major disputes with the EU over these issues. The same logic would apply with regard to transatlantic differences over bilateral investment treaties with the accession countries.

- With regard to agriculture, the United States has a strong interest in seeing that a wasteful and unreformed CAP is not extended to the accession countries. Enlargement thus gives added reasons for the United States to press for the reduction and eventual elimination of subsidies in the Doha round.
- With regard to Turkey, Washington should take a stance no less forward-leaning than that of the Commission and that of the more “pro-Turkish” member states, all of whom reiterate that Turkey is a genuine candidate whose prospects for accession will be determined by its own performance in meeting EU criteria. However, frequent badgering by the United States on this issue is likely to be counterproductive.
- The United States should keep in check pressures on the EU to name additional countries as formal candidates for membership, especially if such candidacies are likely to involve prolonged periods of economic discrimination against the United States and other third countries. On this issue, there needs to be more dialogue in the U.S. policy community between those responsible for U.S. external economic policy and those primarily interested in the strategic and political aspects of a Europe “whole and free.” Premature acceptance of new candidate countries (and by implication conclusion of preferential trade agreements) is arguably not in the U.S. economic interest. An alternative arrangement more likely to satisfy U.S. political and economic interests might be extension of the EU customs union along the lines of the 1996 EU-Turkey agreement.
- The United States should remain engaged with aid, technical assistance, and involvement in peacekeeping and other policies in countries on the EU’s periphery, particularly the Balkans. To the extent possible, it

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should coordinate policies with Brussels and with EU member states; where this is not possible it should pursue parallel but not conflicting policies. Such an approach will lend practical and moral support to the EU as it pursues its ambitious proximity policy toward its unstable periphery, as well as guard against the emergence of “privileged” relationships between the EU and its neighbors that could damage U.S. interests.

- The United States needs to pay continued close attention to its bilateral relations with all EU member states—old and new, large and small—and to continue to interact with them bilaterally and through active participation in all non-EU bodies that have some influence in shaping policy in Europe, including the G-7, OECD, various specialized and technical agencies, and of course NATO. The U.S. policy bureaucracy must concentrate on improving coordination between messages conveyed to member state capitals and to Brussels. Over time, the United States should try to find a *modus vivendi* with Europe in which it can legitimately seek to influence EU positions by lobbying member state governments without being accused of pursuing “divide and rule” tactics.
- With regard to the accession countries, the United States (most likely in cooperation with foundations and the corporate sector) should look for ways to establish new or maintain existing cultural and exchange programs that will preserve beyond EU accession and the termination of U.S. bilateral assistance programs the goodwill and the personal and intellectual capital that the United States built up in the region after 1989.
- EU enlargement and the development of a stronger Common Foreign and Security Policy (CFSP) should encourage the United States to begin to focus on the policy implications of EU bloc voting in international forums and of the over-representation of EU member states in such bodies as the UN Security Council. At the very least, the United States will need to be cautious about the extension of majority voting (even with regard to procedural issues) in international organizations and must redouble efforts, heretofore unsuccessful, to raise the thresholds for controversial multilateral treaties to enter into

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force. Publicly explaining the U.S. position on these matters will be essential to counter the widely held view that refusal to embrace EU-favored positions in international forums constitutes *ipso facto* unilateralism.

- Continued efforts to improve the U.S.-EU bilateral relationship, either through generalized initiatives such as the New Transatlantic Agenda or by better handling of particular trade and other disputes, are in principle desirable. It would be especially useful to launch a more “strategic” U.S.-EU dialogue (perhaps involving the analytic and think-tank communities), in which contentious issues such as global governance and multilateralism are discussed and differences clarified.

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The research for this report was undertaken during the course of 2002, as the transatlantic crisis over Iraq was developing but before the bitter recriminations of January-February 2003. The latter erupted as the United States and Britain held firm in their intention to confront Iraq, while France and Germany made clear their intention to go all out to block U.S.-UK action. The accession countries became directly involved in this controversy following U.S. Secretary of Defense Donald Rumsfeld’s remark about “old Europe” and as President Jacques Chirac of France castigated these countries for signing the eight-country letter endorsing the U.S. position and the subsequent letter of the “Vilnius 10” taking the same position.

Notwithstanding these dramatic developments, the analysis and the policy recommendations of the report remain valid. If anything, the recent intensification of crises in Iraq and North Korea lend added weight to the conclusion that the emergence of the kind of stable and prosperous Europe that EU enlargement aims to ensure is in the U.S. interest, even as it casts doubt on the degree to which this enlarged Europe will remain a partner of the United States on crucial international questions. Similarly, the candidate countries have demonstrated their “Atlanticist” credentials, but France and Germany also have demonstrated their determination to bring the candidate countries into line to support European efforts to become a counterweight to the United States in the global arena.

While the policy conclusions drawn as recently as late 2002 remain valid, history seems to be “accelerating,” and patterns that were suggested as long-term possibilities have taken on a short-term relevance. Indeed, recent



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developments in both the “old” and the “new” Europe lend weight to Jim Hoagland’s claim (“America the Challenged,” *Washington Post*, February 13, 2003, and “Bush’s Clock,” *ibid.*, February 14, 2003) that “tectonic shifts” are underway in world politics and are occurring at a pace few would have predicted even months ago. These shifts call for heightened rather than decreased commitment to the kinds of policy measures recommended in this report and renewed attention to how Washington deals with the challenges posed by the “changing face of Europe.”

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## I. INTRODUCTION

At the December 2002 European Council in Copenhagen, the leaders of the fifteen member states of the European Union (EU) announced the conclusion of negotiations to bring ten new member countries—eight from central and eastern Europe (CEE) plus Cyprus and Malta—into the Union by May 1, 2004. This marked the end of a process that began with the collapse of the Berlin Wall in November 1989 and the subsequent drive by the former communist countries to “rejoin the West” by becoming full members not only of the Council of Europe, the OECD, and NATO, but of the EU as well. Preparation for enlargement has involved strenuous efforts in the candidate countries themselves as well as reform of the EU’s own constitutional structures and its major policies, both of which were seen as essential to accommodating the requirements of a larger, more diverse, and more complex Union.

Along with the decisions at the November 2002 NATO summit in Prague to bring another seven central and east European states into NATO (the Czech Republic, Hungary, and Poland already having joined in 1999), the agreements reached at Copenhagen mark a significant milestone in European history. A little more than a decade ago, these countries were members of the Soviet-dominated Warsaw Pact and the Council for Mutual Economic Assistance—indeed, in the case of Estonia, Latvia, and Lithuania, of the Soviet Union itself. Political democracy did not exist and freedom of thought and expression were severely limited. Goods were scarce, consumer choice almost non-existent, and pollution high. Soviet troops were stationed throughout the region, posing what was widely seen as an existential threat to the security of western Europe. Today, in contrast, these countries all have market economies, democratic governments, and, in the case of the Baltic countries, they have recovered their national independence. While these changes might have come about even in the absence of an EU or NATO membership perspective for these countries, joining these organizations is seen in the region as a recognition of the changes that have taken place and a guarantee that they will not be reversed, either by internal or external political forces.

Beyond its historical significance, enlargement will have important implications for transatlantic relations and U.S. interests in Europe. Since

## The Changing Face of Europe

the early 1990s, the United States has been a strong supporter of early and extensive EU enlargement, which generally has been seen in Washington as a key element in promoting stability in post-Cold War Europe. At times, U.S. administrations and Congress have been critical of the pace of the enlargement and of the EU's reluctance to embrace an even longer list of candidates, for example Turkey and Ukraine. However, with enlargement coming to be seen as an accomplished fact, attention in the United States is beginning to shift to the question of how enlargement will change Europe and what this change will mean for U.S. interests.

To assist U.S. policymakers, this report addresses the implications of enlargement for the United States, focusing on developments in the candidate countries, the EU itself, and third countries such as Russia that will not be part of but that will be affected by expansion of the Union. For enlargement to succeed, the EU must overcome three distinct but inter-related challenges. First, it needs to effect constitutional and policy reforms in the EU itself so that it is able to function with ten new member states and another 75 million citizens (see Table 1). Second, it must ensure that the terms of accession are fair and workable for both the new and current member states and perceived as such throughout the Union. Third, it needs to develop a coherent perspective for and policies toward those countries that will border on an enlarged Union but that will not be members—in some cases for the next several years and in others most likely not ever. Sections II, III, and IV thus review the key challenges associated with enlargement: internal reform, the terms of accession, and relations with the new periphery. Section V analyzes the direct implications for U.S. interests of enlargement. Section VI discusses the overall effects of enlargement on U.S. interests and transatlantic relations, focusing on the broad question of how the United States will deal with a Union that is larger and more diverse than exists at present. Section VII offers specific recommendations for U.S. policy.

Table 1 - Candidate Countries - Main Statistical Indicators						
Country	Population	GDP in PPS			Agriculture	
	Millions	EUR Billion	EUR Per capita	Per capita as % of EU avg	% of gross value added	% employment
Bulgaria	7.9	51.5	6,500	28	13.8	26.7
Cyprus	0.8	14.1	18,500	80	3.9	4.9
Czech Rep	10.2	136.0	13,300	57	4.2	4.6
Estonia	1.4	13.4	9,800	42	5.8	7.1
Hungary	10.2	121.3	11,900	51	4.3	6.1
Latvia	2.4	18.1	7,700	33	4.7	15.1
Lithuania	3.5	30.3	8,700	38	7.0	16.5
Malta	0.4	4.6	11,700	55	2.4	2.2
Poland	38.6	355.5	9,200	40	3.4	19.2
Romania	22.4	132.2	5,900	25	14.6	44.4
Slovakia	5.4	59.7	11,100	48	4.6	6.3
Slovenia	2.0	31.9	16,000	69	3.1	9.9
Turkey	68.6	356.8	5,200	22	12.1	35.4

Source: European Commission, Strategy Paper, 2002

## II. REFORM

### Constitutional Reform

Political and institutional development in Europe since the fall of communism has been marked by contradictory trends. On the one hand, the EU has greatly expanded its areas of policy responsibility in ways that affect the lives of its citizens and increase its international power and profile. Economic and Monetary Union (EMU), the launch of a Common Foreign and Security Policy (CFSP) with a fledgling defense capability, establishment of an EU citizenship and common policies on immigration, visas, and political asylum, and expansion of the EU's role in environmental policy, anti-trust, and health and food safety all reflect progress toward the longstanding goals of a united Europe capable of addressing problems on a continental scale and asserting Europe's place on the world stage. The thrust into new policy areas has been accompanied by an impressive degree of institutional development, as in the establishment of the European Central Bank, the High Representative for CFSP, and an array of specialized agencies, some of which are beginning to carve out important roles in regulation, law enforcement, and other areas.<sup>1</sup>

On the other hand, there has been a growing backlash in some countries against integration and increased concern about a "democratic deficit" in how the Union takes decisions.<sup>2</sup> These concerns initially came to the fore with the difficult ratification process of the Maastricht treaty in 1992-1993. A decade later, they were still unresolved, as the Union struggled with the ratification of the Treaty of Nice, rejected by the Irish voters in June 2001 before being approved in a second referendum in October 2002. Alongside the widely-discussed concern about a democratic deficit, there was talk of what has been called an "implementation deficit"—a gap between what the Union declares it will do, both at home and internationally, and what it actually manages to accomplish. The combination of widening policy responsibilities, popular disaffection, and impending enlargement all argue in favor of reform of the Union's institutions and mechanisms for decision-making.

#### *Previous Attempts*

The EU's first major attempt at reform in the 1990s was the 1996-1997 Intergovernmental Conference (IGC) that resulted in the Treaty of

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Amsterdam. The 1992 Maastricht Treaty provided for a follow-up intergovernmental conference in 1996 to review the workings of the treaty. Enlargement as such was not a factor in the decision to schedule another IGC, which had more to do with unresolved differences at Maastricht among the member states regarding CFSP and certain secondary matters. However, at the June 1993 Copenhagen European Council where the member states first formally offered membership to the candidate countries of central and eastern Europe and set the political and economic criteria for admission to the Union, the then twelve member states stipulated that “the Union’s capacity to absorb new members, while maintaining the momentum of integration, is also an important consideration in the general interests of both the Union and the candidate countries.”<sup>3</sup> This meant that in addition to the conditions for membership being imposed on the candidate countries, institutional reform was a condition that the EU was setting for itself. The European Council subsequently operationalized this provision to mean that the Union would consider itself ready to absorb new members only following completion of the next IGC and the conclusion of a post-Maastricht treaty.

Proponents of a stronger, more federal Europe argued that without reform, decision-making would grind to a halt in an enlarged Union. The European Commission and the European Court of Justice (ECJ), which began as small collegial bodies in an organization of six member states, would become large and unwieldy quasi-assemblies with up to thirty members. The rotating presidency, which in the original Community of six each country occupied once every three years, would come round once every 12-15 years. And in those areas of decision-making that still require unanimous approval by the member states, the odds of one member state vetoing an otherwise broadly-favored decision would grow with increased size and diversity.<sup>4</sup> There was also widespread frustration in Europe at the weakness of CFSP, which had proven inadequate in responding to the Balkan wars of the early 1990s, and dissatisfaction with the Union’s third pillar, which had made little progress in forging common policies on immigration, asylum, and related issues.

The post-Maastricht IGC got underway in Turin in March 1996 and concluded in Amsterdam in June of the following year. The IGC managed to achieve closer cooperation in justice and home affairs issues, in large

part through a phased shift of responsibilities from the third to the first pillar and through incorporation of the Schengen arrangements on external border controls into EU structures. In the foreign policy area, Amsterdam established the post of High Representative for CFSP and created a new instrument, the common strategy, for EU policies toward key regions and countries. As in past treaty revisions, the powers of the European Parliament were expanded somewhat, particularly with regard to the selection of the commissioners. Amsterdam also for the first time sanctioned, within the structures of the first pillar, the concept of “reinforced cooperation,” albeit with a very high threshold for its actual use. Such cooperation had to involve at least a majority of the member states, and any member state had the right to veto such cooperation if it ran counter to its vital interests. The treaty for the first time explicitly stipulated that respect for human rights and democracy were criteria for EU membership and established mechanisms for sanctioning member state governments held to be in violation of these basic European values.

Nearly all of the changes effected by the Treaty of Amsterdam were in some way motivated by or had important implications for enlargement. The “communitarization” of justice and home affairs issues and the incorporation of Schengen into the Union substantially expanded the *acquis* that the candidate countries were being asked to adopt. The provisions on reinforced cooperation were in part an attempt, viewed nervously by the candidate countries, to lay the groundwork for a possible hard core or avante-garde grouping in a larger Europe in which some member states might be unwilling politically or unable financially to pursue more ambitious forms of integration. And the provisions under which a member state judged to be in persistent violation of human rights norms can be condemned by the Council and deprived of its vote in the Council clearly were motivated by a concern about the strength and durability of democratic institutions in the candidate countries.<sup>5</sup>

On the key questions, however, of how power would be wielded in an enlarged Union, the changes in the Treaty of Amsterdam fell short of pre-IGC expectations. Because enlargement was not imminent and because national governments were preoccupied with making the politically difficult budget cuts in advance of EMU, they largely postponed to a future IGC extensive reforms of the Union’s decision-making

apparatus. Instead, they adopted a legally binding protocol to the treaty that stipulated that at least one year before membership of the Union reached twenty, a new IGC would be convened to carry out a review of the institutions and to examine in particular three questions: the size and composition of the Commission, the weighting of votes in the Council, and the extension of qualified majority voting (QMV) in the Council.<sup>6</sup> Following approval by the national parliaments, the Amsterdam Treaty went into effect in May 1999.

In February 2000 the member states launched yet another IGC, the fourth to take place in less than a decade, to address what by then had come to be called the “Amsterdam leftovers.” The conference began under the Portuguese presidency and concluded under the French presidency in December 2000 at the difficult and at times acrimonious Nice summit. At least formally, Nice was more substantive than Amsterdam. It resolved the key nuts and bolts issues relating to enlargement—deciding, for example, how many votes in the Council of Ministers each new member would have and how many members of the European Parliament (MEPs) each would elect (see Table 2). Mainly at the insistence of the large member states worried about policy deadlock in an enlarged Union, Nice lowered the threshold for reinforced cooperation. It eliminated the national veto and kept the threshold for reinforced actions at an absolute level of eight, meaning that in the post-enlargement Union a minority of member states (8 of 25) could use this option and that the new member states alone could not play a blocking role.<sup>7</sup> The Nice summit also adopted an EU Charter of Fundamental Rights, although it did not resolve the contentious issue of whether the charter should be incorporated into the Union’s founding treaties and thus be justiciable by the ECJ, or whether it should remain a detached political statement. Overall, however, Nice again failed to simplify decision-making or to win popular acclaim in Europe. Already perceived as overly complex and more likely to complicate than to simplify decision-making, Nice was dealt a further blow in June 2001 when the Irish electorate, traditionally among the most pro-integrationist in the Union, voted down the treaty.

#### *The European Convention*

Although Nice initially was billed as a make-or-break conference that once and for all would effect the reforms needed to ensure the



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Table 2 The Member States in the EU: Pre- and Post- Nice/Enlargement								
Member State	Council Votes		Commission Members		MEPs		Seats, ESC and CoR	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Germany	10	29	2	1	99	99	24	24
France	10	29	2	1	87	72	24	24
Italy	10	29	2	1	87	72	24	24
UK	10	29	2	1	87	72	24	24
Spain	8	27	2	1	64	50	21	21
Netherlands	5	13	1	1	31	25	12	12
Greece	5	12	1	1	25	22	12	12
Belgium	5	12	1	1	25	22	12	12
Portugal	5	12	1	1	25	22	12	12
Sweden	4	10	1	1	22	18	12	12
Austria	4	10	1	1	21	17	12	12
Denmark	3	7	1	1	16	13	9	9
Finland	3	7	1	1	16	13	9	9
Ireland	3	7	1	1	15	12	9	9
Luxembourg	2	4	1	1	6	6	6	6
Poland		27		1		50		21
Romania		14		1		33		15
Czech Rep		12		1		20		12
Hungary		12		1		20		12
Bulgaria		10		1		17		12
Slovakia		7		1		13		9
Lithuania		7		1		12		9
Latvia		4		1		8		7
Slovenia		4		1		7		7
Estonia		4		1		6		7
Cyprus		4		1		6		6
Malta		3		1		5		5
Total	87	345	20	27	626	732	222	344
QMV	62	258						
Blocking minority	26	91						

successful functioning of an enlarged Union, political leaders began to talk down expectations as the IGC approached. As it became apparent that Germany would have to make major concessions to France to prevent a deadlock, the government of Chancellor Gerhard Schröder began to look to a post-Nice IGC that again would tackle reform. The Germans were particularly interested in a delineation of Union and member state responsibilities and powers, an issue of special concern to the German *Länder*. Accordingly, the fifteen declared at Nice that another IGC would take place in 2004 and that it would deal with four issues: the role of the national parliaments in Union decision-making, simplification of the founding treaties, possible incorporation of the newly adopted Charter of Fundamental Rights into the treaties, and, as demanded by Germany, a more precise demarcation of the roles of the Union and the member states. The highly unsatisfactory nature of the treaty itself and its rejection by the Irish electorate subsequently convinced leaders to advance the timetable for and to broaden the agenda of the next stage of constitutional reform.

The other factor driving the convening of another IGC was the wide-ranging debate on “finality” that was launched by German Foreign Minister Joschka Fischer in the early stages of the IGC but with a perspective that looked beyond Nice. Casting aside his role as an official of the German government and speaking in an ostensibly private capacity, Fischer gave a wide-ranging speech at Humboldt University in May 2000 in which he offered a bleak prognosis for an enlarged but unreformed Union and called for a fundamental debate about constitutional restructuring with an eye toward Europe’s ultimate institutional and constitutional makeup.<sup>8</sup> Among the ideas Fischer proposed was the creation of a new European federation through a constituent treaty that would be concluded among a subset of the current EU member states. The new treaty would resolve definitively the question of the relationship between the federation and the member states through an explicit and treaty-based division of sovereignty, as well as the question of the nature and locus of executive and legislative power. With regard to the former, Fischer called for the establishment of a real European government, either by building up the current Commission structure under a directly-elected president with far-reaching executive powers or (as his proposal implied)

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scrapping the Commission altogether and developing the European Council into a European government on the basis of the existing member state governments. With regard to the latter, he proposed creating a European legislature with two chambers, one with directly elected members who also would be members of their national parliaments, the other an upper house modeled either on the German *Bundesrat* or the U.S. Senate. Fischer's speech accomplished its declared objective of launching a long-delayed debate on finality. It was followed by thoughtful albeit less radical proposals from other European leaders, including British Prime Minister Tony Blair, French President Jacques Chirac, Belgian Prime Minister Guy Verhofstadt, and Finnish Prime Minister Paavo Lipponen, as well as numerous academic and think tank proposals.<sup>9</sup> In this sense it helped to prepare the European political climate for a further stage of reform going beyond Nice, even as the member state delegations labored to resolve the Amsterdam leftovers and to establish a minimally acceptable constitutional basis for the next enlargement.

The combined result of the positive momentum that still carried over from the debate launched by Fischer and the negative assessment of the Nice treaty was the decision by the European Council in Laeken, Belgium in December 2001 to convene a European Convention that would draw up a document to serve as the basis of a European constitution for probable adoption by the member states at the 2004 IGC.<sup>10</sup> Based on a model that had been used in 2000 to draw up the Charter of Fundamental Rights, the Convention was to be composed of a chairman and two vice-chairmen, 15 representatives of the member state governments, 30 members of national parliaments (two from each member state), 16 members of the European Parliament, and two Commission representatives. For the first time in any constitutional body associated with the EU, the 13 candidate countries were to be represented on an equal basis, with each sending one governmental representative and two members from their parliaments to the Convention with the sole proviso that these 39 participants could not prevent the emergence of a consensus. Former French president Valéry Giscard d'Estaing was chosen to head the convention. Under the timetable adopted by Giscard, the Convention planned to put forward a draft European constitution by June 2003. This then would be considered by the member states in another IGC that would include as full participants,

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at least in its concluding stages, the ten leading aspirant countries as members of the Union.

The outlines of the future constitution began to emerge over the summer of 2002 as Convention working groups began intensive meetings and drafting sessions. In late October Giscard presented a preliminary draft constitutional treaty to a plenary session of the Convention. In it, the EU was envisioned as a loose federation with a core of economic functions administered along supranational lines (the “Community method”), but in which the member states will retain considerable autonomy. Basic policy directions are set by intergovernmental means. According to Article 1 of the draft, the EU is to be “a union of European states which, while retaining their national identities, closely co-ordinate their policies at European level, and administer certain competences on a federal basis.”<sup>11</sup> Elements in the draft that were new included the establishment of the post of a multi-year Council president who would serve a five year term and become the Union’s main political driving force, strengthening the role of the High Representative for CFSP (in effect turning the post into that of EU foreign minister), incorporating the EU Charter of Fundamental Rights into the treaties, and giving countries an exit clause that would allow them to leave the Union. The Giscard draft was followed by a flurry of additional proposals, including two from the Commission and an important memorandum from the Benelux countries.<sup>12</sup>

Also important were the increasing number of Franco-German proposals, for example on security, taxation, and justice and home affairs, that the two traditional “motors” of the integration process put forward in an attempt to reassert leadership in an enlarging Europe. Paris and Berlin presented their most important and ambitious proposal, that concerning institutional reform, in January 2003 on the eve of the celebrations marking the fortieth anniversary of the Elysée treaty.<sup>13</sup> It called for the establishment of two EU presidents, a president of the European Council who would be elected by the member states for a multi-year term, and a Commission president to be elected by the European Parliament. Other features of the proposal included the establishment of a new post of what in effect would be an EU foreign minister, who would be both a member of the Commission and accountable to the Council on

CFSP issues. The particulars of the Franco-German draft were widely criticized by many members of the Convention and by representatives of many of the small countries among the EU and the candidate countries, but its blend of reinforced intergovernmentalism and strengthening of the Community institutions in carefully defined areas seemed to point in the direction of the compromise that was likely to emerge from the Convention and the ensuing IGC.

While there were innovative elements in the work of the European Convention, one of its striking features was the gap between the imaginative and unusual way in which the Convention idea was born and the fairly traditional pattern in which it evolved in 2002-2003. Giscard spoke of creating a treaty that would last for fifty years, but much of the emotional and intellectual fervor that had begun with the Fischer speech seemed to dissipate as the Convention increasingly became the prelude to what was likely to be another fairly traditional IGC, to be convened in late 2003 or early 2004. Think-tanks and academics made important contributions to the Convention, but genuine popular interest and enthusiasm never quite took off. The appointment of Fischer himself, now very much in his capacity as foreign minister, and of his French counterpart to the Convention in late 2002 suggested that the traditional intergovernmental bargaining that characterizes the IGC process was already underway, having been projected into the Convention itself.

Another noteworthy aspect of the Convention process was its tacit interaction with the separate set of decisions that the EU governments were making about enlargement, particularly about the future of Turkey. At least—if not more—important than the anti-Islamic bias that has figured so prominently in American criticisms of EU reluctance to embrace Turkey has been the sense in Europe that membership for Turkey (and for Ukraine and other Newly Independent States) would spell the end of ambitions to create a deeper, federal Europe able to act as a cohesive force at home and on the world stage. According to this view, an EU enlarged to include Turkey will be too large, diverse, and preoccupied with internal problems of adjustment to fulfill its federalist dreams. A distinctive European identity, already stretched by enlargement to the east, will be ever harder to define, making it more difficult to generate domestic political support for aspects of integration that require increased

pooling of sovereignty or larger and more automatic transfers of resources from one EU citizen or taxpayer to another. By agreeing at the December 2002 Copenhagen summit to move ahead, albeit with a certain delay, on membership for Turkey, the EU member states were tacitly acknowledging that the Convention and the ensuing IGC *would* take an incremental and moderately intergovernmental direction and that the dream of a more cohesive European federation was dead, at least for now. Whether it would be revived among a core or pioneer group of member states in some future form or perhaps emerge de facto through case-by-case cooperation among a core of current or future member states remains an open question, but one that will be answered only well beyond the timetable of the Convention itself, the IGC, and the next enlargement.

*Accession Country Perspectives*

Like the current members, the new member states want a Union that can function effectively with democratic legitimacy and popular support.<sup>14</sup> But they also have particular interests that grow out of their own historic circumstances and their character as relatively poor and for the most part small member states. As newcomers located on the periphery of Europe, they are opposed to the emergence of “core” or “pioneer” groups within the Union that implicitly would relegate them to second-class status as members. They thus reacted negatively to Fischer’s call for the possible conclusion of a “new European framework treaty,” outside the current set of EU treaties, among an avant-garde group of states prepared to form a new federation.<sup>15</sup> They also have been wary of schemes to facilitate reinforced cooperation among subsets of member states within EU and Community structures, such as those originally included in the Treaty of Amsterdam and implicitly strengthened at Nice. It remains to be seen whether subsets of member states will attempt to use the revised reinforced cooperation procedures and for what purpose (those in the Treaty of Amsterdam were never tested), but it is likely that the new member states will strive to be part of any such group and insist upon strict observance of safeguard provisions intended to ensure that such cooperation does not endanger the *acquis* or result in discrimination against other member states.<sup>16</sup>

Second, the central and eastern European countries emphasize the importance of equality among member states as a key principle of the

Union, both with regard to constitutional and policy issues. As mostly small countries, they are aligned with their counterparts among the present fifteen in trying to uphold the rights of small countries in a potential struggle for power between the big five or six states and the other 20-plus members in what will become “essentially a small country EU.”<sup>17</sup> As newcomers, they also have a particular interest in seeing that they are accorded equal treatment relative to those small countries already in the Union. At one point in the Nice negotiations, France proposed that Poland receive fewer votes in the Council than Spain, even though the two countries have nearly identical populations.<sup>18</sup> This proposal was defeated with the support of the Commission and the strenuous intervention of the Polish president. The Czech Republic and Hungary were somewhat less lucky in the institutional deliberations, as each was allotted 20 seats in the European Parliament, even though similarly sized Belgium, Greece, and Portugal received 22 seats.<sup>19</sup> Both countries vowed to challenge these arrangements in the negotiations on the institutional provisions in their respective treaties of accession.<sup>20</sup> On the policy front, the battle over whether farmers in the new member states would receive direct payments at the level of those provided to their counterparts in the current member states was in part about equality of status, as was the discussion about provisions in the treaties on the phasing in of the free movement of persons.

Third, as relatively poor countries the new member states take quite seriously the character of the Union as a community of “solidarity.” Article 2 of the Treaty of Rome lists among the tasks of the Union “the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.” Cohesion and solidarity are EU terms for transfers of wealth and income from the more to the less well off parts of the Union. These principles are not in question at the Convention, but there are considerable differences among current and between current and prospective member states about how they are to be reflected in policy.

Fourth, the accession countries are likely to have ambivalent and evolving attitudes toward the question of the relative weight of intergovernmental versus supranational decision-making structures in a future Union. One question that stands out is whether Poland, as a member

of the “big six” in a future Union and a country with a history of quasi-great power status in Europe, will be tempted to become part of a de facto directorate of the large member states that attempts to exert leadership over the numerically much bigger group of small and medium-sized members. After some internal debate and apparent hesitation over this question, the Poles seem to have concluded that at least for now, Poland’s interests as a relatively poor member state are best served by seeking to reinforce the Community method and the legal and policy uniformity generally favored by the smaller states.<sup>21</sup>

The other candidate countries also generally support a retention or strengthening of the Community method with strong powers for the Commission and the European Parliament. These are seen as safeguards against intergovernmental domination by the large western states and a guarantee of continued attention to a uniform *acquis* that will contribute to narrowing the prosperity gap between all parts of Europe. In all candidate countries, however, there are concerns about sacrificing to Brussels elements of sovereignty seen as only recently regained from Moscow. This is also an issue on which national elites and more Euroskeptic publics in the accession countries tend to divide, with the former more committed to playing constructive roles in Brussels while the latter are more susceptible to populist attacks on the real or alleged surrender of sovereignty to remote, cosmopolitan elites in foreign capitals. Thus, while the new member states rhetorically support a reinforcement of the supranational institutions against creeping intergovernmentalism, they have been wary of accepting changes that might be needed to ensure the effectiveness of these institutions (e.g., permanently giving up the right to nominate a Commission member so as to reduce the size of this body).

The candidate countries also are reticent about the extension of QMV to all policy areas, since this could force upon them a too-rapid leveling-up of environmental and other standards for which they are unable to pay. From the new member country perspective, a negative outcome would be one in which the EU continues to evolve as a regulatory state, passing demanding standards in a range of health, safety, and competition matters, but has only limited “solidarity” mechanisms to help its poorer members meet the costs of those regulations. In this sense, the accession



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countries share in acute form a danger that all member states face, namely the tendency for the Union (led by an activist European Parliament) to promote an ever-growing list of “unfunded mandates” that the member states have political, legal, and financial difficulties in implementing.

Finally, the candidate countries have a special interest in issues relating to secession, expulsion, and suspension of member state voting rights and other privileges, particularly since all provisions relating to such matters introduced into the treaties since the mid-1990s have been directed in part at the still suspect (to many in the West) democratic credentials of these countries. The provisions relating to sanctioning member states in the Treaty of Amsterdam have never been invoked. In early 2000, when the Austrian Christian Democrats formed a governing coalition with the right-wing Freedom Party of populist Jörg Haider, the other member states used an ad hoc procedure, outside the Union structures, to sanction the Austrians. The situation with regard to Austria was carefully watched in the candidate countries, however, where it was seized upon by critics of the EU as an object lesson in how membership could constrain sovereignty.

The question of expulsion is at least tacitly linked to that of secession. While member states and the Commission historically have been reluctant to concede an explicit right to secede, some have argued that this should be included in the treaties. The leader of the Liberal faction in the European Parliament, Graham Watson, called for a clause in the new constitutional treaty allowing a member state to withdraw from the Union—a provision that he claimed would bolster support for accession in candidate countries and undercut the rhetoric of Euroskeptics in existing member states such as the United Kingdom.<sup>22</sup> Giscard included a right to secede in his draft proposal of October 2002, even though it is likely to be controversial. Critics have argued that it could lead to countless internal debates in member states over whether they should exercise the secession option as well as to the use of the secession threat among member states in routine policy disputes.<sup>23</sup>

### **Policy Reform**

The member states formally recognized the need for policy reform to accommodate enlargement in 1995, when the Madrid European Council asked

the Commission to prepare its opinions on the suitability of the candidate countries for membership as well as an analysis of the effects of enlargement on EU policies and an assessment of the financial framework for an enlarged Union.<sup>24</sup> With the IGC concluded, in July 1997 the Commission presented its proposals for reform and its opinions on the candidate countries in a massive composite document entitled *Agenda 2000*. The latter became the blueprint for the proposed reforms of the agricultural and structural policies and for the seven-year budgetary framework for 2000-2006 that was adopted at the March 1999 Berlin European Council, and that was based on the assumption that as many as six new member states could join the Union as from January 1, 2002.<sup>25</sup>

The key areas where reform is essential are agriculture and the structural funds, which together account for approximately three-quarters of EU spending. At the time *Agenda 2000* appeared, critics questioned some of its optimistic projections such as the seemingly low costs at which new member states could be integrated into the CAP, and whether a south-to-east shift of regional aid funds was politically feasible. Doubts about the adequacy of the reforms have increased as the member states have watered down Commission proposals to accommodate farmers and other constituencies. On the other hand, the delay in the timetable from the 2002 entry date envisioned in *Agenda 2000* and the Berlin financial framework to the May 1, 2004 target ultimately adopted by the Council means that the candidate countries may be somewhat better prepared for membership than previously expected, able to pay more into and needing to take less out of the EU budget. Indeed, one of the key issues in the final stages of the negotiations in the fall of 2002 was devising a set of rebates and advance payments to prevent some of the accession countries from being net payers into the EU budget in their first years as members, a politically problematic situation that could come about, since tax payments into the EU budget would begin almost immediately, whereas disbursements to support projects in the accession countries would be paid out more slowly over time.

#### *Agriculture*

According to the analysis in *Agenda 2000*, agriculture still accounted for 22 percent of employment and 9 percent of GDP in the ten countries of central and eastern Europe, compared to 5 percent of employment and 2.4 percent

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of GDP in the EU.<sup>26</sup> In Poland alone there were over 2.6 million people employed in agriculture, most working on small and inefficient farms unlikely to be able to compete in an integrated European agricultural market. Numerous studies warned that extension of the CAP to a dozen new members would be ruinously expensive and for this reason alone might preclude enlargement.

After initial forays at reform in the 1979 and 1988, the EU launched its first substantial overhaul of the CAP in 1992, the so-called MacSharry package that became the basis for the EU's commitments in the Uruguay Round of global trade negotiations.<sup>27</sup> The essence of the MacSharry package was a plan to sustain farm incomes by partially replacing price supports with direct income payments to farmers. The reforms also cut national production quotas for such key products as beef, milk, and cereals. The shift to income support entailed a higher direct burden on the EU's budget, but smaller indirect or deferred costs in the form of higher food prices, strained relations with trading partners, and the long-term environmental costs of agricultural overproduction encouraged by artificially high prices.

Continuation of agricultural reform along the lines established by MacSharry was a basic assumption behind the Commission's vision for enlargement in *Agenda 2000*. The Commission argued that if the Union continued with the kinds of reforms outlined in the 1992 package, it would be able to extend the CAP to the new member countries at modest financial cost. Farmers in the new member countries would not be encouraged to crank up production to meet an artificially created demand, as the EU no longer was promising to buy up surplus production at above-market prices. Direct payments to farmers in central and eastern Europe also would not be necessary, since such payments had been instituted to replace income lost from cutting back price supports from which these farmers had never benefited. To the extent that rural poverty and low farm productivity were issues for the candidate countries, the Commission proposed to address these problems through a program of rural development that would encourage small farmers to move out of agriculture and into more productive industries.

Building upon the reform proposals in *Agenda 2000*, in 1998 agriculture commissioner Franz Fischler proposed additional large cuts in the support prices for meat, cereals and dairy products. He proposed that the cereals intervention price be cut by 20 percent in 2000, beef prices by 30 percent between 2000 and 2002, and dairy prices by 15 percent by 2006.

He also suggested that the continued shift from price intervention to direct income support might make possible a transfer of as much as 25 percent of direct payments from the Union to the member states. The latter proposal was supported by Germany in particular, which saw the partial “renationalization” of agricultural subsidies as a way to reconcile continued payments to farmers at a high level with its own desire to cut its contributions to the EU budget.

These proposals were extremely controversial with the member states. Germany was determined that its large net payments to the EU budget had to be cut, and that agriculture was the logical place to start. France argued that any renationalization of support for agriculture would run counter to the basic principles upon which the common market had been established in the 1950s. In the final deal hammered out in Berlin in March 1999, renationalization was ruled out. Intervention prices were cut by much less (and much later) than originally proposed by Fischler: cereals prices by 15 percent in two equal steps in 2000 and 2001, beef prices by 20 percent over three years, beginning in 2000, and dairy prices by 15 percent, but only in 2005-2006. It also was agreed that the entire budgetary arrangement for agriculture would be subject to a mid-term review in 2002 on the basis of market conditions and other factors.

Whether and to what degree reform of the CAP would continue subsequently became a key element in enlargement preparations. In June 2002, acting under the Berlin mandate calling for a mid-term review of the CAP, Fischler circulated a new reform proposal that was to serve as the basis for the EU’s final offer to the candidate countries in the accession negotiations. Formally presented to the member states in early July, it called for cutting the link between EU subsidies and what farmers produced by replacing almost all market intervention with direct aid payments and increased aid for rural development. Payments to large farms would be capped at EUR 300,000 per year. In addition, the CAP would place more emphasis on food quality and safety, animal welfare, and the environment.<sup>28</sup>

The Fischler proposals were so controversial that the member states agreed to postpone their consideration until October 2002, after the French and German elections. While the Netherlands, Sweden, and the United Kingdom generally welcomed the proposals and urged that the reforms go even further, France led a group of member states that criticized the proposed reforms as

going too far and accused the Commission of exceeding the 1999 mid-term review mandate by introducing proposals for sweeping changes going beyond financial questions.

In the end, with German support, the French view prevailed. The fifteen member states met at the October 24-25 Brussels European Council, and, on the basis of a bilateral Franco-German compromise, the fifteen agreed on a formula for agricultural reform that would serve as the basis for the finalization of negotiations with the candidate countries in the ensuing weeks. The deal, which angered British prime minister Tony Blair, effectively ruled out any reform of farm subsidies before 2006 and ensured that agricultural outlays would continue to increase (at least in nominal terms) even for the period 2007-2013. This was a far cry from the deep cuts called for by Britain, the Netherlands, and Sweden and left unclear how the EU would square its agreement to maintain farm subsidies for at least another decade with the pressures in the Doha round of World Trade Organization (WTO) negotiations to phase out farm subsidies. It also seemed to leave open the question of whether the CAP had been sufficiently reformed so as to be able to accommodate enlargement.<sup>29</sup>

#### *Structural Operations*

After agriculture, the largest share of the EU budget (some 38 percent of total spending) is accounted for by structural operations, programs that the EU funds to help raise disadvantaged countries and regions to EU average levels of per capita GDP. Structural operations are divided into two main categories, the Structural Funds, which are allocated to relatively poor regions and to economic restructuring in areas and sectors of high unemployment, and the Cohesion Fund, which was established in 1994 to help the poorest member states meet the criteria for EMU. Some share of the Structural Funds goes to all of the member states of the Union, while the Cohesion Fund is reserved for Greece, Ireland, Portugal, and Spain. Structural Funds are spent on projects developed in conjunction with regional governments and have a matching requirement. Cohesion Funds do not have matching requirements, and are intended to be spent on transport and environmental infrastructure projects.

These funds have been a focal point of the enlargement discussion since the early 1990s. The major net recipients—Spain, Portugal, Greece,

and Ireland, as well as relatively poor regions in affluent member states, such as southern Italy—fear a shift in aid from the south to the east and are insisting that enlargement not be financed at their expense by depriving them of regional aid before their per capita GDPs have risen to the EU average. The net payers into the EU budget, particularly Germany, argue that they cannot indefinitely fund high levels of transfers to both the new and old “solidarity” countries. The candidate countries, while they do not expect to receive the per capita levels of aid showered on Ireland and the Mediterranean countries in the late 1980s and early 1990s, have economic, budgetary, and political reasons to bargain for funding to raise their standards of living and to bring transportation networks and environmental conditions up to EU levels. The budgetary framework for 2000-2006 adopted in Berlin tried to reconcile these various concerns. To satisfy Spain and the other cohesion fund countries, aid for existing member states was “ring-fenced” from aid for new member countries, with a total of EUR 213 billion set aside for the former and some EUR 39.6 billion for the latter for the 2000-2006 period.

Even with these efforts to limit the shift in aid from old to new member states, substantial changes are expected to occur. Under the Objective 1 element of the Structural Funds, all regions with less than 75 per cent of EU per capita GDP are eligible for aid. With overall per capita GDP set to fall by 13 percent in an EU of 25, preliminary data suggest that post-enlargement Objective 1 regions will have a total population of some 115 million people, 60 per cent of whom will be in the accession countries, and only 40 per cent in the poorer regions of the old member states. Regions comprising approximately 25 million people in the existing EU will lose their eligibility for aid because of the change in the statistical cut-off—rather than because of any appreciable change in their objective welfare.<sup>30</sup>

The more important issue in the cohesion policy reform debate is what happens after 2006, when the current financial framework expires and a new framework will be negotiated in a Union of 25. In the Nice treaty negotiations, Spain insisted that qualified majority voting be applied to decisions regarding Structural Funds and the Cohesion Fund only after January 1, 2007.<sup>31</sup> This will allow Spain to wield a veto over the financial framework for the next budgetary period of 2007-2013. The challenge of apportioning aid between old and new member states will become especially acute if Bulgaria and

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Romania are admitted to the Union as planned in 2007. According to 1999 data, per capita income would fall by 18 percent with enlargement from 15 to 27 member states, compared with only 13 percent in the 2004 enlargement to 25.<sup>32</sup> Admission of these countries will have the effect of bumping many more regions in the current fifteen member states from the list of those eligible for structural funds, and indeed of displacing even some of the more prosperous regions in the 2004 accession countries.<sup>33</sup>

### *Other Policy Areas*

Apart from the spending areas of agriculture and the structural funds, reforms have been proposed or are underway in a number of areas, including competition and research and development policy, as well as with regard to the internal functioning of the Union's own institutions. Many of these reforms would have been desirable in any case and are not driven by enlargement. In virtually all areas, however, there is a keen sense that with the near-doubling of membership envisioned over the coming decade, the Union needs to become more effective at implementing policies and better at delivering visible policy results with limited means.

### **The Costs and Benefits of Enlargement**

As the pre-accession phase moves toward completion, political leaders in Europe have been grappling with two central issues: money and power. The biggest questions facing the Union are who will pay the costs of enlargement and how political power and decision-making authority will be apportioned in a Union of 25 or more member states. These questions are closely linked. Political arrangements will determine how costs are allocated, especially after 2006 and the expiration of the current financial framework, while perceptions about the fairness of economic and financial burdens will affect the cohesion and democratic legitimacy of the Union.

Economists generally agree that enlargement will benefit the EU as a whole, current member states and candidate countries alike. However, the distribution of the costs and benefits of enlargement is likely to be uneven, both temporally and geographically.<sup>34</sup> Some studies suggest that the current member states already have received most of the expected benefits of enlargement through the provisions of the Europe Agreements that opened up a larger market for EU exporters and investment opportunities for west European companies.

Movement from the existing integrated market to full membership will produce modest additional benefits for current member states in terms of access, while it is likely to result in substantial additional costs to underwrite new member participation in the CAP and regional policies. For the candidate countries, the situation is the reverse. To become part of the single European market, they have made painful adjustments in closing uncompetitive plants and shedding labor throughout industry to compete with EU companies and in partially opening up their agricultural markets to EU produce. They now expect payoffs and rewards. Part of this will be political and psychological, and will consist of becoming full members of the EU club with real decision-making roles. But many citizens expect part of this payoff to be financial, especially since few people in or outside the accession countries expect average per capita GDP in most of the new member states to reach the EU average before 2030, if then.

The geographic distribution of the economic costs and benefits of enlargement is also expected to be uneven, both across the current-prospective member divide and among the current members. Studies suggest that enlargement will be very beneficial for the accession countries but only modestly so for the current member countries. In part this is a simple function of arithmetic. With the GDP of the candidate countries only equal to some 5 percent of total EU GDP, the scope for the former to affect the latter is limited. Even among current member states, however, the benefits of enlargement are likely to accrue disproportionately to countries and regions that border the accession countries and are thus in a position to reap the lion's share of increased opportunities for trade in goods and services, including gains from cross-border commuting.<sup>35</sup> With the economic benefits of enlargement heavily tilted toward Germany, Italy, and Austria, countries such as France may have limited interest in arrangements that distribute the direct or indirect budgetary costs of enlargement on a uniform basis or, as with enlargement-driven reform of the CAP, go even further and ask France to take on a disproportionate share of the cost of admitting new members.

These distributional asymmetries help to explain the complex game of bargaining that has been underway among the current members, and that involves not just the costs of enlargement narrowly defined but the entire range of benefits derived from Union membership. Depending upon



how decisions over agriculture and regional aid are made, the costs and benefits of enlargement can be shifted from one country and one interest group to another. In the provisional settlement that was reached in the fall of 2002, Germany was asked to pay a disproportionate share of the budgetary cost of enlargement, notwithstanding its demands (shared by the Netherlands and the United Kingdom as the other large net contributors to the EU budget) that German payments to the Union be reduced. But Berlin did not grant a blank check for enlargement in the post-2006 period, as increases in agricultural spending were capped and regional funds for the new entrants were cut.

This game of bargaining over the distribution of costs and benefits and the power to make decisions over these matters also played out on a smaller scale in the accession negotiations, where the political and financial terms on which the new member states will enter the Union were established. The next section reviews the results of these negotiations in the most important and controversial areas.

### III. TERMS OF ACCESSION

#### **Mechanics**

Admission of new member states is governed by Articles 6 and 49 of the Treaty on European Union, which stipulate that any European state that respects the principles of “liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law” may apply to become a member of the Union.<sup>36</sup> According to the procedure set forth in Article 49, applications are addressed to the Council of Ministers. The Council then asks the European Commission to prepare an opinion on the candidate’s suitability for membership, after which the Council must decide unanimously on whether to open accession negotiations. Negotiations are carried out by the Commission and are aimed at producing draft treaties of accession between the applicant countries and the members of the Union. Once the negotiations are completed, a draft treaty is submitted to the Council and the European Parliament for approval. The Council must approve the treaty unanimously, the Parliament by an absolute majority. The member states and the applicant country then formally sign the accession treaty, which is submitted for ratification by all parties in accordance with national constitutional provisions. In most cases this means a simple vote by parliament, but it also can involve a national referendum. (All of the candidate countries

intend to hold referenda on joining the Union, while current member states most likely will not do so.)

“Negotiation” is somewhat of a misnomer when applied to EU enlargement. Accession does not involve a process of bargaining between two equal entities, the result of which is a compromise somewhere between the opening positions of the two parties. Rather, the candidate countries are joining a club whose rules are already largely set and must be adhered to. The accession negotiations thus have been for the most part a take-it-or-leave-it affair, in which much time and effort has been spent in verifying whether the candidate country can in fact meet the conditions for membership. Real bargaining has taken place only at the margins and has covered such matters as the transition periods which the new member states are granted to phase in certain policies and, in exceptional cases, permanent derogations from selected EU rules.

Candidate countries are required to accede to the EU’s founding treaties, also known as primary law.<sup>37</sup> In addition, the candidate countries must adopt the *acquis communautaire*, a term used to denote the whole body of directives, regulations, and policies built up by the EU since the 1950s.<sup>38</sup> Because much of this legislation takes the form of directives that are addressed to the member states and then implemented at the national level, adopting the *acquis* involves passing new or amending existing legislation that conforms with EU norms—a complex and time-consuming exercise that has occupied the governments and parliaments of the candidate countries for much of the last decade. New member states also are expected to accede to treaties that the Union has with third countries and to renegotiate or if necessary renounce treaties with third countries that are inconsistent with the EU’s founding treaties or with EU secondary legislation.

For purposes of negotiating the accession treaties, the *acquis communautaire* is organized into 31 chapters, each of which has been the subject of a separate negotiation with each candidate country. Candidate countries have been required not only to adopt the laws in place at the time of their initial applications to the Union in 1994-1996, but all those adopted in the intervening period. The latter is a substantial body of complex new legislation, much of it associated with the Union’s expansion into new policy areas in the 1990s as well as directives passed

to complete the implementation of the 1992 single market program in such areas as telecommunications, energy, and financial services.

Along with adopting the *acquis* on paper, candidate countries must show that they have the actual capacity to apply and enforce EU law. This requires establishing adequate administrative structures, reforming their civil service and judicial systems, and setting up new or strengthening existing bodies related to standardization, certification, conformity assessment, mutual recognition of qualifications, supervision of financial services, and enforcement of industrial and intellectual property rights. It also means setting up or reinforcing regulatory structures and inspection agencies relating to road and maritime safety, food safety, and monitoring and enforcement of EU environmental regulations, as well as strengthening financial controls and border management.<sup>39</sup>

It should be noted that these are all areas in which the performance of the current member states is far from perfect. Ensuring that new member states enter the Union prepared for a reasonable level of enforcement of the *acquis* is therefore essential to prevent a downward spiral in which the *acquis* as a whole might be threatened. It is also important to head off politically damaging squabbles over enforcement after accession, when new member country violations of the *acquis* will have been internalized and will become the subject of obligatory enforcement actions by the Commission and the ECJ.

While the process of EU enlargement is straightforward, the timing of the admission of new members has been a complex and contentious issue. In the immediate aftermath of the fall of the Berlin Wall and the breakup of the Soviet Union, most governments of the then European Community were unenthusiastic about taking in new members. Preoccupied with their own plans for political union and a common currency, they responded to the upheavals in the east with technical assistance and the Europe Agreements, bilateral treaties that liberalized trade and stepped up exchanges and other contacts but that stopped short of guaranteeing membership. Only in June 1993 at Copenhagen did the European Council declare that all those countries with which the Union had concluded Europe Agreements would be offered membership, provided they met certain political and economic criteria.<sup>40</sup>

The ten candidate countries of central and eastern Europe all submitted their applications for admission between March 1994 and June 1996.

Cyprus and Malta had submitted their applications already in 1990, but action on their candidacies was deferred pending the accession of Austria, Finland, and Sweden, which was accomplished on January 1, 1995. As noted, the Commission delivered its opinions on the applications in July 1997 in *Agenda 2000*. In December 1997 in Luxembourg the Council approved the start of negotiations with six candidate countries: the Czech Republic, Cyprus, Estonia, Hungary, Poland, and Slovenia. Of the six countries not asked to start negotiations, Slovakia was judged to have failed on political and human rights criteria; Bulgaria, Latvia, Lithuania, and Romania were not ready economically, and Malta suspended its application because of domestic political disagreements over its candidacy. Negotiations with the Luxembourg six got underway in March 1998. At the time, the EU stressed that the six countries temporarily left behind could make up lost ground by accelerating the pace of reform and convergence to EU norms. This in fact happened, and at Helsinki in December 1999 the European Council approved the start of negotiations with the remaining candidate countries, although not yet with Turkey.

By the late 1990s, in what was both a recognition of the genuine progress being made by the candidate countries in closing the gap with EU economic and political standards and a response to the growing impatience in these countries with the pre-accession process, the EU was moving toward a firm enlargement timetable. In March 1999 in Berlin the European Council adopted a budgetary framework for the period 2000-2006 based on the assumption that as many as six new member states could join the Union in 2002. This date was always considered somewhat unrealistic, however, and at the European Council meeting in Göteborg in June 2001 the fifteen set the end of 2002 as the target date for concluding accession treaties with those countries judged ready for membership. This timetable would allow these countries to join the Union in 2004 and to take part as members in the European Parliament elections set for June of that year.<sup>41</sup> At the Laeken European Council in December 2001, the fifteen confirmed this timetable and named the ten countries they regarded as on track for membership in 2004—the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia—thus setting the stage for a “big bang” enlargement that among the current official candidate countries would leave out only Bulgaria, Romania, and Turkey.<sup>42</sup>

In early October 2002 the European Commission delivered its long-awaited recommendations on which countries were ready to finalize accession negotiations by the end of the year. It reaffirmed the choice of the “Laeken 10” and stated that Bulgaria and Romania were not ready for membership, but that they could join the main group by 2007. The Commission did not recommend a date for starting accession negotiations with Turkey, although it acknowledged that Turkey had made progress on meeting the criteria for membership and proposed an increase in pre-accession aid for the Turks.<sup>43</sup>

Meeting in Brussels later that same month, the heads of state and government of the fifteen made the final decisions concerning the financial terms to be offered to the new member states upon accession—terms that essentially derived from decisions about reform of the CAP and regional aid policies in both the existing and the future enlarged Union. This led the way to an intense final round of negotiations with the ten lead candidate countries aimed at finalizing the terms of accession treaties at the December Copenhagen summit. The candidate countries issued sharp complaints about the Union’s perceived lack of generosity and the difficulties they might have in securing ratification of the accession treaties in their respective national parliaments. Meanwhile, in November 2002, the EU foreign ministers made one last adjustment to the timetable—setting May 1 rather than January 1 as the date for admission of the new members, thereby allowing an additional four months for ratification and financial adaptation.

In late November, acting on its own initiative, the Danish presidency put forward a supplementary package intended to win final accession country acceptance of the deal. It called for additional spending of EUR 2.45 billion beyond the levels agreed to by the European Council in October, to be devoted to agriculture, improving border security, and, for Slovakia and Lithuania, nuclear dismantling.<sup>44</sup> Following continued hard bargaining in the days leading up to the Copenhagen summit, the Danish package became the basis for the final accession deal. It was agreed that some EUR 40.4 billion would be paid by the Union to the accession countries in 2004-2006, half of it to Poland. This was a gross figure, not counting payments into the EU coffers from the accession countries. Total transfers to the new members in the remainder of

the budget period were projected to be about EUR 12 billion (net of such payments).

Apart from the terms of the accession deal, one of the most noteworthy aspects of the fifteen's decisions in the enlargement end game was the set of final, pre-membership checks that were put into place to ensure that the candidate countries would follow through on implementation before May 1, 2004, as well as the safeguard provisions and large doses of intra-membership conditionality that were built into the accession treaties to last even into the membership period. At the insistence of member state governments that either were skeptical of the degree of real convergence with EU norms in the candidate countries or worried about their own domestic public opinion, the accession process will include final checks in the period between signature and ratification of the accession treaties and official entry into the Union. Six months before formal accession, the Commission will produce a "comprehensive monitoring report" that will check on the implementation of commitments made in the accession negotiations. If one or more candidate countries backslides or fails to complete agreed pre-accession tasks, its failure to pass these checks could trigger a delay in formal admission.<sup>45</sup> The accession treaties also will contain safeguard clauses that can be invoked by the existing member states after accession. Such clauses have been a feature of other EU treaties (including the Treaty of Rome), but they have rarely been invoked.

## **Key Issues**

### *The Single Market*

The most important if not the most controversial issue in the enlargement negotiations has been the adherence of the candidate countries to the EU's single market, as established by the founding treaties and a raft of secondary legislation. The centrality of the single market was established as far back as December 1994, when the Essen European Council asked the Commission to prepare a white paper on the internal market and the demands adherence to it would place on new member states.<sup>46</sup> While the Union continued to advance the proposition that the *acquis* was a unified whole, all parts of which had to be adopted by the candidate countries with the minimum of derogations and transition periods, in practice it was clear that the internal market *acquis*

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(and closely related areas such as competition policy) took precedence. Long phase-in periods in areas such as environmental policy would be permitted, but adherence to market strictures from day one of membership was essential. This reflected the sense in Brussels and national capitals that the single market was the heart of the integration enterprise and as such could not be compromised. It also reflected a practical recognition that while voters and key interest groups in the old member states might have only limited interest in how or when drinking water or clean air standards in eastern Europe were raised to EU norms, they would care if jobs were seen as lost because of unfair competition from or lingering protection in the new member states.

The centrality of the single market *acquis* is reflected in the results of the accession negotiations. With the important exception of free movement of labor (discussed below), there are remarkably few transitional arrangements in the three most relevant chapters. The free movement of goods chapter was closed with the ten with a mere six transitional arrangements, all relatively short in duration and dealing with marketing authorizations for pharmaceuticals and in one case medical devices. Similarly, there are only a few transitional arrangements in the freedom to provide services chapter, all having to do with the financial sector and such issues as the status of credit unions in various accession countries. In the free movement of capital chapter there are eleven agreed transitional arrangements, but they deal with the politically sensitive issues of the purchases of secondary residences and farm and forest land in the accession countries rather than the movement of capital for general business purposes.<sup>47</sup>

Although this is a very impressive achievement on paper, how well the single market will function in practice in an enlarged Union is still unclear. The Commission continues to highlight the problems in the existing Union with the complete transposition and enforcement of single market directives, delays in launching and completing actions against market infringements, and the large number of national regulations that are notified to the Commission and that undoubtedly contribute to the continued segmentation of the Union into what are still, to a degree, national markets.<sup>48</sup> At the very least, enlargement will complicate this situation by straining resources dedicated to enforcement. Beyond this, it is not clear how mutual recognition will function in a Union of 25, and whether regulatory authorities in the existing fifteen member states will accept at face

value health and safety assessments performed in the new member states. Vigorous enforcement proceedings will be needed to uphold the integrity of the single market, but this could sour the political atmosphere and contribute to anti-Brussels sentiment in old and new member states. Difficulties also could arise in policy areas that flank the single market, notably transport and competition policy, where some member states have expressed concern about the application of standards and the phasing out of state aids.<sup>49</sup>

The concern about the integrity of the single market is further reflected in the monitoring and safeguard clauses the Commission recommended and that the European Council endorsed and strengthened in its October 2002 enlargement decisions.<sup>50</sup> As a result of these decisions, the accession treaty includes a general economic safeguard clause and two sectoral safeguard clauses, one relating to the area of justice and home affairs and the other concerning the operation of the internal market, “including all sectoral policies which concern economic activities with a cross-border effect.”<sup>51</sup> Adopted at the insistence of the Netherlands and other member states skeptical about the readiness of some of the candidate countries for membership, the internal market safeguard clause can be invoked by the request of a member state or on the initiative of the Commission for a period of three years after accession to limit access by a new member state to the EU market.<sup>52</sup> Measures adopted under the safeguard clause may extend beyond the three-year period.

#### *Agriculture*

As was predicted by many in the early 1990s, agriculture has been the most difficult issue in the enlargement negotiations and, with the possible exception of the problems associated with the candidacy of a divided Cyprus, the area with the greatest potential to disrupt the effective functioning of the EU after enlargement. In the March 1999 Berlin agreement, CAP spending in the current member states in the first post-enlargement year was set at EUR 39.4 billion, while comparable spending for six new member states was set at a mere EUR 1.6 billion. There was no provision for direct income support for farmers in the new member states, since incomes in these countries were historically low and such supports originally had been given to offset cuts in CAP price supports from which CEE farmers had never benefited.

In view of the fact that there are more farmers in the candidate countries than in the EU-15, the highly uneven way in which the Berlin agreement



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proposed to allocate agricultural spending in an enlarged Union was politically problematic and, from the long-term perspective of integrating the new member states into the Union and raising their per capita incomes to western levels, economically questionable. As might have been predicted, when negotiations on the agricultural chapter opened in June 2000, the Berlin framework quickly became a sticking point. In their opening positions, all of the candidate countries requested that direct payments be granted to their farmers at the same level provided to farmers in current member states from day one of accession. Some member state governments, however, argued that direct payments were neither budgeted for at Berlin nor an established part of the *acquis* that had to be extended to new members.

Differences over production quotas were equally stark. The Commission proposed that quotas be based on past performance levels during the 1995-1999 reference period. The candidate countries argued that in recent years their agricultural production had been hit by the collapse of communism, falling export markets, and adverse weather. They therefore generally opposed any agreement based on recent output levels. These differences of method translated into huge quantitative differences. With regard to milk, for example, the Commission proposed that Poland's quota be set at 8.875 million tons per year, while the Poles argued for 11.2 million tons rising to 13.7 million tons in 2008. Similarly, Latvia requested a milk quota of 1.2 million tons, compared with an offer of 489,474 tons from the Commission. Differences with regard to sugar, wheat, beef, and other products also were very wide, both in absolute and percentage terms.

Reacting to the strong political response in Poland and other candidate countries to its position on direct payments, in early 2002 the Commission revised its initial approach and proposed that direct payments to farmers in the new member states be set at 25 percent of EU levels upon enlargement and rise to 100 percent over a ten year period. Even though the offer to provide direct income support was a departure from the fiscally conservative assumptions in *Agenda 2000* and the 1999 financial framework, with considerable potential to bust the EU budget in the out years, it still was seen as unfair from the candidate country perspective. The Commission and the candidate countries also made little progress in bridging the gap on production quotas.

The decision by the fifteen at the June 2002 meeting of the General Affairs Council to defer the adoption of final common positions in the negotiations on agriculture until after the German elections created a high-stakes atmosphere in which the final intra-EU compromises and the ultimate bargain with the candidate countries needed to be struck within a very tight time frame. At its October 24-25 session, the European Council settled on a compromise final offer to the candidate countries, including a pledge to start direct payments at the 25 percent level and raise them to full Union levels only by 2013. This was not essentially different from the deal offered in the spring and was criticized by the Czech, Polish and other candidate country governments as unfair and possibly endangering prospects for approval of the accession treaty in national referenda. The internal EU reform debate was closely watched in the candidate countries, where critics focused on what they saw as the unequal character of the reforms and their differential effects on new and current member state farmers. This was especially the case in Poland, where Euroskeptic populist Andrzej Lepper threatened to campaign for a rejection of membership if farm payments were not provided on an equal basis from the date of accession.<sup>53</sup>

However, the candidate countries were under enormous pressure to accept the October offer as the best deal possible, particularly given British and Dutch complaints that the Franco-German compromise underlying the October offer was too generous with regard to direct income support for the Union as a whole. The Danish presidency subsequently improved upon the offer by proposing additional payments and greater flexibility in how funds could be spent on agriculture. It proposed that the new members be given the flexibility to transfer up to 20 percent of the EU funds previously earmarked for rural development to direct payments to farmers. This was politically advantageous to the accession country governments needing to win the support of their farmers and had the added advantage of ensuring that project-based money that otherwise would have flowed to the new member states very slowly would be spent immediately.

In the compromise achieved at the Copenhagen summit, the EU stuck to its initial offer of direct payments to farmers in the accession countries at the 25 percent level, but the accession countries were granted the right to transfer rural development funds to direct payments, as proposed by the Danes. In addition, the accession countries, led by Polish Prime Minister Leszek Miller, won the right to spend still more money from national budgets to support

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farmers, so that subsidy payments could reach 55 percent of EU levels already in 2004, rising to 60 percent in 2005 and 65 percent in 2006. Production quotas also were adjusted upward in some cases.

The battle over direct payments, particularly once it became clear that new money from the EU budget would not be forthcoming and that the bargaining revolved around transferring funds from other EU and national accounts to increase direct payments, was very much about the long-term restructuring of agriculture in central and eastern Europe. Throughout the pre-accession process, the Commission was concerned about the bifurcated structure of the agricultural sectors in the candidate countries, in which a large number of semi-subsistence farms exist alongside commercial farms with much greater chances to survive and prosper within the Union. Its view was that aid should go to improve the competitiveness of the commercial farms (and thus of European agriculture as a whole), but not to prop up subsistence farms, “creating a durable vicious cycle of low productivity, low standards and hidden high unemployment.”<sup>54</sup> At the same time, the Commission did not want the CAP and EU membership to be blamed for painful restructuring that it believed had to occur in the countryside under any circumstances. This message tended to get lost in the debate, as small farmers in Poland and their political backers tended to stand this argument on its head, claiming that their problems with competitiveness were the result of rather than a problem for the CAP, and the fact that they were to receive only 25 percent of the level of direct payments that applied in the old EU was the reason that they would not be able to compete and would be driven out of business. The dramatically increased levels of direct payments negotiated in the fall of 2002 should ease political problems with accession country farmers considerably, clearing the path to ratification. However, it will do so at a long-term cost by slowing the pace of restructuring. More small farms will be encouraged to continue producing at economically unsustainable levels, while less money will be available for the kinds of economic restructuring in the countryside that most experts believe is inevitable in any case. This in turn could spell long-term difficulties for reform of the CAP, as many more farmers will share a vested interest in preservation of the current system. One result of these trends might be the emergence of what is sometimes called a Franco-Polish anti-reform axis in the Union.

Thus, beyond the immediate battles over ratification, agriculture promises to be an arena of continued policy friction even after enlargement. In addition

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to the difficulties that may arise from continuing differences between old and new member states and between more and less reform-minded governments, there are likely to be pressures to accelerate even further the phasing in of direct payments and to shift some of the burden of direct payments from national budgets, where it was placed at Copenhagen, back to the EU budget.

#### *Structural Funds*

After agriculture, the item in the accession negotiations with the greatest financial implications is the structural and cohesion funds. The Commission outlined its proposed approach to the negotiation of the structural funds chapter in January 2002, staying roughly within the Berlin framework (after allowing for adjustments in the enlargement scenario). It proposed that structural operations funds be phased in over a three-year period from 2004 to 2006 to take account of the absorption capacity of the new members. Aid would be capped at 4 percent of GDP, considerably below the levels received by Portugal and Ireland in the 1990s. The ten new member countries would receive some EUR 25.567 billion in 2004-2006. EU aid per capita in the new member countries would reach EUR 137 in 2006, compared with EUR 231 in the four current member state cohesion countries. Additional structural funds would be allocated for nuclear safety projects, northern Cyprus, and a special fund for institutional capacity building in the new member states.<sup>55</sup>

As with agriculture, in early 2002 the member states decided to defer conclusion of the budgetary aspects of the structural funds chapter until the fall, following completion of the French and German elections and when it was expected that both the internal and external aspects of all financial questions could be considered in a single set of intense negotiations. In the final negotiating offer worked out by the European Council in October 2002, the amount of aid to be given to the new member states in 2004-2006 was cut from the EUR 25.567 billion level agreed at Berlin to EUR 23 billion. In the final deal agreed at Copenhagen, structural and cohesion funding for 2004-2006 was set at EUR 23.847 billion, not counting additional funds for transitional nuclear safety measures, transitional institution building measures, and transitional Schengen measures.<sup>56</sup>

The key questions for the future are how effective aid will be in tackling some of the remaining transition problems in central and eastern Europe (e.g., inadequate transport and environmental infrastructure) and whether the east-

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south/new-old division of aid is politically durable. The former will depend heavily on how successful the accession countries have been in setting up the regional levels of government and the administrative structures needed to use aid effectively and on their ability to leverage grant aid with loans and possibly private-sector investment.

### *Free Movement of Labor*

Movement of labor within the EU is one of the four freedoms (along with free movement of goods, services, and capital) guaranteed in the Treaty of Rome and a key element of the late 1980s-early 1990s program to complete the internal market. But free movement of labor for the accession countries has been highly controversial in the current member states, provoking widespread fear, particularly in Germany and Austria, about waves of cheap labor moving westward and exacerbating unemployment and depressing wages. Right-wing politicians such as Austria's Jörg Haider sought to capitalize on these fears by campaigning against enlargement on this issue. In view of the sensitivity of the free movement of labor issue, this is one area in which the Union itself, departing from its usual stance that the *acquis* should be kept intact and that transition periods and derogations be as limited as possible, has insisted upon an extensive transition regime and a delay in the full application of the *acquis*.

Under the terms of the free movement of persons negotiations that all candidate countries except Romania had provisionally closed by June 2002, each of the member states in the existing Union may apply national measures to limit access to their labor markets from the new member states for a period of two years following accession. Following this period, there will be reviews of new member state labor market access to the old member states. One is an automatic review conducted near the end of the two-year period. New member states may request subsequent reviews of labor market access to old member states. While the Commission contributes a report to the review, it has no powers to compel changes in policy. The old member states may keep transition arrangements in place for another three years. The transition period should end after five years, but member states in the old Union will have the right to prolong transition arrangements for another two years if there are serious disturbances of the labor market or the threat of such disturbances. Old member states also may apply safeguard measures against the movement of labor up to the end of the seventh year. In addition,

Germany and Austria have the right to take certain measures to deal with serious disturbances in specific service sectors in their labor markets that could arise in certain regions from the cross-border provision of services.<sup>57</sup> These transitional arrangements do not apply to Cyprus and Malta, which will have free movement of workers to the rest of the Union from day one of accession.

*Justice and Home Affairs*

While the free movement of persons chapter deals primarily with movement of workers and other categories of citizens from the new to old member states, the Justice and Home Affairs (JHA) chapter is more concerned with the Schengen *acquis* and the movement of third country nationals. The Schengen system of external border controls was proposed in 1985 as an intergovernmental arrangement among five member states of the then EC. It was incorporated into the *acquis* with the 1997 Treaty of Amsterdam and is expected (even though Britain and Ireland have opt-outs and do not participate in Schengen) to be implemented in full by the candidate countries from day one of membership.

The need to tighten the external borders of the Union is seen in Brussels and the national capitals as an inevitable counterpart to the removal of barriers to the flow of goods and people within the Union. With internal border controls dismantled, crossing the external borders of the Union to enter one member state means in effect legal entry into all member states of the Union. Governments in EU capitals thus are insisting that their fellow EU members control their external borders. Already evident in the 1980s, these concerns have grown as the Union prepares to lengthen its borders with the unstable Balkans, the former Soviet Union, and the Mediterranean. Fear of terrorism after September 11 has heightened these concerns, as have high-profile cases of human trafficking, illegal drug and weapons smuggling, and spillover from organized crime in the Newly Independent States (NIS) and the Balkans.<sup>58</sup>

For the candidate countries, Schengen presents two sets of challenges: the political problems that arise as these countries tighten controls on borders that hitherto have been relatively open; and the practical problems associated with policing the external borders of the Union at acceptable levels. The collapse of communism was followed by a period of visa-free travel between the aspirant countries of central and eastern Europe and Russia, Ukraine, Belarus, and Moldova. The main exception was the

Baltic countries, which imposed visa requirements on citizens of all four western NIS countries in 1993 and 1994. Even in the case of the Baltics, however, visa-free access for Russian citizens transiting Latvia and Lithuania to reach Kaliningrad was maintained. Under pressure from the Schengen *acquis*, the Czech Republic and Slovakia imposed visa restrictions on all four countries of the western NIS in 2000 and 2001.<sup>59</sup> Poland and Hungary did the same with regard to Russia, Belarus, and Moldova in 2001 but declared that visas for citizens of Ukraine would be required only upon accession to the Union. Romania made a similar exception for Moldova, imposing visa restrictions for Russia, Belarus and Ukraine in 2001 but declaring that visas for Moldovan citizens would not be required until Romania actually became a member of the Union. In addition, the Baltic countries tightened up their rules on transit to comply with the Schengen *acquis*. In March 2001 Latvia unilaterally cancelled a 1993 agreement with Russia under which Russian citizens were not required to obtain visas to transit Latvia by rail.

These moves led to some political difficulties between the candidate countries and the governments of the NIS, as well as to domestic political reactions by CEE citizens and businesses affected by the EU-mandated policy changes. Russian access to Kaliningrad was the most controversial issue raised by the need to adopt the Schengen *acquis* in the candidate countries, albeit one that was resolved by the compromise reached at the November 2002 EU-Russia summit. Schengen restrictions also will affect ties between ethnic minorities in accession countries and countries left outside the Union, e.g., Poles in Belarus and Ukraine, Hungarians in Ukraine and, until 2007, Romania, and eventually between Romanians and ethnic Moldovans in Moldova.

On the practical side, border control will represent a huge political, financial, and organizational challenge for the new member states. Although the external borders of the Union are for all practical purposes shared by the Union as a whole, responsibility for policing those borders remains at the national level. Burdens thus will be shifting from Germany, Austria, and Italy to the accession countries. Recognizing this fact, the EU is providing financial and technical assistance to these countries to upgrade border crossings, train customs and immigration officials, and integrate them into the Schengen Information System. Far more will be needed to comply with the *acquis*, however. When Poland, for example, closed the JHA chapter of its accession negotiations in July 2002, it pledged to increase its current border guard force

of some 12,000 to 18,000 and to replace conscripts with professional frontier guards. Other planned measures included the purchase of helicopters and light aircraft for the border guards, procurement of night vision and other equipment, and construction of additional watchtowers along the 1,200 kilometer border with Russia (Kaliningrad), Belarus, and Ukraine. Polish officials estimated that these measures would cost EUR 250 million, 75 percent of which it was hoped could be financed by Brussels.<sup>60</sup> In recognition of the costs that Schengen will impose on the accession countries, at Copenhagen the European Council allocated an additional EUR 758 million—EUR 286 million per year for 2004-2006—for transitional Schengen measures as part of the final enlargement finance package.

The other aspect of the Schengen *acquis* concerns the lifting of border controls between the new member states and the existing Union. Here the EU position has been to project pre-accession conditionality well into the post-accession phase. While the new member states are expected to apply and enforce Schengen restrictions on the movement of third country nationals across their borders from day one of membership, they themselves will not benefit immediately from the Schengen provisions on free movement of people within the Union. Under the terms of the Schengen *acquis*, the lifting of intra-EU barriers to the complete free movement of people requires a decision of the Council of Ministers. The existing member states thus will have significant leverage over the new member countries even after accession, as the latter will have to prove that their Schengen-mandated controls on their eastern borders are effective before they can secure the votes needed to fully open their borders with other EU states.

#### *Environment*

Environment is at the opposite end of the spectrum from the single market—an area in which negotiations with most of the candidate countries were closed with agreement on a long and wide-ranging list of transitional arrangements, many lasting for a decade or more. The Czech Republic and Estonia do not have to comply fully with EU directives on the treatment of urban waste water until 2010, Cyprus until 2012, and Latvia, Hungary, Poland, Slovakia and Slovenia until 2015. Various air pollution directives in effect in the EU-15 will be phased in by the new member states in 2006-2007, and provisions on



recovery and recycling of packaging waste will take place generally only by 2007.

World Bank and European Commission studies estimate that achieving compliance with the environmental acquis in the ten CEE countries will cost EUR 80-120 billion in investment.<sup>61</sup> A small portion of this sum will come from structural and cohesion funds dedicated to environmental projects. The European Investment Bank (EIB) and World Bank also make long-term loans for environmental projects. Most of the funding, however, will have to come from domestic sources in the accession countries and will need to be spread over a period of years, if not decades.

One environmental area (technically addressed in the energy chapter of the negotiations) in which the accession countries will be compelled to take short- and medium-term action is nuclear safety and decommissioning. Under the terms of the accession treaty, Lithuania is committed to shutting down Unit 1 of the Ignalina nuclear power station before 2005 and Unit 2 by 2009. Slovakia has committed itself to closing the two oldest units at Bohunice by 2006 and 2008 respectively. These actions will entail substantial costs for decommissioning and nuclear cleanup, a part of which will be defrayed by a special EU fund established by agreement of the Copenhagen summit.<sup>62</sup>

#### *CFSP*

CFSP has not been a particularly contentious issue in the enlargement negotiations, as shown by the fact that this chapter was provisionally closed with all twelve candidate countries relatively early in the negotiating process, without derogations or transitional arrangements. Being largely intergovernmental, it is in some respects less rigorous and more amenable to national differentiation than the first pillar chapters. CFSP nonetheless encompasses a substantial body of political and legal agreements relating to third countries and international organizations, such as: the foreign policy decisions and conclusions of the successive European Councils; EU Common Positions on international issues; decisions taken in the context of the EU's dialogues and relationships with third countries and regions (the Barcelona Process, the Strategic Partnership with Russia, the Asia-Europe Meetings, and so forth); coordinated positions in the UN, OECD, Council of Europe, the Organization for Security and Cooperation in Europe (OSCE), and other multilateral bodies; and joint positions regarding economic sanctions, trade embargoes, and the breaking off or freezing of diplomatic

relations. New member states also must accede to so-called mixed agreements, i.e., those between the European Communities and the member states and third countries. It also involves participation in the European Security and Defense Policy (ESDP) and the EU Rapid Reaction Force being set up in accordance with the decisions of the December 1999 Helsinki European Council.

The key issue in this area will not be how the *acquis* is applied, but how the new member states will work alongside the fifteen to shape the development of a CFSP that is still very much in its infancy. This has both procedural and substantive dimensions. Procedurally, the new member states will resist the emergence of a large country directorate over the CFSP and are likely to favor more collective funding of some ESDP expenditures. Substantively, it will mean pressures for increased attention to the EU's eastern borderlands, perhaps somewhat greater attention to an Atlantic dimension to CFSP, and less emphasis on EU defense autonomy.<sup>63</sup>

#### *Cyprus*

A final complicating issue in the accession negotiations has been Cyprus. The internationally-recognized Greek Cypriot government applied for European Community membership in 1990. In June 1993 the Commission issued a favorable opinion on the application, noting the relative strength of the Cypriot economy and the progress that Cyprus had made in using its 1972 association agreement with the European Community (EC) to align itself with many EC laws and practices.<sup>64</sup> Both sides began preparing for accession negotiations. In June 1994, under pressure from Greece, the Corfu European Council confirmed that the next phase of the enlargement process would include Cyprus. This meant that the Union was pledged not to proceed with any eastward enlargement without also taking up the Cypriot application, either simultaneously or beforehand. The Cyprus candidacy thus was at least tacitly linked with those of the central and east European countries. Subsequently, and repeatedly, Greece warned that it would veto any enlargement that did not include Cyprus.<sup>65</sup>

For its part, Turkey argued that any move to incorporate Cyprus into the EU would run counter to the 1960 Treaty of Guarantee signed by Greece, Turkey and Britain that bars Cyprus from joining any international organization of which Greece and Turkey are not both members. The Turkish government

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further warned that if the Greek Cypriot government joined the EU against its wishes, it would incorporate the northern part of the island into Turkey. The EU rejected this interpretation of the 1960 treaty and argued as a matter of principle that Turkey could not wield a veto over the actions of the legally recognized government in Nicosia. As a practical matter, however, the EU was concerned about the implications of proceeding with enlargement in the face of Turkish opposition and to bringing a still-partitioned island into the Union.

As the pre-accession process gathered momentum in the 1990s, EU policy toward Cyprus rested primarily on a hope that the prospect of EU membership would soften the differences between the Greek and Turkish communities, much the way that EU membership for Ireland and the United Kingdom had helped to defuse conflict over Northern Ireland. Per capita income in the Turkish sector of Cyprus is only one third the level of that in the south, and the Turkish minority stands to benefit enormously from the structural aid and market access that would come with enlargement. There was little sign that this approach was working, however, when the EU began accession talks with Cyprus in March 1998. The Turkish community turned down an invitation to participate in the talks and repeated its threats to accept an offer to merge with Turkey, while Turkey itself was outraged by the entire set of Luxembourg decisions regarding next steps in the enlargement process, as Turkey alone was left in a category by itself, without a perspective on an early start to accession negotiations.

At the December 1999 European Council, the fifteen expressed support for a comprehensive political settlement on the island, to be negotiated under UN auspices, that would allow a united Cyprus to enter the Union. They also stipulated, however, that if no settlement was reached by the completion of the accession negotiations, the Council would decide on accession. The Helsinki decision subsequently became the standard EU formulation on this issue—the last word, in effect, to which the Turkish community and Turkey were expected to respond.

Eleventh-hour hopes that a settlement could be reached that would enable a united Cyprus to enter the Union were concentrated heavily on the initiative put forward by UN Secretary General Kofi Annan in the fall of 2002. It called for the establishment of a loose confederation that then would

enter the Union. Accepted by the Greek Cypriote government but rejected by Turkish Cypriote leader Rauf Denktaş, the UN offer remains the basis for negotiations that will extend beyond the December 2002 Copenhagen decisions into the period before Cyprus accedes in May 2004, and possibly into the membership period itself.

For the moment, the most noteworthy aspect of the Cyprus impasse seems to be the way in which Turkey chose not to make it the cause of a rupture with the Union, as it had often warned it would do. While Copenhagen did not produce a maximal outcome—agreement on a date to begin accession negotiations with Turkey and a Turkish-brokered Cyprus settlement—it did produce informal assurances regarding setting a date for Turkey and a breakthrough in the EU-NATO impasse over sharing of assets that had become something of a barometer of Turkish attitudes toward the EU. The stage thus is set for gradual progress toward two parallel goals—creating a confederal Cyprus within the Union and, on a somewhat longer timetable, enlarging the Union to include Turkey. Meanwhile, the EU will have to deal with a number of thorny practical problems arising from the decision to bring northern Cyprus into the Union—territory that is not under the effective control of the recognized member state government. The Copenhagen European Council took the first step toward addressing these problems by announcing the temporary suspension of the *acquis* in northern Cyprus.

### **Prospects**

The conclusion of the accession negotiations raises questions about what yet might go wrong in the enlargement process, either before May 2004 or after enlargement, to undermine the functioning and cohesion of the Union and, relatedly, of how fair and hence economically and politically sustainable the deal on enlargement will turn out to be.

With the ratification of the Nice treaty and the conclusion of the negotiations, delay and derailment scenarios have become improbable and revolve mainly around ratification. The current member states all have parliamentary systems in which there is limited room for divergence between the government's positions and those of the parliament. This means that it is unlikely that a national parliament would fail to ratify an accession agreement concluded by the government. But surprises can and do happen, and ratification in the member

states cannot be taken for granted. In Austria, members of parliament have suggested that differences over nuclear power and the Czech Republic's decision to start operation of the controversial Temelin nuclear power plant could result in refusal by Austria to ratify the accession treaty with the Czech Republic. In Austria and Germany, politicians on occasion have threatened to make ratification of the treaty of accession with the Czech Republic contingent upon Prague's repudiation of the 1945 Benes decrees—a step that Czech governments steadfastly decline to consider. The European Parliament also must approve the accession treaty, and some MEPs have suggested that ratification could fail over nuclear power or human and minority rights issues. Politicians in the existing member states will be influenced at least somewhat by public opinion, which has been lukewarm about enlargement. According to Eurobarometer surveys, voters support enlargement by varying degrees in all member states except France, where 39 percent of voters were for and 46 percent against enlargement. In all countries there is a large number of “don't know” voters, and knowledge about the candidate countries and what enlargement will mean is limited. This has prompted the Commission to launch an education campaign to sell enlargement to the voters.<sup>66</sup>

Support for membership in the candidate countries generally is stronger, although ratification of the treaty of accession in all countries is not assured. With the pre-accession process stretching on for well over a decade, public opinion in these countries has grown increasingly skeptical about whether enlargement in fact will bring with it substantial economic benefits. Following the October 2002 budget deal, some candidate country leaders warned that unless the EU offers became more generous, governments could have problems winning referenda on the accession treaty. This seems unlikely, however, and in any case would not torpedo the entire accession process. The accession treaty will be structured so that rejection by one candidate country would not affect the other entrants, much the way the defeat of the EU referendum in Norway in 1994 did not derail the enlargement to Austria, Finland, and Sweden.

Although it is unlikely that parliaments or voters would reject membership as such, these countries could enter the Union disillusioned with Brussels and determined to win back as members concessions that they were forced to make in the pre-accession negotiations. Such an outcome could cripple the Union for years to come—as happened to some extent with the 1973 accession

of Britain to the then EC on terms that were never satisfactory to the British electorate. Intense budget debates are likely to take place in the run-up to the adoption of the 2007-2013 financial framework. This may not necessarily pit all old versus all new member states, but the latter are likely to chafe at the pre-cooking of the budget deal by the fifteen on the eve of the accessions and will inevitably try to adjust its terms. This in turn will run up against decision-making realities in the Union and in particular the retention, at Spanish insistence, of the national veto on regional aid allocations until 2007.

Another point of friction could be the exercise of the intra-membership conditionality that has been built into the accession treaties. As noted, the accession treaty will contain a general economic safeguard clause that can be applied to situations where “difficulties arise which are serious and liable to persist in any sector of the economy or which could bring about serious deterioration in the economic situation of a given area,” as well as several sectoral clauses. Although unlikely, recourse to these clauses by one or more member states would signal serious problems for the enlargement process and possibly lead to a crisis in an EU-25.

On balance, however, most indications are that enlargement will be a success—provided success is defined in realistically modest terms. Given the continued wrangling over money and power in the Union and the at best partial success of the EU in making the constitutional and policy reforms widely regarded as essential for enlargement to be workable, the EU most likely will not achieve, at least for the foreseeable future, some of its most rhetorically ambitious objectives: emerging as a superpower on a near-equal footing with the United States in global politics or becoming the world’s most dynamic and competitive economy, as declared at the March 2000 Lisbon summit. But all indications are that the EU will succeed—indeed has succeeded already—in its declared goal of spreading peace and prosperity to the former Communist countries of central and eastern Europe. This in itself is no small achievement.

#### **IV. DEALING WITH THE “LEFT-OVERS” AND “LEFT-OUTS”**

The periphery of an enlarged Union will include two countries that have been negotiating EU accession but that are not yet ready for membership (Bulgaria and Romania); one country that is a formal candidate for membership

that is not yet engaged in accession negotiations (Turkey); five countries that are not yet formal candidates but are, in effect, pre-candidates that the EU has pledged to add to its list of prospective members as their economic and political prospects improve (Albania, Bosnia-Herzegovina, Croatia, Macedonia, and Yugoslavia); several countries that have declared their wish to become members but that have *not* been encouraged by the Union to consider themselves as potential members (Ukraine, Armenia, Georgia); and a long list of other countries that are unlikely ever to become members but that will be affected by an enlarged Union and its policies (Russia, the countries of North Africa, and the Middle East).<sup>67</sup>

The post-enlargement Union will need to fashion policies toward all of these countries and regions. Doing so is likely to strain political and financial resources, as well as heighten the latent tension between the EU's efforts to strengthen its identity and internal coherence by defining its ultimate borders and its longstanding record of dealing with adjacent regions by reaching out to them with offers of membership or, at a minimum, offers of association that have some of the attributes of membership. How successful the EU is in meeting the challenge of its periphery also will in large part determine whether it will become a more assertive and influential actor on the world stage, or whether it will become bogged down in its "near abroad" and dependent on—or embroiled in controversy with—the United States with regard to these regions.

### **Bulgaria and Romania**

Reiterating the preliminary conclusions drawn at Laeken, in its October 2002 progress report the Commission declared that alone among the negotiating candidates, Bulgaria and Romania were not ready for membership in 2004.<sup>68</sup> Both countries already had set 2007 as their target date for admission in their accession negotiating strategy, so the Commission conclusions did not come as a surprise and were not seen as a major setback. The Commission concluded that 2007 is a realistic target date for these countries, an assessment that may prove overly optimistic, particularly if the enlargement process with the Laeken 10 proves more complicated than expected or if progress on economic and political reform is slower than expected in Bulgaria and Romania. For the 2004-2007 period, the Commission proposed a revision of the accession partnerships aimed at preparing these countries for membership and a substantial increase in aid through the PHARE, ISPA (Instrument for

Structural Policies for Pre-Accession), and SAPARD (Special Accession Programme for Agriculture and Rural Development) programs.<sup>69</sup>

If all goes according to plan, a three-year delay in accession for these countries should not endanger domestic economic and political stability or cause broader regional problems. Both countries will be members of NATO, which will mitigate disappointment stemming from their exclusion from the current round of EU expansion. Each is likely to be drawn progressively into a form of de facto membership in which they take part in an increasing range of EU activities but do not yet have the full range of legal obligations or rights associated with membership. They are participating, for example, in the European Convention and already are members of such specialized agencies as the European Environmental Agency. Should the enlargement itself go badly, however, or progress in Romania or Bulgaria on satisfying EU conditions fail to meet expectations, this optimistic projection would have to be revised. Because of its poverty and corruption, Romania in particular could be in danger of failing to meet EU conditions, resulting in a postponement of membership. Other potential complicating factors could be minority issues and differences between the Union and Bulgaria over closure of the Kozloduy nuclear plant.

### **Turkey**

After Copenhagen, the EU is on track to take Turkey into the Union some time in the next 10-15 years—a course that was by no means foreordained and could have turned out very differently. The implications of this development for the Union are huge and have not yet been thought through, either in the EU member states, the accession countries, or in Turkey itself.

Turkey and the European Community signed an association agreement in September 1963, similar to the 1962 agreement between the Community and Greece that helped to pave the way to eventual membership of that country in 1981. The 1963 agreement referred to “the accession of Turkey to the Community at a later date.”<sup>70</sup> It was followed in 1970 by the conclusion of an additional protocol to the 1963 agreement that came into effect in January 1973 and that stipulated that the two sides were to establish a customs union within a 22-year period, or no later than the end of 1995. In April 1987 Turkey formally applied for EC membership. The Commission delivered an



opinion on Turkey's candidacy for membership in December 1989. It concluded that the Community was not ready to accept any new members until completion of the single market program. It also identified problems specific to Turkey that would have ruled out enlargement negotiations in any case: Turkey's relatively poor record on democracy and human rights, its disputes with Greece, and the failure to find a solution to the Cyprus problem.

Despite deteriorating political relations between the two sides over human rights and other issues, Turkey and the EU concluded the long-awaited customs union in March 1995, along with an accompanying package of financial aid. The European Parliament threatened to reject ratification of the agreement over Turkey's human rights record, but finally approved it in December 1995, albeit with heavy prodding from the Commission and member state governments. This allowed the customs union to begin on January 1 of the following year.<sup>71</sup> Many in western Europe saw the 1995 agreement as a substitute for EU membership. Turkey, in contrast, regarded the customs union as a step toward EU membership, which remained a key objective.

In *Agenda 2000*, the European Commission reaffirmed Turkey's eligibility for membership, but it drew attention to the same economic, political, human rights and foreign policy problems highlighted in its 1989 opinion. In the December 1997 Luxembourg decisions, Turkey was not invited to begin accession negotiations with the six leading candidate countries, nor was it given the prospect of rapidly catching up with the other candidate countries, as were the second wave CEE countries. This decision in effect placed Turkey in a separate category and provoked a severe crisis in Turkish-EU relations. The perception that western Europe was backing away from earlier pledges regarding membership contributed to a deep sense of betrayal in Turkey.

Relations between the two sides finally took a turn for the better in December 1999, when the European Council, endorsing the recommendation in the Commission's October 1999 progress report, formally upgraded the status of Turkey to candidate member. The heads of state and government declared that "Turkey is a candidate state destined to join the Union on the basis of the same criteria as applied to the other candidate states." To lend substance to this claim, the EU agreed to develop a pre-accession strategy for Turkey and to conclude an accession partnership agreement on the same basis as those negotiated with the other candidate countries. Turkey also was granted the right to participate in certain

EU programs and in multilateral meetings among the EU member states and the candidates for membership.

While the Helsinki decisions mitigated the previous tensions, they by no means resolved the underlying issues. Turkey faces economic, political, and security problems that distinguish it from the rest of Europe. Per capita GDP is only one third the EU average. According to current projections, Turkey's population will surpass even that of Germany by 2015, which would make it the largest country in the Union, were it to become a member. Internally, the struggle with the Kurdish independence movement has resulted in thousands of deaths and harsh criticism in western Europe about violations of human rights by the Turkish government and armed forces. Above all, there are doubts in both Turkey and the EU about whether Turkey ever will be accepted as a member state and, even if it were to make all the requisite political and economic reforms, whether it would be accepted in the European family by the historically Christian nations of the West. This point was dramatically underscored in November 2002 when Giscard, in a move that was seen as an attempt to prevent setting a date for the start of accession talks at the upcoming Copenhagen summit, spoke out against membership for Turkey, telling *Le Monde* that it had "a different culture, a different approach, a different way of life."<sup>72</sup> "Its capital is not in Europe, 95 percent of its population live outside Europe, it is not a European country." In his view, Turkey's entry into the EU and would lead to demands to admit other Middle Eastern and North African states, starting with Morocco. Ultimately it would mean "the end of the European Union."

Giscard's foray clearly backfired, however. The reaction to it was a factor—albeit probably a secondary one—in the remarkable turn of events that led to decisions at the Copenhagen summit that, while they fell short of Turkey's maximal demands, dramatically advanced its prospects for membership. Turning aside intense pressure from Turkey and the United States to set a definite date for the start of the accession negotiations, the European Council declared that it would take a decision on negotiations in December 2004 (following the Commission's regular report on the progress of the candidate countries), but that if it was satisfied that Turkey met the Copenhagen political criteria, the EU would open accession negotiations "without delay." From Turkey's perspective, the failure to secure a guaranteed date was a setback

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for pro-EU sentiment within Turkey and raised the prospect that Cyprus, which would participate in the December 2004 decision as an EU member, could block its candidacy. However, the fairly mild response of the Turkish government (in dramatic contrast to its reaction to the 1997 Luxembourg decisions) seemed to confirm a widely-held view that an informal guarantee had been extended and that if Turkey continues on its present trajectory, negotiations indeed will begin in 2005.

What this will mean for the Union is unclear. If the experience with the CEE countries or even the advanced European Free Trade Association (EFTA) countries is any guide, at the very least the negotiations will take five years. Some observers believe, however, that negotiations with Turkey could move surprisingly quickly and may not necessarily take appreciably longer than those with the CEE candidates—given, for example, the existence of a functioning market economy, the role of the EU-Turkey customs union in promoting harmonization in key policy areas, and Turkey’s longstanding membership in organizations such as the OECD, NATO, and Council of Europe, all of which have promoted a degree of convergence between Turkish and EU and general western norms.<sup>73</sup> The institutional and budgetary implications of Turkish accession would be huge, however, and most likely would dominate the negotiations for what will become the negotiations for the 2014-2020 financial framework. Meanwhile, the EU has pledged to strengthen its Accession Partnership with Turkey and to significantly increase pre-accession financial assistance.

### **The Western Balkans**

Albania, Bosnia-Herzegovina, Croatia, Macedonia, and Yugoslavia are collectively known in EU parlance as the western Balkans. Eventual expansion to these countries has been implicit in the logic of EU enlargement since the 1993 Copenhagen decisions. With Greece already a member of the Union and Bulgaria, Romania, and Slovenia accepted as candidates, this sub-region in effect became an enclave surrounded by current and future member states that for practical and political reasons would be asked to join the EU at some point. This has been acknowledged by EU spokesmen such as Commission president Prodi, who has stated that “the Balkans, whatever the timetable is, are destined to become part of the European family. They are a region we have to look after.”<sup>74</sup> The problem

for EU policy has been, however, to link the long-term logic of eventual EU accession to the short- and medium-term challenge of dealing with a region characterized by war, ethnic hatred, undemocratic government, and cross-border crime. This link was not made in the 1990s, as the EU shared responsibility for the region with an array of other organizations (the UN, NATO, OSCE) and failed to develop a coherent legal and policy framework, analogous to the Europe Agreements and the Partnership and Cooperation Agreements (PCAs), for dealing with these countries.

A basic shift in EU policy toward the western Balkans took place in June 1999 when, in the aftermath of the Kosovo war, the European Council agreed to offer Stabilization and Association Agreements (SAAs) to all of the southeast European countries within the context of the EU-sponsored Stability Pact and the Stabilization and Association Process. A kind of pre-pre-accession arrangement, the SAAs emphasize regional cooperation, democratization, capacity building, and trade liberalization, both with the EU and intra-regionally. By late 2002 the EU had concluded such agreements with Croatia and the Former Yugoslav Republic of Macedonia (FYROM), and was in discussions with the other countries of the region about moving to this stage. Instruments of EU policy include since December 2001 the granting of preferential access to the EU market and substantial flows of aid (estimated at some EUR 4 billion for 2002-2006). EU member states also provide some 36,000 troops (or 80 percent of the total) of peacekeeping forces in the region, along with the largest number of civilian police. The EU as such also was poised to take over its first major out-of-area mission, Allied Harmony (previously Amber Fox) in Macedonia, beginning in the spring of 2003.

Notwithstanding the priority accorded to the region in CFSP, there are real questions about whether, as Morton Abramowitz and Heather Hurlburt have phrased it, “the EU can hack the Balkans.”<sup>75</sup> With the United States partially disengaging over the next several years to concentrate on other priorities, EU performance in stabilizing the region will be tested. So far the record is mixed. EU member states continue to pursue somewhat conflicting priorities toward the region, as is most apparent in Greece’s continued refusal to accept Macedonia’s right to use its name and in the impasse between Greece and Turkey, finally resolved in December 2002, over the use of NATO assets for the planned EU mission in FYROM. Publics in the Balkan countries remain skeptical of EU motivations and staying power. While assistance from Brussels

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is massive, it is also “known in most Balkan countries for its frequent tardiness, and for the small proportion of what has been pledged in Brussels that actually materializes.”<sup>76</sup> The EU has taken steps to streamline its aid bureaucracy and to improve the effectiveness of its assistance efforts, but such reforms take time and cut against the inherent complexity of an aid effort involving numerous governments, international organizations, and NGOs.

Viewed in the perspective of the EU’s long-term commitment to stabilize the entire European continent, the range of possible medium-term outcomes still open in the Balkans remains uncomfortably wide. Possibilities range from renewed descent into ethnic conflict and instability in some countries to a relatively smooth passage from SAAs to Europe Agreements to eventual membership. While the EU has decided since 1997 to treat the western Balkans as a whole and has insisted that the five countries cooperate with each other as they work toward integration with the Union, pressure for a redifferentiation of policy approaches, e.g., in favor of Croatia, could return if conditions in the different countries continue to diverge. Apart from developments in the region itself, EU performance in dealing with the Balkans will have broader implications for CFSP and the Union’s image of itself as a power capable of asserting primary responsibility for its own direct neighborhood. Success in dealing with the Balkans will give the Union the confidence (and free up resources) for tackling Ukraine and other problem situations on the Union’s doorstep. Conversely, failure in the Balkans would repeat the experience of the 1990s in exposing as hollow the claims for CFSP and European soft power and could lead to new intra-European and transatlantic recriminations over burden sharing and other issues.

### **Ukraine, Moldova, and Belarus**

Just as the press of events caused the EU to modify its policies toward the western Balkans, enlargement and developments in the western NIS are leading to changes in how the Union approaches relations with this region. In the early 1990s, Brussels drew a clear distinction between those countries that were considered as potential EU members and those that were not. The former were invited to negotiate Europe Agreements, while the latter were asked only to conclude PCAs, treaties that in substance closely paralleled the Europe Agreements but that contained no reference to membership aspirations.

This distinction, always highly frustrating to Ukraine, has begun to break down. In April 2002 the EU foreign ministers asked the Commission and CFSP High Representative Javier Solana to develop a New Neighbors Initiative for post-enlargement relations with Belarus, Moldova, and Ukraine.<sup>77</sup> The goal would be to enhance relations between these countries and the EU with the aim of narrowing the huge gap in prosperity between them and the Union. The new element was a differentiated approach that would take into account the different state of relations between the EU and the countries involved and the different levels of economic and political development in each. This raised expectations in Ukraine that Kiev would be able to differentiate itself not only from Russia but also from Belarus and Moldova and that its unilaterally declared intention to join the Union would carry greater weight in Brussels. With enlargement, Ukraine's borders with Poland, Hungary, and Slovakia will become borders with the EU. Poland has declared that it intends to promote an Eastern Dimension to CFSP, much the way Finland and Sweden joined with Denmark to promote a Northern Dimension after their accession in 1995.

At their November 2002 session in Brussels, the EU foreign ministers reiterated the "need for the EU to formulate an ambitious, long-term and integrated approach towards each of these countries, with the objective of promoting democratic and economic reforms, sustainable development and trade, thus helping to ensure greater stability and prosperity at and beyond the new borders of the Union."<sup>78</sup> But with Ukraine in turmoil and plagued by corruption and poor administration, it is difficult to see how even an invigorated EU proximity policy will have decisive influence in Kiev. A more effective policy toward these countries also would require significant changes in EU trade policy which, despite the talk of *future* free trade agreements, remains highly restrictive toward "sensitive" products that these countries mostly have to export at present.<sup>79</sup> As the effects of EU membership become apparent in bordering parts of Poland, Hungary, Slovakia, and eventually Romania, the demonstration effects and concrete spillovers for Ukraine will become stronger. This is likely to be a long-term process, however, as the eastern borderlands of the new member countries are likely to remain among the poorest and most economically marginal parts of the Union for decades to come.

EU policy towards Belarus and Moldova is for now also very much hostage to the internal developments in these countries. EU relations with Belarus remain

deeply troubled as a consequence of the reversion to dictatorship under President Aleksandr Lukashenka, leaving fundamentally unsettled how this strategically placed country will fit into the future architecture of Europe.<sup>80</sup> The EU-Belarus PCA has never gone into effect, a circumstance that would seem to render somewhat theoretical talk of more ambitious initiatives going beyond the PCA. For the moment, the OSCE and the Council of Europe are likely to play the more prominent roles in European policy toward Belarus, with the EU as such likely to become more active only when the political situation improves (presumably post-Lukashenka).

Any new neighbors initiative toward the western NIS will be difficult to fashion. In the short to medium term, it is hard to see what new EU policy instruments could be effective in promoting positive change, absent fundamental political and leadership changes in Belarus and Ukraine. Over the longer term, however, assuming political change does come, it is difficult to see how the EU can avoid coming under enormous pressure to offer a membership perspective to Ukraine and perhaps Moldova and Belarus. This particularly will be the case after the decision to embrace Turkey and the accession of Poland and the other CEE states, who are likely to argue that Ukraine is no less “European” than Turkey.

### **Russia and Beyond**

EU policy objectives toward Russia were set forth in the June 1994 PCA (in effect since December 1997) and the Common Strategy on Russia adopted in June 1999 under the newly-enacted CFSP provisions of the Treaty of Amsterdam.<sup>81</sup> They call for promoting political stability and economic reform in Russia and for dealing with particular problems with potential spillover effects on the rest of Europe, including trans-border crime, trafficking in people and drugs, and environmental and human health problems. As Russia has come to enjoy a modicum of growth and stability under Putin, EU policymakers have raised their rhetorical sights somewhat, and have called for a Russia-EU “strategic partnership” and joint leadership in creating a “common European economic space.” On balance, however, EU policy toward Russia remains what might be called that of “integration without membership.”

The policy calls for the eventual establishment of a free trade area between Russia and the Union, economic convergence based on

approximation of laws and regulations, and joint participation in various industrial, scientific, and cultural programs and projects. The EU also is interested in promoting Russian use of the euro, Russian participation in the Galileo satellite navigation system, and Russian adherence to the Kyoto Protocol on limiting greenhouse gas emissions. While calling for market integration and some policy coordination, EU leaders for the most part do not regard membership for Russia as feasible or desirable. Chechnya also remains a powerful irritant in Russia-EU relations and, apart from its specific aspects, a reminder that Russia, by virtue of its history, location, and internal diversity, is not fully part of a European space in which violence has largely ceased to be an option for the settlement of political conflict.

Enlargement will open a new stage in relations between Brussels and Moscow. In its medium-term (2000-2010) strategy document for Russia-EU relations issued in October 1999, the Russian government flagged a number of concerns relating to enlargement, including the possible loss of export markets in the accession countries of central and eastern Europe, the effect of the Schengen regime on cross-border mobility, access to Kaliningrad, and the fate of Russian minorities in the Baltic countries. With regard to the latter, some Russian observers have suggested that Moscow might refuse to ratify the extension of the PCAs to these countries upon accession, a step that would strain the entire institutional basis of the Russia-EU relationship.

In addition to managing these particular problems in its bilateral relations with Russia, the post-enlargement Union will need to clarify its understanding of Russia's place in a Europe in which the Union has reached its "finality."<sup>82</sup> This may be done directly and explicitly, or it may emerge as a byproduct of the evolving EU policy toward Belarus, Moldova, and especially Ukraine. It is not clear that Russia will be content to see itself as an object of EU proximity policy, particularly if its economy continues to revive and it develops a stronger and more active foreign policy. Indeed, there are already complaints on the Russian side about what are seen as neo-colonial tendencies in EU policy.<sup>83</sup> Russia is arguably too big and too independent-minded to be subsumed under an EU proximity or extended neighborhood policy, but too small to become the second pillar of a two-pillar "common European economic space" based on Russia and the EU. This may impel Russia either to move toward closer integration with and perhaps even membership in what would then promise to



be a radically transformed EU, or to downplay its European vocation and to assert its identity as an emerging great power pole in a multipolar world, autonomous from and indeed perhaps in frequent tension with the EU. Either alternative will present challenges for an EU policy based on a principle of integration without membership.

## V. IMPLICATIONS FOR U.S. INTERESTS

### **Economic Interests**

#### *Trade in Manufactures and Services*

The accession countries are potentially important but for now clearly secondary markets for U.S. firms. U.S. exports to the ten CEE candidate countries were approximately \$3.12 billion in 2001, some 0.4 percent of total U.S. exports (see Table 3). Although there has been growth in most countries, U.S. exports in 2000 and 2001 to several of the candidate countries actually were below their 1993 levels, and total U.S. exports in 2001 to the CEE-10 were below their 1997 levels. Overall, the U.S. \$2.4 billion trade surplus with the ten CEE countries in 1993 shifted to a \$3.9 billion deficit in 2001, and no CEE country ranked among the top fifty U.S. overseas markets.<sup>84</sup>

The relatively modest share of these countries in U.S. trade is a consequence of two factors: the natural advantages of proximity and historic ties that EU exporters enjoy in the region and the higher tariffs that apply to U.S. exports under pre-accession agreements with the EU and other third countries. Under the Europe Agreements, the EU began the asymmetric reduction of tariffs on industrial goods imported from the central and eastern European countries in the early 1990s, culminating in the complete phasing out of most tariffs by the end of 1995. These countries began a reciprocal lowering of tariffs on goods from the EU in 1996, generally reaching the zero tariff level by the end of 2001 or 2002. The result of this process was to create a tariff disadvantage for U.S. exporters that has widened year by year since the mid-1990s.

Poland removed all tariffs on industrial products from the EU on January 1, 2002 as well as eliminated tariffs on hundreds of non-sensitive agricultural imports. It also extended preferential tariff treatment to other regional free trade partners, notably EFTA, the Central European Free Trade Area

(CEFTA), the Baltic countries, and Croatia. As a consequence, nearly three quarters of Poland's industrial imports in 2002 were admitted duty free, while only one quarter, including those from the United States, were subject to MFN tariffs.<sup>85</sup> Romania has largely phased out tariffs on imports from the EU, while tariffs from MFN countries such as the United States average 16.2 percent for non-agricultural products. In Bulgaria, U.S. industrial exports generally face tariffs of 10 to 30 percent, compared to zero for EU products. In some cases, the rules of origin that apply under the Europe Agreements further disadvantage U.S. firms, affecting not only direct exports to the candidate countries but exports from U.S. subsidiaries in EU countries that rely on imported components from the United States.

The differential treatment accorded U.S. industry has had structural implications, as firms have had to operate for long periods on an unequal basis in markets at formative stages of development. Chrysler (now a unit of DaimlerChrysler), for example, estimated that it would forgo vehicle sales of some 40,000 units in 1999-2003 in Poland, Hungary, Slovenia, and the Czech Republic as a result of tariff discrimination. This in turn could mean the disintegration of its distribution network in these countries.<sup>86</sup> Similarly, John Deere built up a substantial presence in the Polish farm equipment sector in the early 1990s but faced exclusion from this market as the tariff differential in favor of EU suppliers took effect. Some of these effects have been mitigated by the conclusion of separate bilateral agreements under which the candidate countries have reduced or eliminated tariffs on imports from the United States (and other third countries) as they reduced tariffs on EU exports. For example, in January 2002 the United States and Hungary signed a Comprehensive Tariff Agreement that reduced Hungarian tariffs on approximately \$180 million of U.S. exports beginning in April 2002. A similar agreement was under discussion with Poland. Such agreements remain the exception, however, and have been difficult to negotiate.<sup>87</sup>

Enlargement will benefit U.S. exporters by eliminating the preferential tariff treatment accorded EU countries under the Europe Agreements. The accession countries will adopt the Common External Tariff, which generally is lower than the current MFN tariffs applied to the United States by the candidate countries. EU firms will continue to have advantages in what will have become part of the Union's internal market, but those advantages in theory will be no greater than those that already exist in the "old" EU or, to cite the example given by

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EU negotiators, that the United States enjoys in NAFTA. More generally, continued economic growth and the gradual convergence in levels of prosperity between the CEE countries and the EU will mean a larger and more affluent market with increased export and investment opportunities for U.S. firms. U.S. export promotion authorities report that the need for firms in central and eastern Europe to upgrade their competitiveness and raise productivity and environmental standards to EU levels is creating openings for U.S. manufacturers of capital equipment, software, environmental technologies, and other products. But how much and how rapidly U.S. exports to the region will grow after enlargement is difficult to predict and will depend in part on such exogenous factors as rates of economic growth and the strength of the dollar.<sup>88</sup>

In addition to affecting the levels of tariffs and quotas that apply to U.S. goods, EU membership will mean the harmonization of accession country health, safety, and related standards to EU norms. This process, which is already far advanced in the candidate countries, also will be on balance favorable to U.S. firms, which sell to and from the EU and thus already meet many EU standards. Not having to design, test, and certify products for small national markets in central and eastern Europe will lower costs and open markets that otherwise might be too small for some U.S. exporters to tackle. At the same time, however, accession will mean acceptance by the candidate countries of some rules and standards that the United States regards as unfair barriers to trade. This already has happened with regard to the EU's Television without Frontiers directive, EU directives regarding genetically modified organisms (GMOs), and other directives in response to which candidate countries are bringing national legislation into line with EU law. In some cases the United States has complained that candidate countries have been forced by EU negotiators to adopt legislation that is more restrictive and more tilted against U.S. interests than what is required by the letter of EU law and that applies in some of the old EU member states.

Enlargement also could exacerbate U.S.-EU trade tensions in a few specific industrial sectors, notably steel. Although the countries of central and eastern Europe have modernized and downsized their communist-era steel sectors, these industries remain large relative to their respective national economies and are more dependent than producers in western Europe on the export of lower-valued added products such as slabs and bars that have been the target of U.S. protectionist measures.<sup>89</sup> To the extent that differences over the costs

Table 3 - Total U.S. Exports (Millions of Dollars)							
Country	1993	1996	1997	1998	1999	2000	2001
Bulgaria	115	138	110	112	103	114	108
Czech Rep.	267	412	590	569	610	736	706
Estonia	54	84	47	87	163	88	58
Hungary	435	331	486	483	504	569	686
Latvia	90	167	218	187	218	134	111
Lithuania	57	63	87	62	66	59	100
Poland	912	968	1170	882	826	757	788
Romania	324	266	258	337	176	233	374
Slovakia	34	63	82	111	127	110	70
Slovenia	92	131	113	123	114	139	119
Total CEE 10	2380	2623	3161	2953	2907	2939	3120
Cyprus	138	257	245	162	192	190	268
Malta	172	125	121	267	190	335	259
Turkey	3429	2847	3540	3506	3217	3720	3095
EU-15	101501	127711	140774	149034	151814	165064	158768
World	465091	625075	689182	682138	695797	781918	729100
Source: U.S. International Trade Administration							

and benefits of steel industry restructuring have been a source of transatlantic trade disputes, EU or national government financial aid in the continued downsizing and privatization of the industry in the region could generate additional disputes with the United States and other trade partners.

Beyond the particulars of specific sectoral disputes, enlargement will affect and be affected by the atmospherics of the U.S.-EU trade relationship, which generally are viewed to have deteriorated in recent years. As member states, the countries of central and eastern Europe will participate in EU trade policy actions as they affect the United States, for example by imposing anti-dumping

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or retaliatory tariffs against U.S. products in line with EU decisions. Conversely, the EU will be a factor in any bilateral trade disputes between the United States and the countries of central and eastern Europe, including the many outstanding issues relating to intellectual property rights. In trade disputes in which the United States has been granted WTO authority to impose sanctions on the Union, Washington either will need to apply such sanctions to the countries of central and eastern Europe, complicating bilateral relations with these countries, or exempt them in ways that could be economically difficult to justify or lead to European complaints about U.S. “divide and conquer” tactics.<sup>90</sup>

#### *Trade in Agriculture*

While enlargement to central and eastern Europe on balance will benefit U.S. exporters of manufactured products, it could be damaging to U.S. agricultural interests. Studies suggest that for most central and east European countries, “joining the EC will imply... an increase in their farm protection and a decrease in their protection of manufacturing and services.”<sup>91</sup> This finding is consistent with the historical record, as previous enlargements have resulted in substantial losses of markets for U.S. agricultural exporters and disputes in the GATT over the degree to which the United States and other countries were entitled to compensation for increases in previously bound tariff rates. Many of the candidate countries already maintain high barriers to U.S. agricultural exports and are sensitive for domestic political reasons to increased levels of imports. Poland limits U.S. agricultural imports through a combination of stringent quotas and very high tariffs. Romania’s tariffs on agricultural products from MFN countries such as the United States average 33.9 percent and can run as high as 242 percent for particular products.<sup>92</sup> Candidate countries also have begun to adopt EU and national health and food safety regulations that exclude U.S. products. These factors help to explain the generally downward trend in U.S. agricultural exports to the region, as seen in Table 4.

Moreover, the outlook is for further loss of U.S. markets in the region, a situation about which Congressional leaders and industry groups in the United States have begun to complain. Extension of the EU ban on hormone-treated beef will mean a loss of the beef market. Markets for U.S. exports of poultry, dairy, grains, sugar, fresh and processed fruits and

vegetables, and seeds also could be lost as CAP performs its traditional function of squeezing third country producers out of markets in new member states. Consistent with the pattern of past enlargements, the United States will ask, under Article 24(6) of the GATT, for compensation for increased EU protection. Brussels already has signaled that because the overall level protection in central and eastern Europe will decline as a result of EU enlargement, it does not believe that it is under any obligation to offer such compensation.

Over the long term, the implications of enlargement for U.S. agricultural interests are likely to depend on how radically the CAP is reformed. Under a best-case scenario, reform would proceed and the CAP would be extended to the new member countries in the disciplined way envisioned in *Agenda 2000*. WTO negotiations would begin to liberalize European markets, thereby increasing export opportunities for U.S. farmers or, if such opportunities did not materialize, bolstering the case that European farmers are able to sell in home and third markets on the basis of competitive advantage rather than as a result of EU subsidies and protections. A second scenario is that CAP reform falters and that real agricultural trade liberalization under WTO auspices does not materialize. This probably would mean the loss by U.S. farmers of current markets in central and eastern Europe, but not a political or economic catastrophe, provided spillover effects to global markets were contained.

The third and most damaging scenario would be that CAP reform falters and the growth of agricultural production in post-accession central and eastern Europe fails to be restrained either by EU or WTO restrictions. Farmers in the new member states would have both the means and the incentive to crank up production in ways that could significantly distort international markets. As Keith Crane points out, all of the countries in central and eastern Europe have the ability to increase agricultural production dramatically “given the ‘right’ subsidy structure.”<sup>93</sup> The result would be intensified U.S.-EU conflict in global commodity markets. While the Commission has a theoretical plan for the simultaneous reform of the CAP, enlargement, and the negotiation of new trade agreements in the WTO, political realities already have led to divergences from the plan. France has led member state resistance to the adoption of CAP reforms that the Commission argues are necessary to comply with the basic assumptions in *Agenda 2000*, while popular resistance to any policies based on the Commission’s cost-cutting assumptions is rising in the candidate countries. The compromise deal worked out by the European Council in

October 2002, in which the EU agreed only to modest reforms in the CAP and to a continuation of high levels of subsidies at least until 2013, increases the chances of a negative scenario playing out and makes it more likely that EU negotiators in the Doha round will be reluctant to agree to the elimination of or drastic reductions in agricultural subsidies.<sup>94</sup>

#### *Investment*

Many of the considerations that apply with regard to U.S. exports to an enlarged Union also hold with regard to investment. To the extent that the establishment of a larger, more affluent market operating under reasonably uniform rules and standards increases investment opportunities for U.S. as well as European corporations, enlargement will be a net benefit for U.S. investors. Moreover, to the extent that investment requires transparency, well-established property rights, protection against corruption, and effective and impartial mechanisms for dispute resolution, the entire thrust of EU enlargement is in the interest of U.S. investors.

There are, nonetheless, some short-term problems that could arise between Washington and Brussels in connection with investment, notably the fate of U.S. bilateral investment treaties in the region. The United States concluded such treaties with the central and east European countries in the early 1990s to facilitate investment by U.S. firms. These agreements include guarantees for U.S. investors of either national or MFN treatment, the right to make financial transfers, assurance of application of international legal standards for expropriation and compensation cases, and access to international arbitration. In some cases these countries have granted U.S. firms particular tax breaks to encourage large investment projects. As part of the pre-accession process, the Commission is insisting that these treaties be abrogated or renegotiated to conform to EU norms. It argues that any agreement with a third country that contains provisions that do not apply equally to all other member states is a breach of the single market that must be eliminated. This is a particular application of a more general doctrine that holds that treaties between current or prospective member states and third countries that conflict with the EU's founding treaties or with EU secondary law must be renegotiated or abrogated, a stance that the European Court of Justice has upheld on several occasions.<sup>95</sup>

In light of the EU's strong stance on this matter, the degree to which the BITs will become a contentious U.S.-EU issue may rest with Washington.

The United States could acquiesce in the EU position on the grounds that the overall investment climate in the region will improve. Alternatively, as with compensation under Article 24(6), the United States could strongly protest such actions, in which case tensions with the Union are likely to be heightened.

*Preferential Agreements*

The EU maintains an extensive network of preferential trading arrangements, some of which have long been regarded by the United States and other countries as problematic. The GATT system frowned upon preferential agreements as derogations from the principle of universal MFN, even as it endorsed customs unions on the grounds that they create larger trading entities that act as consolidated units in the international system and increase rather than divert trade.<sup>96</sup> Under the prevailing rationale behind post-World War II trade liberalization, the common market itself was held to be a positive force for increasing global as well as intra-European trade, whereas EC trade agreements with former European colonies or with countries of the Mediterranean basin were seen as potentially more trade-diverting.

As noted, enlargement will benefit U.S. exporters by ending the preferential Europe Agreements and incorporating the new member countries into the EU customs union. However, this process could be accompanied by the conclusion of new or the expansion of existing preferential agreements with countries on the periphery of an enlarged Union. The Stabilization and Association Agreements proposed for the western Balkans already include some preferential terms and in time could be superseded by Europe Agreements as these countries become formal candidates for membership.<sup>97</sup> While the United States has a political and strategic interest in promoting the SAA process, the conclusion of such agreements could replicate the experience in the current candidate countries and mean increased trade discrimination in the region against U.S. exporters—most likely for a very long period, given the low state of economic and political development in the western Balkans and the prospect of an extended pre-accession period. For the most part, however, these markets are quite small and the political advantages of such agreements would seem to outweigh their economic drawbacks, particularly if the latter can be mitigated by tariff liberalization between these countries and the United States.

Discriminatory trade agreements with larger countries on the EU's periphery could be more problematic from a U.S. perspective. The EU-Russia PCA that went into effect in December 1997 calls for the eventual establishment of



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<b>Table 4 - Total U.S. Agricultural Exports (Millions of Dollars)</b>						
<b>Country</b>	<b>1993</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Bulgaria	26	30	6	9	9	7
Czech Republic	15	13	16	9	7	8
Estonia	30	27	25	52	126	45
Hungary	11	9	25	18	20	18
Latvia	12	91	119	111	146	77
Lithuania	18	15	15	2	2	2
Poland	178	218	111	114	62	48
Romania	102	46	15	25	13	15
Slovakia	0	1	2	2	2	1
Slovenia	24	17	28	19	10	6
Total CEE 10	416	467	362	361	397	227
Cyprus	43	37	37	11	21	18
Malta	4	20	8	7	11	10
Turkey	379	615	742	666	488	668
EU-15	6881	8723	8570	7603	6166	6021
World	42949	60562	57092	52005	48230	52066
Source: U.S. International Trade Administration						

a free trade area between Russia and the Union, economic convergence based on approximation of laws and regulations, and joint participation in various industrial, scientific, and cultural programs and projects.<sup>98</sup> In 2001 Russia and the EU jointly endorsed the concept of a “common European economic space”

embracing Russia and the Union and agreed, at their October 2001 summit in Brussels, to establish a high-level group charged with defining “the core elements which will need to be put in place in order to create a Common European Economic Area.”<sup>99</sup> External Affairs Commissioner Chris Patten spoke of a “privileged economic relationship” between Russia and the EU, without defining precisely what was meant by the concept.<sup>100</sup>

The EU and Ukraine also concluded a PCA in 1994 that calls for economic convergence and the eventual establishment of a free trade area. Given the state of reform in Ukraine and the low level of economic interaction, little progress has been made towards economic harmonization or toward realizing a free trade agreement.<sup>101</sup> This could change, however, paving the way to a more robust Ukraine-EU economic relationship from which the United States would benefit both strategically and economically, but that might contain discriminatory elements of concern to Washington.

To the south, the Euro-Mediterranean Partnership launched at a special summit in Barcelona in November 1995 calls for the development of closer economic ties between the EU and the countries of North Africa and the Mediterranean, including the establishment by 2010 of a regional free trade area. Bilateral agreements between the EU and the countries of the region have been folded into and complement what since has come to be called the Barcelona Process, which also includes incentives for intra-regional economic integration.

Such “privileged” economic relations between the EU and the countries of its near abroad need not necessarily damage U.S. interests. Indeed, the United States has benefited from some aspects of the PCAs. Tariffs on U.S. exports to Ukraine, for example, were reduced in 2000 when the Ukrainian government lowered duties on many imports from the EU in order to comply with the terms of the PCA and then extended these cuts on an MFN basis to the United States.<sup>102</sup> In other cases, U.S. free trade agreements with countries with which the EU has developed special economic relations can offset any actual or theoretical trade advantages. This is the case, for example, with the U.S.-Jordan and the U.S.-Israel free trade agreements and with the proposed agreement with Morocco.<sup>103</sup>

From a U.S. perspective, arguably the best trade outcome (as original GATT thinking on customs unions and preferential agreements would

suggest) is the extension of the EU's own customs union to third countries, with the requisite sharing of benefits on an MFN basis with other trade partners such as the United States. Unlike the Europe Agreements, for example, the 1996 EU-Turkey customs union does not discriminate unduly against U.S. exports. Under the latter agreement, Turkey abolished all duties on non-agricultural imports from EU and EFTA countries and adopted the EU's Common External Tariff, but it also extended the CET on an MFN basis to the United States and other third countries. With the gradual phasing out of higher transitional tariffs on goods from third countries, the weighted average of tariff protection for non-agricultural products from these countries has dropped from 11 to 4 percent, the current margin of advantage that EU exporters enjoy in the Turkish market.<sup>104</sup> The relatively favorable position that the United States enjoys with regard to Turkey is reflected in the trade statistics. U.S. exports to Turkey are about as large as those to all ten of the CEE countries combined, even though Turkey's GDP is only 38 percent of the combined GDP of the ten.

#### *The Euro*

The new member countries will participate in EMU from date of accession. They will not be required (or permitted) to adopt the euro, but they will be bound by the same convergence criteria that the current member states had to meet in preparation for the changeover to the single currency: gross public debt not to exceed 60 percent of GDP; inflation to be within 1.5 percent of the average of the three EMU members with the lowest rates of inflation; interest rates on public debt to be within 2 percentage points of the three best-performing EU member states; and government budget deficits to be below 3 percent of GDP. They will be required to participate for at least two years in the EU's exchange rate mechanism (ERM), in which their currencies may fluctuate against the euro no more than plus or minus 15 percent. Under the procedures set forth in the Maastricht Treaty, the European Council will decide which countries have satisfied these conditions and when they can replace their national currencies with the euro.

Eventual adoption of the euro by another ten countries will have some effects on the international monetary system and, by implication, U.S. interests. It will increase the demand for euros and accelerate somewhat the rebalancing of reserves from the dollar to the euro as these countries shift public foreign and private debt from dollars to euros (a process already well underway). It

will increase the value of international trade conducted in euros and is likely to encourage neighboring countries such as Russia, Ukraine, and parts of the Middle East to increase their use of the euro. The euro may also strengthen somewhat if economic growth in the euro zone is faster as a result of incorporation of countries that are still in a catch-up phase and growing more rapidly than the EU average.

These developments could have implications for the United States, particularly if the dollar “overshoots” in a downward correction against the euro and enters a period of prolonged weakness in international markets. The added effect of CEE participation in the euro is likely to be quite modest, however. Ultimately the relative performance of the dollar and the euro will be determined by other factors, above all the strength of the U.S. and the major western European economies.

### **Political and Security Interests**

EU enlargement will affect U.S. political and security interests in three areas: NATO and the U.S. defense role in Europe; global issues such as the International Criminal Court, the Landmine Treaty, and the Kyoto Protocol on greenhouse gas emissions; and EU “proximity policy” toward such countries as Russia, Ukraine, the Balkans, and North Africa and the Middle East.

#### *Implications for NATO*

EU enlargement will mean catching up and keeping pace with NATO enlargement. As shown in Table 5, the first wave of EU enlargement to central and eastern Europe and the second post-cold war enlargement of NATO will increase by eight the number of countries that are members of both organizations, thereby mitigating the problem of differentiated levels of security within the Union or of “backdoor” security commitments by the United States to EU members that are not members of NATO. From this perspective, EU enlargement will be beneficial for U.S. security interests.<sup>105</sup>

Nonetheless, differences in membership, some transitory and relating to different accession timetables and some likely to be permanent, will persist and could create some difficulties. Austria, Finland, Ireland, and Sweden are members of the EU but not members of NATO. Cyprus and Malta will join this group after enlargement, increasing the size of the loose caucus of neutral and non-aligned states within the Union. This is primarily a challenge for the

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development of ESDP (as seen in the role that defense played in the debate in Ireland over ratification of the Treaty of Nice), but it has implications for NATO. It means that there will be officers assigned to the European Union Military Staff (EUMS) and in time at SHAPE who are not from NATO countries and who will require special arrangements for sharing information and participating in joint planning.

Turkey and Norway are NATO members that will not be members of the Union for the foreseeable future. Following their expected admission to NATO, Bulgaria and Romania will become part of this group, at least until 2007 (the earliest possible date of EU accession). These countries, and especially Turkey, will be wary of arrangements that give the EU assured access to NATO assets without, as the EU insists must not happen, giving NATO and its member states a veto over EU autonomy. To the extent that the United States may have an interest in curbing EU autonomy and upholding the primacy of NATO, these countries could be tacit allies. To the extent, however, that the United States wants the EU to take over certain missions, as in the Balkans, continued wrangling with these countries, and especially Turkey, could be a problem. The finalization in December 2002 of the NATO-EU accord regarding assured EU access to NATO assets, which Turkey and Greece had been blocking, removes a general obstacle in this area, but difficulties still could arise in particular cases.

Over time, developments in the Balkans could increase the disparities in membership, as one country or another concludes the requisite Europe Agreement and gets on the path toward EU membership or, conversely, succeeds in advancing its NATO candidacy while its bid for EU membership lags. While differences in the Balkans relate primarily to timing, structural differences could arise in the NIS if, for example, NATO decides to keep an "open door" to Ukraine and Russia while the EU opts definitively to draw its final external borders at the Romania-Moldova or Moldova-Ukraine frontiers. The same situation would arise if Turkey were to decide to forgo the pursuit of EU membership or if the Union itself were to change course and reject Turkey as a future member.

Assuming that problems associated with non-overlapping membership remain marginal, the key issues that the dual enlargements pose for U.S. security interests relate to the effectiveness and ultimate purpose of NATO as a political and security alliance. With direct exposure to instability emanating from the

<b>Table 5 - EU and NATO Membership After Enlargement</b>	
2003	Post-Dual Enlargement (2004)
<i>Member of EU and NATO</i>	
Belgium Denmark France Germany Greece Italy Luxembourg The Netherlands Portugal Spain United Kingdom	Belgium Denmark France Germany Greece Italy Luxembourg The Netherlands Portugal Spain United Kingdom Estonia Czech Republic Hungary Latvia Lithuania Poland Slovakia Slovenia
<i>Member of EU but not NATO</i>	
Austria Finland Ireland Sweden	Austria Finland Ireland Sweden Cyprus Malta
<i>Member of NATO but not EU</i>	
Iceland Norway Turkey Czech Republic Hungary Poland	Iceland Norway Turkey Bulgaria Romania
<i>Member of Neither Organization</i>	
Albania Bulgaria Croatia Cyprus Latvia Lithuania FYR Macedonia Malta Romania Slovakia Slovenia Switzerland Ukraine Russia Moldova Belarus	Albania Croatia FYR Macedonia  Switzerland  Ukraine Russia Moldova Belarus

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NIS and the Balkans and vivid historical memories of Russian/Soviet threats to their independence, the new member states of the Union will have a strong interest in preserving the viability of the Atlantic alliance, and in highlighting its enduring character as a defensive military alliance in which Article 5 commitments remain central and through which the United States remains engaged in European security affairs. In the view of some observers, these policy preferences will be heightened by the “Atlanticism” of the new member countries and by the fact that their socialization into western security structures is occurring through NATO rather than the EU or ESDP. These factors all suggest that the new member countries will serve as a brake on tendencies in the Union to decouple Europe from the United States through the development of a truly independent European defense capability. Moreover, the roughly parallel admission of Poland and the Baltic countries to NATO and the EU eventually could encourage Finland and Sweden to review their policies on neutrality and to consider joining the Atlantic alliance, a move that also would strengthen NATO.

At the same time, however, it is easy to exaggerate the Atlanticism of the candidate countries and its effect on policy. Emotional bonds between the United States and Poland and the Baltic countries are strong, but elsewhere in the region they have shallower roots. Other central European countries have long traditions of left- and right-wing political extremism that include strains of anti-Americanism. While these tendencies are unlikely to dominate political life in these countries, they will be a factor cutting against real or imagined Atlanticist tendencies.<sup>106</sup> Moreover, to the extent that the United States treats NATO as a nascent collective security system useful for integrating Russia, Ukraine, or even the Caucasus and Central Asia into western security structures, those countries that border directly on Russia or other former Soviet states will have an interest in buffering their dependence on NATO with the development of an EU security identity. While it may seem far-fetched at present, over the very long term a situation could develop in which NATO’s Article 5 security guarantee is watered down or relativized while the EU, as part of the overall process of developing a constitution and a citizenship-based identity and establishing its ultimate external borders, moves toward incorporating a security clause in its founding treaties.

Perhaps most importantly, EU membership will mean that the countries of central and eastern Europe will be caught up in processes of internal bargaining and consultation that will draw them closer to Brussels than to Washington.

Concretely, this will mean pressures on the new member states to side with Brussels on multilateral issues with security implications and to participate fully in the further development of the ESDP, even if it conflicts with NATO priorities.

Under the Headline Goals adopted in Helsinki, the EU is to create a force by 2003 capable of deploying within 60 days and of being sustained for at least a year, for the purpose of carrying out the full range of Petersberg tasks as set out in the Amsterdam treaty. These tasks include peacekeeping, peace enforcement, and humanitarian relief. The force is to be sized at 15 brigades or 50,000-60,000 persons. The candidate countries have declared their readiness to participate in such a force and took part in the EU Capabilities Commitment Conference held in November 2000, where they offered modest contributions (see Table 6). Some confusion could arise over the respective roles of the EU Rapid Reaction Force and the new, 21,000-person NATO Response Force (NRF) that NATO agreed to establish at the Prague summit to deal with crises and tensions outside the NATO area, particularly since the accession countries have earmarked the same forces both to NATO and the EU.<sup>107</sup> For the most part, however, EU and NATO efforts should be complementary, as force improvements made to benefit the Rapid Reaction Force will benefit the NATO force and vice versa.

Arms sales to central and eastern Europe could be a disappointing area for those in the United States who expected that NATO membership would open up promising new markets for defense equipment in these countries. These countries will be under economic and budgetary pressures in the coming years, as they strive to meet EU norms and comply with the convergence criteria for eventual adoption of the euro. This presumably will constrain increases in defense spending. In cases where these countries do make major arms purchases, they will face pressures to buy European as they bargain with their fellow EU member states on a far wider range of issues than they do with Washington. It was widely reported, for example, that Hungary's decision to lease the British-Swedish Gripen rather than to procure U.S. fighter aircraft was the result of lobbying from EU member states and a conviction in Hungary that it needed a European solution to this issue.

On the other hand, once these countries are in the EU, some of the pressure to prove their European credentials will diminish (seemingly confirmed in Poland's case by the announcement shortly after the Copenhagen European



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<b>Table 6 - Candidate Country Pledges to the EU Rapid Reaction Force</b>	
<b>Country</b>	<b>Pledge</b>
Bulgaria	1 mechanized battalion 1 engineering battalion 1 radioactive and chemical reconnaissance brigade 2 Mi-17 cargo helicopters 4 military Mi-24 helicopters 1 Black Sea-based rocket launcher
Czech Republic	1 mechanized infantry battalion 1 special forces company 1 helicopter unit 1 field hospital or medical battalion 1 chemical protection company 1 center for humanitarian and rescue operations
Estonia	
Hungary	1 mechanized infantry battalion 1 air defense unit (with Mistral missiles)
Latvia	
Lithuania	3 motorized battalions 3 naval vessels 1 helicopter 2 military aircraftsmall engineer and military medical support units
Poland	1 brigade (18th Rapid Reaction Battalion and 7th Air Cavalry Battalion, possibly with a Ukrainian battalion) 1 airborne search and rescue group 1 navy support groupsection of military police
Romania	5 infantry battalions and 1 infantry company 1 paratroop company 1 mountain troops company 1 military police company 1 engineer company 1 mine-clearance detachment 1 reconnaissance platoon 1 transport platoon 6 maritime and river vessels 4 MiG-21 Lancer combat aircraft 1 C-130B cargo aircraft
Slovakia	1 mechanized company 4 Mi-17 transport helicopters 1 engineering mine-clearance unit 1 military police unit 1 multi-purpose field hospital with surgery capabilities
Slovenia	1 infantry company 1 military police squad 1 transport helicopter/air force unit ROLE 1 medical unit
Source: Adapted from Missiroli, ed., <i>Bigger EU, wider CFSP, stronger ESDP?</i>	

Council of its decision to buy U.S. rather than French fighter aircraft).<sup>108</sup> These countries also may want to preserve their freedom to buy American systems on favorable terms. This especially will be the case if, as some observers predict, an enlarged EU divides into permanent formations of producer and buyer states, with all or nearly all of the accession countries in the latter category.<sup>109</sup> The buyers will have an interest in lowering costs and having a range of suppliers and thus may be unenthusiastic about efforts to establish an EU common arms procurement policy that might make purchase of U.S. systems more difficult.<sup>110</sup> That said, offset arrangements may be a particularly important factor in deciding which weapons CEE countries purchase, and this is an area in which U.S. firms traditionally have had difficulty in matching offers from EU competitors.

#### *Global Issues*

The candidate countries already generally side with the Union on most multilateral questions, with votes in the UN or support for multilateral treaties such as Kyoto and the Rome Statute establishing the ICC. Upon accession, they will come under the formal obligations of the Treaty on European Union, the CFSP provisions of which stipulate that “Member States shall coordinate their action in international organizations and at international conferences. They shall uphold the common positions in such forums.”<sup>111</sup> Enlargement thus will increase the size, relative weight, and cohesion of the EU voting bloc in the UN and other international forums. The size of this bloc varies somewhat depending upon the issue, but at a minimum it includes the 27 member states and negotiating candidate countries, the EEA countries (Iceland, Norway, Liechtenstein), the European microstates represented in the UN (Andorra, Monaco, San Marino), Switzerland, Croatia, and, to a lesser extent, the other countries of the western Balkans. The EU has shown itself prepared to react strongly to countries that break ranks with the common policy, as was seen when Romania signed a bilateral treaty with the United States guaranteeing that U.S. personnel in Romania would not be turned over to the jurisdiction of the ICC, the authority of which the United States does not recognize.<sup>112</sup>

In cases in which the United States and the EU agree on their stances on multilateral issues, the size of the EU bloc does not matter, and even can be a positive factor in helping the United States and the EU to amass the support needed to prevail in multilateral forums against opposition from other parts of the world. In cases in which United States and the EU are at odds over world

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order issues, the size of this bloc can be more problematic. The United States did not sign the 1997 treaty banning antipersonnel land mines, has not joined the ICC, and has rejected the Kyoto Protocol on global warming, all initiatives that the EU strongly supports. The EU and countries associated with it were at the forefront of all of these issues and supplied a disproportionate share of the votes needed to reach a critical mass in support of these agreements. The “like-minded group” that led the negotiation of the landmine treaty had eleven members, seven of which were European, while the like-minded group that produced the Rome Statute of the ICC had 27 members, sixteen of which were European.<sup>113</sup> The new member states could exercise a moderating influence on some aspects of EU policy (much the way, for example, Poland sought to find compromise solutions to the landmine treaty impasse), and thus could be a useful avenue of U.S. influence in the EU as a whole. At the same time, however, once decisions are taken under the CFSP, these countries will be obliged to uphold the EU position in ways that could cause friction in bilateral relations.

Enlargement also will increase the representation of EU member states on the UN Security Council. In addition to the permanent seats occupied by France and the United Kingdom, two of the ten members elected by the General Assembly for two-year terms normally are from the western Europe and Others group while one is from the eastern Europe group. With enlargement, EU member states often will hold five seats or fully one third of the membership of the Council.<sup>114</sup> In some high profile international issues, EU member states can differ among themselves, with some siding with and others against the United States. This clearly has been the case with policy toward Iraq, where Britain has had more in common with Washington than with Paris. Such instances are increasingly the exception, however, and raise the question of whether a reform of the UN Security Council that would reduce European over-representation might be desirable.

#### *Proximity Policy*

Whereas previous enlargements primarily affected U.S. interests by rearranging the economic, political, and to some degree security order in Europe, the current enlargement, by all but completing the process of extending Europe to its ultimate frontiers, will bring the Union into direct proximity with third countries in a way that will profoundly influence U.S. relations with these countries. This is a process that has been underway since

the early 1990s when the EU, looking past enlargement and building upon the new competences established in the Maastricht treaty, began to develop comprehensive economic and political strategies toward its future eastern and southern peripheries. Called “proximity policy” by some observers, the EU approach is directed primarily at Russia, Ukraine, the Balkans, and, in the Barcelona Process initiated in 1995, North Africa and the Middle East.

EU officials emphasize that they see enlargement as a win-win situation both for the current and prospective member countries of the Union and for those countries that will not join the Union but that will benefit from bordering directly on a large, prosperous, and democratic Europe. Russia and Ukraine will gain new export opportunities as living standards and purchasing power in central and eastern Europe rise to western levels. By aligning product and business standards with those of the EU, improving domestic legislation to facilitate foreign investment, and cooperating with the EU on such issues as border control and cross-border environmental problems, these countries can position themselves to take advantage of opportunities created by enlargement. Based on the PCAs with their promise of a free trade area and common European economic space and technical assistance under the TACIS program, EU policy is designed to help Russia and Ukraine in this regard.

Whether this policy will succeed, however, is very much an open question. Russia clearly does not see enlargement solely in terms of opportunity. At the very least, Russian policymakers are uncomfortable with and vaguely resentful of an EU approach that some Russian and EU observers characterize as benignly “in perial.”<sup>115</sup> More importantly, there is a gap between the theory and the practice of proximity policy as it applies to Russia and other peripheral countries. EU financial resources are severely stretched by domestic needs, the costs of enlargement, the sheer scope of the Union’s periphery and the demands that it generates, and competing requirements elsewhere in the world. Aid left for Russia has been and is likely to remain quite modest. On the trade front, there inevitably will be pressures to shift some of the costs of internal EU economic restructuring driven by enlargement to third parties outside the Union—a trend that already can be seen in the large number of anti-dumping suits that Poland has levied against Russia and other eastern neighbors. Political relations also could be soured over migration and citizenship issues, particularly if the Baltics and possibly other enlargement countries develop into a permanent pressure group inside the Union that is leery of cooperation with Russia.

The situation with regard to Ukraine is, if anything, more complicated. Ukraine-EU relations are strained over corruption and the absence of meaningful political reforms in Kiev. Equally important, Ukraine is psychologically handicapped by the fact that it refuses to see itself as an object of EU proximity policy and instead wants a Europe Agreement that would formally acknowledge its status as a candidate for future EU membership. Belarus lags even further behind Ukraine in its ability to become a stable, long-term partner of the EU. Because of its poverty and internal divisions, Moldova is also a weak partner.

The EU faces a still more daunting set of challenges in North Africa and the Middle East. The EU Common Strategy on the Mediterranean adopted in June 2000 sets forth a list of ambitious objectives, including the establishment of a “common area of peace and stability through a political and security partnership,” the creation of an “area of shared prosperity through an economic and financial partnership,” and the promotion of the core EU values of human rights, democracy, good governance, and transparency and the rule of law throughout the region.<sup>116</sup> The instruments to promote these objectives include increased trade, technical assistance, loans from the European Investment Bank, promotion of direct links between NGOs and civil society, and political dialogue. While the EU can claim some success in its policies toward the greater Mediterranean, stabilization of the region is likely to remain a very difficult, long-term challenge. The Barcelona Process always has been hostage to progress or lack thereof in the Middle East peace process. The EU’s Common Strategy for the Mediterranean was promulgated at a time of relative optimism about peace between Israel and its Arab neighbors. The subsequent breakdown of the peace process and the new focus on terrorism and Islamic fundamentalism after September 11 have made an effective policy toward this region more difficult to implement even as it has become more vital to European interests.

The relative success of EU proximity policy will affect broader U.S. interests, both positively and negatively. A complete failure by the EU to stabilize its periphery would be very damaging to U.S. interests. Such a “failure” could take many forms, but possible scenarios include: a return to war or severe internal instability in the Balkans, with a resulting slide toward the region becoming an unstable base for organized crime and terrorism; a sharp deterioration in relations between Russia and the EU or, alternatively, a radical change in the situation in Ukraine, either in the form of

severe internal conflict (also possible in Belarus and Moldova) or a reorientation from the West toward Russia; or, turning to the Mediterranean, increased instability, internal conflict, environmental disasters, Islamic fundamentalism, and so forth.

The other outcome that would be damaging to U.S. interests would be if EU proximity policy were to succeed too well in transforming Europe's vast hinterland into a zone of influence to which the EU had "privileged" access from which the United States was partially excluded. The formation of the original European Community represented a departure from the universalist multilateralism that the United States promoted in the aftermath of World War II and that was embodied in such institutions as the UN, GATT, and the IMF. U.S. administrations generally supported European integration as a new form of intra-European multilateralism that would bolster Europe against the Soviet threat and that could be made compatible with a broader, global multilateralism. But there always were tensions about the degree to which discrimination within Europe in favor of other European partners to promote integration could be extended to regions beyond Europe, for example, the former colonies of the Africa-Caribbean-Pacific (ACP) group. The October 2002 preliminary draft constitutional treaty envisions an article that "could contain provisions defining a *privileged relationship between the Union and its neighboring States*, in the event of a decision on the creation of such a relationship." The language of the proposed Article 42 has not yet been tabled, and presumably will be crafted with an eye toward EU and third country obligations toward the rest of the international community. Still, it is not hard to detect in some of the rhetoric about the periphery at least the potential for a slide toward the creation of a large economic and political blocs that would be damaging to U.S. interests and represent a defeat for post-1945 efforts to create an open and non-discriminatory system.

## VI. DEALING WITH A TRANSFORMED UNION

If the direct implications for the United States of enlargement are fairly straightforward, the indirect and longer term consequences for U.S. interests of the emergence of a Union that embraces virtually the entire European continent west of the former Soviet Union are harder to contemplate. In the

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1990s, U.S. policymakers and analysts enthusiastically embraced EU enlargement as part of a process of creating a post-Communist Europe that is “whole and free” but, at the same time, integrated in broader global and Euro-Atlantic structures. Enlargement of the EU was linked to and in some ways subsumed under a broader process of expanding Euro-Atlantic structures and, indeed, the enlargement of the global community of free market democracies.

Political leaders in Brussels, Paris, Berlin and London never entirely shared this vision. Their goal, embodied in the Maastricht Treaty and made concrete in such projects as EMU and CFSP, was to make the EU a stronger and more autonomous power, capable of handling problems without and if necessary by standing up to the United States on key issues. While European political leaders endorsed transatlantic partnership, they rebuffed American suggestions that the United States be granted a “seat at the table” in EU deliberations.<sup>117</sup> Such sentiments grew stronger in the course of the 1990s and have intensified with the onset of post-September 11 differences over terrorism and the Middle East. They have been very much in evidence at the European Convention, where they reflect what seems to be a widely held conviction among European elites that Europe ought to have more power in the world than it does at present and that the reason that it does not is its lack of unity.

These trends make for a complex political and psychological environment for U.S. policy. On the one hand, many European observers are touchy about what they see as American failures to recognize EU achievements or, even more, at real or imagined U.S. efforts to frustrate or undercut EU efforts aimed at increasing Europe’s power relative to the United States. Some European political figures and commentators have been suspicious of enlargement, suggesting that it might be an American plot to derail Europe’s bid for increased autonomy, either because the supposedly Atlanticist central and eastern European candidate countries might serve as a “fifth column” for U.S. interests in Europe or simply because the sheer size of an enlarged Union will militate against cohesion and effective decision-making.<sup>118</sup> More recently, as enlargement approaches and the candidate countries begin to prove their European credentials, European officials appear increasingly convinced that enlargement will contribute to rather than undercut Europe’s relative position in the world.<sup>119</sup> The size of the EU

internal market will increase. The EU's relative weight in international organizations will become larger. While not without its problems, common borders with Russia, Ukraine, the Middle East and other regions may increase the chances of effective proximity policies in which these adjoining regions become more subject to EU influence on everything from accounting standards to aircraft purchases to rules on GMOs and, correspondingly, less subject to U.S. influence.

Psychologically, it will be important to preempt the emergence of myths in Europe that the United States wants enlargement to fail or to succeed on terms that the EU itself would not recognize as such. Enlargement (like the euro) will represent a success for the EU and a relative increase in the Union's power and weight in world fora, and U.S. interests will be served by acknowledging this fact. This can be accomplished through positive statements that recognize enlargement as a success and that are not confined to complaints about unfinished business (such as the failure to fully embrace Turkey) and by minimizing the fallout from bilateral disputes over secondary economic issues that will arise as enlargement proceeds.

Beyond the general psychological climate, enlargement will affect transatlantic relations in specific ways. First, EU decision-making processes will become even more complex and potentially more difficult for U.S. policymakers to interpret and to influence. The early results of the European Convention suggest that the EU will remain a hybrid of supranational and intergovernmental structures. Intergovernmentalism offers some advantages for the United States, particularly in the security sphere, where it is compatible with a NATO that does not have a European caucus and is conducive to the formation of "coalitions of the willing" in out-of-area actions. But the weakness of supranational structures in the EU also can be problematic from a U.S. perspective, particularly with regard to trade and trade-related issues.<sup>120</sup> A growing number of U.S.-EU trade disputes are in part related to the difficulties that the Union has in enforcing its own laws and regulations on recalcitrant member states. EU regulatory structures are weak and highly subject to politicization on issues such as the environment and food safety.<sup>121</sup> The perpetual struggle for power among the Council, Commission, and the European Parliament, unlikely to be ended by the constitutional treaty, often encourages either deadlock or unhelpful activism on issues of concern to Washington. By increasing the size and complexity of the Union, further overburdening



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Commission and ECJ resources for policing adherence to EU law and, as discussed above, possibly undermining the functioning of the single market, enlargement could exacerbate these tendencies.

Second, bilateral relations between the United States and the individual member states of the EU will be complex, offering both problems and opportunity. At least for now, it is fair to say that relations between the United States and many individual member states are better than relations with the EU as such. In the aftermath of the September 11 attacks, some governments have moved closer to Washington on key issues. But relations with particular member states easily can shift, depending upon the vagaries of domestic politics, the personalities of national leaders, and specific trade or political disputes that often are difficult to foresee. The same pattern is likely to apply with regard to future relations with the accession countries, as they move from the post-communist-pre-NATO period into a more mature phase in which both sides focus more on specific national interests and less on the atmospherics of positive relations that surrounded the drive to enlarge NATO. It is also important to note that the infrastructure of positive bilateral relations between the United States and the accession countries that was built up in the 1990s could be weakened as these countries reach a higher level of economic and political development, as their priorities shift to Brussels, and as U.S. priorities shift further eastward and beyond Europe. Indeed, this already has happened to a large extent, as U.S. bilateral aid has been phased out, Peace Corps programs discontinued, and even private foundations have shifted priorities. This trend is likely to extend into the business sphere, as bilateral chambers of commerce become less important and U.S. firms view problems and opportunities more through Brussels than Prague, Budapest, and other national capitals.

Third, as seen by the United States, EU policy is at times characterized by a wide gap between policy and performance—by differences between rhetorical stances and what Europe actually delivers in the international arena. To the extent that enlargement increases both the external profile of and the possibilities for policy deadlock within the EU, this trend could be exacerbated in a larger Union. The propensity for external activism not matched by internal performance can be seen in the stances of the European Parliament on global and transatlantic issues and in the actions of the Commission.<sup>122</sup> It also feeds into U.S.-EU differences over global issues and the character and relative importance of multilateralism in international relations. U.S. policymakers

tend to see the EU as inward looking and preoccupied with regional affairs at a time of growing global challenges. This perception could well intensify as the EU devotes much of its political, intellectual, and financial capital in the coming years to making enlargement a success and completing the Convention and the next IGC. From an EU perspective, such criticisms are misplaced. Europeans are more inclined to focus on Europe's "soft power" and to argue that creating a powerful, united Europe that can serve as a counterweight to and partner of the United States is in itself a contribution to world order that ought to be viewed as such in Washington.<sup>123</sup>

Finally (and closely related to the previous point), an enlarged EU will confront the United States with an extraordinary mix of strength and weakness that will complicate the task of formulating coherent and consistent policies toward Europe. U.S. policymakers and analysts already take very different views about how powerful the EU is and what implications its relative strengths and weaknesses have for U.S. interests. At one end of the spectrum there are those such as Robert Kagan who, focusing on the military aspects of power, see Europe as essentially weak. They regard the seeming European obsession with multilateralism as an essentially "defensive" response to U.S. power.<sup>124</sup> At the other end there are those such as Jeremy Rabkin and Kenneth Anderson who focus more on the EU as an effective wielder of economic and political power. They tend to see the EU as more of an offensive, revisionist power that is using the mechanisms and ideologies of "global governance" to shift the world balance of power in its favor to the detriment of the United States.<sup>125</sup> European perspectives tend to combine selectively elements of the Kagan and the Rabkin/Anderson analyses, agreeing that the EU is an increasingly powerful actor but discounting the view that EU power can be anything but benign.

This conceptual divide is highly relevant to how the United States handles specific policy differences with the EU, for example, over the ICC or genetically modified organisms. Forceful U.S. responses are likely to feed into criticisms of the United States as an unchecked unilateralist, using its power to ride roughshod over the sensibilities of other countries and avoiding the imposition of rules upon itself—in the one instance using international rules and the pressures of globalization to impose "Frankenfoods" on reluctant European consumers, in the other demanding that the United States and its troops be exempt from norms that everyone else is prepared to accept. Excessively weak U.S.

responses, on the other hand, could imply acquiescence in positions the legal and scientific basis of which the United States does not accept. Striking the right balance will be crucial, as will be consultation and careful efforts to prepare and explain U.S. policy stances.<sup>126</sup>

## VII. POLICY RECOMMENDATIONS

The analysis in this paper suggests a number of specific recommendations for U.S. policy as it confronts the challenges of enlargement:

- The United States should continue to bargain with the Commission over compensation for market losses under GATT 24(6) and the changes in its bilateral investment treaties with the accession countries that the Commission is demanding. However, given the political advantages of enlargement and the relatively modest economic interests at stake, it probably would not be wise to provoke major disputes with the EU over these issues.
- On agriculture, enlargement gives added reasons for the United States to press for the reduction and eventual elimination of subsidies in the Doha round.
- With regard to Turkey, Washington should take a stance no less forward-leaning than that of the Commission and that of the more “pro-Turkish” member states, all of whom reiterate, in line with the 1999 Helsinki decisions, that Turkey is a genuine candidate whose prospects for accession will be determined by its own performance in meeting the Copenhagen criteria. But frequent badgering by the United States on this issue is likely to be counterproductive, particularly if it helps to short-circuit a real debate in Europe about the EU’s finality and ultimate borders. By the same token, the United States needs to pursue an active bilateral policy toward Turkey and to stress Ankara’s important role in NATO and other Western organizations as a fallback in the event that admission to the Union does not materialize.
- The United States should keep in check its pressures on the EU to name additional countries as formal candidates for membership, if

such candidacies are likely to involve prolonged periods of economic discrimination against the United States and other third countries. On this issue, there needs to be more dialogue in the U.S. policy community between those responsible for U.S. external economic policy and those primarily interested in the strategic and political aspects of a Europe “whole and free.” Premature acceptance of NIS candidate countries (and by implication conclusion of preferential trade agreements) is arguably not in the U.S. economic interest. An alternative arrangement more likely to satisfy U.S. political and economic interests might be extension of the EU customs union along the lines of the 1996 EU-Turkey agreement. Such an approach would have the added political advantage of displaying greater U.S. sensitivity to the costs and complexity of the enlargement process, something that many critics in Europe argue the United States has not shown with regard to the current enlargement wave, and especially in regard to Turkey.

- The United States should remain engaged with aid, technical assistance, and involvement in peacekeeping and other policies in countries on the EU’s periphery, particularly the Balkans. To the extent possible, it should coordinate policies with Brussels and with EU member states; where this is not possible it should pursue parallel but not conflicting policies. Such an approach will lend practical and moral support to the EU as it pursues its ambitious proximity policy toward its unstable periphery, as well as guard against the emergence of “privileged” relationships between the EU and its neighbors that could damage U.S. interests. The United States should not fall into the trap of assuming that it can afford in effect to delegate to the EU its policy toward the Balkans and such key countries as Turkey, Ukraine, and Russia.
- The United States needs to pay continued close attention to its bilateral relations with all EU member states—old and new, large and small—and to continue to interact with them bilaterally and through active participation in all non-EU bodies that have some influence in shaping policy in Europe, including the G-7, OECD, various specialized and technical agencies, and of course NATO. The U.S. policy bureaucracy must concentrate on improving coordination between messages conveyed to member state capitals and to Brussels. Over time, the

United States should try to find a *modus vivendi* with Europe in which it can legitimately seek to influence EU positions by lobbying member state governments without being accused of pursuing “divide and rule” tactics. The key to such an approach may be to sharpen the distinction between *ex ante* efforts to shape decisions and *ex post* responses to those decisions (e.g., nationally differentiated trade sanctions following WTO rulings, as on beef and bananas).

- With regard to the accession countries, the United States (most likely in cooperation with foundations and the corporate sector) should look for ways to establish new or maintain existing cultural and exchange programs that will preserve beyond EU accession and the termination of U.S. bilateral assistance programs some of the personal and intellectual capital built up after 1989. Cooperation could include joint efforts with regard to Ukraine and other NIS countries, but should not be limited to the purely instrumental goal of fostering still more extensive EU enlargement in pursuit of U.S. foreign policy objectives. It should focus on maintaining ties with the accession countries as a goal worth pursuing in its own right. Such an approach might be separate from or a part of a broader revitalization of U.S. public diplomacy toward Europe as a whole, including new, old, and non-EU member states.
- EU enlargement and the development of a stronger CFSP should encourage the United States to begin to focus on the political implications of EU bloc voting in international forums and of the over-representation of EU member states in such bodies as the UN Security Council and the IMF executive board.<sup>127</sup> At the very least, the United States will need to be cautious about the extension of majority voting (even with regard to procedural issues) in international organizations and must redouble efforts, heretofore unsuccessful, to raise the thresholds for controversial multilateral treaties to enter into force. Publicly explaining the U.S. position on these matters will be essential to counter the widely held view that refusal to embrace EU-favored positions in international fora constitutes *ipso facto* unilateralism. Over the long term, the United States and sympathetic third countries may need to look at structural solutions, such as pressing

for a consolidation of European national votes and representation. On issues with security implications (as land mines and the ICC both, in fact, were), the United States should seek to promote, notwithstanding likely opposition from some member countries, dialogue in NATO before the EU has arrived at unified positions under the CFSP.

- Continued efforts to improve the U.S.-EU bilateral relationship, either through generalized initiatives such as the New Transatlantic Agenda or by better handling of particular trade and other disputes, are in principle desirable. It would be especially useful to launch a more “strategic” U.S.-EU dialogue (perhaps involving the analytic and think-tank communities), in which contentious issues such as global governance and multilateralism are discussed and differences clarified. Expectations for a formal U.S.-EU “partnership” should be kept modest, however, for reasons relating to the differences of outlook discussed in the previous section.

#### ENDNOTES

<sup>1</sup> For general background, see John Van Oudenaren, *Uniting Europe: European Integration and the Post-Cold War World* (Lanham, MD: Rowman and Littlefield, 2000).

<sup>2</sup> See Andrew Moravcsik, “In Defence of the ‘Democratic Deficit’: Reassessing Legitimacy in the European Union,” *Journal of Common Market Studies*, vol. 40, no. 4 (2002), pp. 603-624.

<sup>3</sup> “Presidency Conclusions: European Council in Copenhagen, 21-22 June 1993,” in Commission of the European Communities [hereinafter, CEC], *The European Councils: Conclusions of the Presidency 1992-1994* (Brussels: CECA-CEE-CEEA, 1995), p. 86.

<sup>4</sup> For a discussion of the key institutional dilemmas and tradeoffs, see Youri Devuyst, *The European Union at the Crossroads: An Introduction to the EU’s Institutional Evolution* (Brussels: PIE-Peter Lang, 2002).

<sup>5</sup> In the run-up to the IGC, there was some discussion among the member states about inclusion in the treaty of a new provision allowing for the expulsion of a member state that did not comply with European human rights standards. This discussion was motivated by concerns about the durability of democracy and the commitment to human rights in the candidate countries and questions about how the EU would respond to a threat to democracy in one of these countries after accession. The expulsion idea was rejected as legally problematic and possibly likely to strengthen the case for a member state’s right to secede voluntarily from the Union. See Article 7 TEU; Article 309 TOR, as amended by Amsterdam.

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<sup>6</sup> See John Van Oudenaren, *Organizing for Enlargement: The EU's IGC 2000* (Washington: CSIS, 1999).

<sup>7</sup> See Devuyst, *The European Union at the Crossroads*, pp. 145-152.

<sup>8</sup> “From Confederacy to Federation: Thoughts on the finality of European integration,” speech by Fischer at the Humboldt University, Berlin, May 12, 2000.

<sup>9</sup> For complete references, see Devuyst, *The European Union at the Crossroads*, pp. 33-34.

<sup>10</sup> See Ulrike Guerot, “Constitutionalization in an Enlarging Europe” (AICGS working group paper).

<sup>11</sup> The European Convention: The Secretariat, *Preliminary draft Constitutional Treaty*, CONV 369/02, Brussels, October 28, 2002.

<sup>12</sup> *For the European Union: Peace, Freedom, Solidarity: Communication of the Commission on the Institutional Architecture*, COM(2002) 728 final, Brussels, December 4, 2002; *Memorandum of the Benelux: A balanced institutional framework for an enlarged, more effective and more transparent Union*, Brussels, December 4, 2002. The Commission document was radically federalist in spirit. It called for a strengthened Commission presidency and enhanced use of the traditional Community method, including in such intergovernmental areas as CFSP. As such, it was seen as wildly impractical and out of touch with the moderately intergovernmentalist tenor of the Convention itself. The Benelux draft was a more balanced document that called for a parallel strengthening of both the Community and intergovernmental structures and for the maintenance of existing balances—between large and small states, Council and Commission—albeit at improved levels of efficiency and effectiveness. The Benelux document thus seemed to better capture the mood of the current and future member states. With regard to the latter, there was in fact a great deal of speculation about an emerging alliance on constitutional issues between the Benelux and a post-enlargement group of the Visegrad countries, which had welcomed the Benelux draft as capturing their views on reform as well.

<sup>13</sup> “Deutsch-französischer Beitrag zur institutionellen Architektur der Europäischen Union,” Bundesregierung Pressemitteilung No. 21, January 15, 2003.

<sup>14</sup> See Kai-Olaf Lang, “The Role of New Members in a Larger EU.” For country perspectives, see Jacek Saryusz-Wolski, “Poland: A View from Central Europe,” in Simon Serfaty, ed., *The European Finality Debate and Its National Dimensions* (Washington: CSIS Press, 2003); and Kai-Olaf Lang, *Tschechische Positionen zur künftigen Gestalt der Europäischen Union* (Berlin: Stiftung Wissenschaft und Politik, January 2002).

<sup>15</sup> See Iulia Motoc, “Europe and its Teleology: Is there a Central-Eastern Vision?” Harvard Jean Monnet Working Paper No. 7/00, Harvard Law School, Cambridge, MA.

<sup>16</sup> It is important to note, however, that if the provisions on reinforced cooperation do come to be used, they could result in some novel intra-EU dynamics involving the new member states. While reinforced cooperation is almost always discussed in terms of new versus old member states, with France and Germany held to be the essential heart of any “hard core” configuration, theoretically there is nothing to prevent the

formation of something like a *Mittleuropa* grouping around Germany on selected issues that would involve rather than exclude key central and east European states. A possible grouping of eight would be Germany, Austria, Czech Republic, Hungary, Slovenia, and the Benelux (or the Baltics, or Poland and two of three of either the Benelux of the Baltics or, after a second wave of accession, Bulgaria and Romania). Berlin is arguably closer, geographically and culturally, to Prague and Budapest than to Lisbon, Athens, or in some respects even London, a circumstance that could facilitate the emergence of such groupings.

<sup>17</sup> Kirsty Hughes, "The Future of Europe Convention: Travelling Hopefully?" EPIN Working Paper No. 1 (June 2002), p. 8.

<sup>18</sup> Peter Norman and Brian Groom, "Marathon EU summit ends in reform deal," *Financial Times*, December 11, 2000.

<sup>19</sup> See Devuyt, *The European Union at the Crossroads*, p. 72.

<sup>20</sup> The Czech Republic and Slovakia both subsequently won assurances that their representation in the EP would be adjusted to reflect their population size relative to the existing member states.

<sup>21</sup> See Rafal Trzaskowski, *From candidate to member state: Poland and the future of the EU*, European Union Institute for Security Studies, Occasional Paper No. 37, September 2002, pp. 27-28,

<sup>22</sup> "European Parliament Liberal leader backs right to withdraw from EU," *Enlargement Weekly*, September 24, 2002.

<sup>23</sup> George Parker and Daniel Dombey, "Members may secure formal exit out of EU," *Financial Times*, October 24, 2002.

<sup>24</sup> "Madrid European Council, 15-16 December 1995: Presidency Conclusions," in CEC, *The European Councils: Conclusions of the Presidency 1995* (Brussels: CEC, 1995).

<sup>25</sup> CEC, *Agenda 2000*, 3 vols., Strasbourg, DOC/97/6-8, July 1997; and "Presidency Conclusions: Berlin European Council, 24 and 25 March 1999," Doc/99/1.

<sup>26</sup> *Agenda 2000*, vol. 2, *Communication: Reinforcing the Pre-Accession Strategy*, p. 31.

<sup>27</sup> See Elmar Rieger, "The Common Agricultural Policy," in Helen Wallace and William Wallace, eds., *Policy-Making in the European Union*, 3rd. ed. (Oxford: Oxford University Press, 1996), pp. 97-123.

<sup>28</sup> CEC, *Communication from the Commission to the Council and the European Parliament: Mid-Term Review of the Common Agricultural Policy*, Brussels, COM(2002) 394 final, July 7, 2002.

<sup>29</sup> "Presidency Conclusions: Brussels European Council, 24 and 25 October 2002," SN 300/02.

<sup>30</sup> Data and calculations from CEC, *Commission Communication: First progress report on economic and social cohesion*, COM(2002) 46 final, Brussels, January 30, 2002, esp. pp. 15-16.

<sup>31</sup> Article 161 TEC, as amended by the Treaty of Nice (paragraph inserted).

<sup>32</sup> CEC, *First Progress Report on Economic and Social Cohesion*, p. 2.



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<sup>33</sup>The Commission sees the emergence of three categories of countries: a low-income group of nine countries (8 CEEs and Malta) with per capita GDP only 41 percent of average GDP in an EU of 27; a middle group of three accession countries and three existing member states (Greece, Portugal, Spain, the Czech Republic, Cyprus, and Slovenia) with a per capita GDP of 87 percent of the future Union average; and a group of twelve other states (all current members except Greece, Portugal, and Spain) with per capita GDP well above the EU average. See *ibid.*, pp. 8-9.

<sup>34</sup>This section draws upon Christian Tuschhoff, *The Politics of Finalizing EU Enlargement: Towards an Ever Looser Union?* AICGS Policy Paper 19, 2000.

<sup>35</sup>One economic model predicts, for example, that enlargement during the first three years will increase economic growth in Austria by 0.8 percent per year, in Germany by 0.6 percent, and in Italy by 0.5 percent, while the growth effect in France will be only 0.1 percent, the United Kingdom slightly over 0.2 percent. See Figure 1 in Tuschhoff, *The Politics of Finalizing EU Enlargement*, p. 7, citing various studies, especially F. Breuss, "Makroökonomische Auswirkungen der EU-Erweiterung auf alte und neue Mitglieder," *WIFO Monatsberichte*, 11/2001.

<sup>36</sup>*Consolidated Version of the Treaty on European Union* (as amended by the Treaty of Amsterdam), at <europa.eu.int>. Article 6 (ex Article F in the original Treaty on European Union concluded at Maastricht) and Article 49 (ex Article O) both were amended by the 1996-1997 Intergovernmental Conference to establish a treaty-based link between respect for human rights and democracy and the right to membership. For the original treaty, see *European Union: Selected instruments taken from the Treaties*, Book I, Vol. 1 (Luxembourg: Office for Official Publications of the European Communities, 1995).

<sup>37</sup>These treaties include the 1957 Treaty of Rome (TOR) that established the original European Economic Community (EEC), the 1957 treaty establishing the European Atomic Energy Community (Euratom), the 1986 Single European Act that amended the TOR to complete the internal market, the 1993 Treaty on European Union (also known as the Treaty of Maastricht) that created a three pillar structure, adding the Common Foreign and Security Policy and cooperation in Justice and Home Affairs to the original EEC to form the EU, the 1997 Treaty of Amsterdam that strengthened CFSP and streamlined some decision-making processes, and the 2000 Treaty of Nice that carried forward the reforms of Maastricht that had begun with Amsterdam.

<sup>38</sup>See Michael J. Baun, *EU Enlargement and the Acquis Communautaire: The Consequences for Transatlantic Relations*, AICGS/DAAD Working Paper Series, 2002.

<sup>39</sup>See CEC, *Making a success of enlargement: Strategy Paper and Report of the European Commission on the progress towards accession by each of the candidate countries*, 2001, esp. pp. 14-15.

<sup>40</sup>"Presidency Conclusions: European Council in Copenhagen, 21-22 June 1993," pp. 81-98.

<sup>41</sup>"Presidency Conclusions: Göteborg European Council, 15 and 16 June 2001," SN 200/1/01.

<sup>42</sup> “Presidency Conclusions: European Council Meeting in Laeken, 14 and 15 December 2001.” See also the Seville conclusions, reaffirming the timetable. “Presidency Conclusions: Seville European Council, 21 and 22 June 2002,” SN 200/02, June 2002.

<sup>43</sup> CEC, *Towards the Enlarged Union: Strategy Paper and Report of the European Commission on the progress towards accession by each of the candidate countries*, Brussels, COM(2002) 700 final, October 9, 2002.

<sup>44</sup> George Parker, “More cash offered to clinch EU enlargement,” *Financial Times*, November 26, 2002.

<sup>45</sup> Judy Dempsey, Michael Mann, Quentin Peel, “Dutch raise doubts over candidates’ fitness to join EU,” *Financial Times*, October 16, 2002.

<sup>46</sup> CEC, *White Paper: Preparations of the Associated Countries of Central and Eastern Europe into the Internal Market of the Union*, COM(95) 163, May 3, 1995.

<sup>47</sup> For a good discussion of the key issues, see Paul Brenton, “The Economic Impact of Enlargement on the European Economy: Problems and Perspectives,” CEPS Working Document No. 188, October 2002; for problems in the EU-15, see CEC, *Enlargement of the European Union: Guide to the Negotiations, Chapter by Chapter*, November 2002, pp. 2-13.

<sup>48</sup> See CEC, *Single Market Scoreboard*, No. 10, May 2002, available at: <europa.eu.int/comm/internal\_market/en/update/score/index.htm>.

<sup>49</sup> At one point in the negotiations, the Netherlands temporarily blocked the Czech Republic from closing the competition chapter over the level of state aids permitted in a transitional period to the Czech steel industry; similarly, Spain for a time blocked closure of the competition chapter with Slovakia over subsidies allowed to a VW subsidiary in Slovakia, which was planning to shift production from a plant to Spain to one in Slovakia. See Judy Dempsey, “Europe’s enlargement talks run into trouble,” *Financial Times*, October 19-20, 2002.

<sup>50</sup> CEC, *Towards the Enlarged Union: Strategy Paper and Report of the European Commission* (2002), pp. 24-27.

<sup>51</sup> CEC, *Towards the Enlarged Union* (2002), p. 25.

<sup>52</sup> On Dutch skepticism, see Judy Dempsey, Michael Mann and Quentin Peel, “Dutch raise doubts over candidates’ fitness to join EU,” *Financial Times*, October 16, 2002.

<sup>53</sup> “Stir over EU Farming Subsidies,” *RFE/RL Poland, Belarus, and Ukraine Report*, vol. 4, no. 7 (February 19, 2002), p. 1.

<sup>54</sup> CEC, *Enlargement and Agriculture: Successfully integrating the new Member States into the CAP: Issues Paper*, SEC(2002) 95 final, Brussels, January 30, 2002, p. 5.

<sup>55</sup> CEC, *Communication from the Commission: Information Note - Common Financial Framework 2004-2006 for the Accession Negotiations*, Brussels, SEC(2002) 102 final, January 30, 2002.

<sup>56</sup> “Presidency Conclusions: Copenhagen European Council, 12 and 13 December 2002: Annex 1: Budgetary and Financial Issues,” SN 400/02.

<sup>57</sup> CEC, *Enlargement of the European Union: Guide to the Negotiations, Chapter by Chapter* (situation as of July 30, 2002), <europa.eu.int>, pp. 5-7.

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<sup>58</sup>The candidate countries have become important transit points for nationals of third countries seeking to enter the Union. Thus in addition to Russians, Ukrainians, and citizens of other NIS countries, would-be immigrants from Sri Lanka, Afghanistan, Bangladesh, Pakistan, and other Asian countries use central and eastern Europe as a transit corridor to reach the West.

<sup>59</sup>Jacek Cichocki, "Direct Neighbourhood: Border Issues and Visa Regulations—An Eastern Perspective," in Iris Kempe, ed., *Beyond EU Enlargement: The Agenda of Direct Neighbourhood for Eastern Europe*, vol. 1 (Gütersloh: Bertelsmann Foundation, 2001), p. 173.

<sup>60</sup>"Warsaw Obliges Itself to Build EU's 'Berlin Wall,'" *RFE/RL Poland, Belarus, and Ukraine Report*, August 6, 2002. A more radical step to enable the new member states to meet the challenges of Schengen would be to Europeanize border control. Italy has pressed for consideration of this option, and at the June 2002 European Council in Seville national leaders discussed an Italian-led feasibility study of the establishment of a European border police force. Countries such as Britain are deeply skeptical about the idea, however, and there was no agreement to proceed toward the establishment of such a force. Although the new member countries would benefit financially from a Europeanization of border controls, most are also not enthusiastic about this idea, which would be perceived as a blow to their regained national sovereignty and could entail the stationing of foreign immigration and customs inspectors on their territory.

<sup>61</sup>See CEC, *The Challenge of Environmental Financing in the Candidate Countries*, COM(2001) 304 final, Brussels, June 8, 2001. Many of these studies also point out the savings—in lower health costs, higher worker productivity, and so forth—of environmental improvements, which drive down the net cost to society of these improvements. Nonetheless, funds still need to be found for the up-front costs of making these environmental improvements.

<sup>62</sup>For background, see John Van Oudenaren, "The Limits of Conditionality: Nuclear Reactor Safety in Central and Eastern Europe, 1991-2001," *International Politics*, vol. 38, no. 4 (December 2001), pp. 467-497.

<sup>63</sup>For a thorough analysis of accession country views on CFSP, see Antonio Missiroli, ed., *Bigger EU, wider CFSP, stronger ESDP? The view from Central Europe*, EU Institute for Security Studies, Occasional Paper No. 34, April 2002.

<sup>64</sup>*The challenge of enlargement: Commission opinion on the application by the Republic of Cyprus for membership*, Bull. EC Supplement 5/93.

<sup>65</sup>Judy Dempsey, "Greece threatens to block EU enlargement," *Financial Times*, June 13, 2002.

<sup>66</sup>CEC, *Report from the Commission to the Council: Explaining Europe's Enlargement*, COM(2002) 281 final, Brussels, June 5, 2002.

<sup>67</sup>See Lily Gardner Feldman, "The Implications of Enlargement for the EU as an International Political Actor: Opportunities and Risks" (AICGS working group paper 2002).

<sup>68</sup>CEC, *Towards the Enlarged Union*, pp. 28-30. See also the country reports for Bulgaria and Romania.

<sup>69</sup> For details, see CEC, *Communication from the Commission to the Council and the European Parliament: Roadmaps for Bulgaria and Romania*, COM(2002) 624 final, Brussels, November 12, 2002. Delay in admitting these two countries, by far the two poorest of the negotiating candidates, will considerably ease the costs of enlargement for the Union, particularly with regard to the structural funds. It means both a lighter financial burden and displacement of fewer regions in the existing Union from the list of those eligible for aid from the structural funds. Other practical advantages include delay in introducing a third alphabet (Cyrillic) for Bulgaria and, more importantly, putting off dealing with the complexities of the Romania-Moldovan border.

<sup>70</sup> *Agreement establishing an association between the European Economic Community and Turkey*, Ankara, September 12, 1963, O.J. 3687 (1964).

<sup>71</sup> *Decision I/95 (96/142/EC) of the E.C.-Turkey Association Council on implementing the final phase of the Customs Union*, O.J. L35/1 (1996).

<sup>72</sup> "Pour ou contre l'adhésion de la Turquie à l'Union européenne," *Le Monde*, November 8, 2002.

<sup>73</sup> Interview, Commission official, December 2002.

<sup>74</sup> "Prodi: 'No ci può essere un'Italia senza industria,'" *La Stampa*, October 15, 2002.

<sup>75</sup> Morton Abramowitz and Heather Hurlburt, "Can the EU Hack the Balkans?" *Foreign Affairs*, vol. 81, no. 5 (September/October 2002), pp. 2-7; see also Hans-Georg Ehrhart, "The Balkan Test Case for EU Foreign Policy," *Internationale Politik*, vol. 3, no. 3 (Fall 2002), pp. 75-79; and Edward C. Meyer and William L. Nash, *Balkans 2010: Report of an Independent Task for Sponsored by the Council on Foreign Relations Center for Preventive Action* (New York: CFR, 2002).

<sup>76</sup> Abramowitz and Hurlburt, "Can the EU Hack the Balkans?" p. 6.

<sup>77</sup> For an overview, see Iris Kempe and Wim van Meurs, *Toward a Multi-layered Europe: Prospects and Risks Beyond EU Enlargement*, CAP Working Paper, Munich, November 2002.

<sup>78</sup> General Affairs Council, 2463rd Council meeting, Brussels, November 18, 2002, 14183/02 (Presse 350).

<sup>79</sup> On this point, see Anders Aslund, "Looking eastwards to bridge the trade divide," *Financial Times*, January 17, 2003.

<sup>80</sup> See Anatoly Lebedko, Kirk Mildner, "Belarus and the Process of European Integration," in Kempe, *Beyond EU Enlargement*, vol. 1, pp. 85-103.

<sup>81</sup> Texts in *Official Journal of the European Communities* O.J. L 327, November 28, 1997; and "Common Strategy of the European Union on Russia," June 4, 1999, Annex II, *Presidency Conclusions: Cologne European Council, 3 and 4 June 1999*, SN 150/99.

<sup>82</sup> On this point, see John Van Oudenaren, "Russia's Elusive Place in Europe," in Simon Serfaty, ed., *The European Finality Debate and Its National Dimensions* (Washington: CSIS Press, 2003).

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<sup>83</sup> See Arkady Moshes, "EU Enlargement in the Baltic Sea Region and Russia: Obvious Problems, Unclear Solutions," PONARS Policy Memo Series, No. 171, November 2000.

<sup>84</sup> Table 6, "U.S. Total Exports to Individual Countries 1993-00," International Trade Administration, Department of Commerce, <www.ita.doc.gov> (accessed July 2002); and "U.S. Total Exports to Individual Countries 1995-01," *ibid.*, (accessed December 2002); and Table 10, "Top 50 Purchasers of U.S. Exports in 2001," *ibid.* (accessed December 2002). Turkey ranked 33rd among U.S. overseas markets in 2001.

<sup>85</sup> USTR, *National Trade Estimate: Foreign Trade Barriers, 2002*, p. 353.

<sup>86</sup> Szabolcs Fazakas, *The Economic Relations of the United States and the Central European Countries, Especially to Hungary, In Light of the EU Enlargement: With Special Emphasis on the Tariff Issue*, AICGS Working Paper.

<sup>87</sup> Industry representatives claim that the Commission has exerted pressure on the candidate countries not to grant U.S. firms equal treatment in the pre-accession phase. See *ibid.*, for a perspective from DaimlerChrysler.

<sup>88</sup> In Bulgaria and Romania, differential tariff treatment will persist at least another three years beyond 2004.

<sup>89</sup> Keith Crane, "European Union Enlargement: Implications for U.S. Trade and International Financial Policies" (AICGS working group paper, 2002).

<sup>90</sup> More generally, the addition of ten or more new member states to the Union will constitute a further step toward the reconstitution of the international trading system around a few large regional blocs, "further reducing the number of independent middle-sized states which have an interest in maintaining the world [multilateral] system." See L. Alan Winters, "Regionalism versus Multilateralism," World Bank Working Paper, August 23, 1996, p. 45. Hungary's former role in the Cairns group comes to mind in this regard.

<sup>91</sup> Messerlin, *Measuring the Costs of Protection in Europe*, p. 246.

<sup>92</sup> USTR, *National Trade Estimate: Foreign Trade Barriers, 2002*, p. 359.

<sup>93</sup> Crane, "European Union Enlargement: Implications for U.S. Trade and International Financial Policies" (AICGS working group paper, 2002).

<sup>94</sup> Following conclusion of the October talks, President Chirac seemed to embrace subsidies as a key to the EU's export position, claiming that the EU leaders "were able to agree a spending regime that will guarantee a dynamic EU agriculture that will be able to maintain its position as a major exporter in the years to come." Michael Mann, "Chirac scores win on points in fight over farm reform," *Financial Times*, October 26-27, 2002.

<sup>95</sup> See Pietro Manzini, "The Priority of Pre-Existing Treaties of EC Member States within the Framework of International Law," *European Journal of International Law*, vol. 12 (2001), pp. 781-792. With regard to enlargement, see the remarks of the Commission's Deputy Director General for Trade, Roderick Abbott regarding bilateral investment treaties of the candidate countries: "These agreements between third countries such as the USA and the candidates will have to be renegotiated or renounced before accession where they are inconsistent with EU internal rules. This is likely to be the case for example when such an agreement contains national treatment rights

for foreign investors at the pre-establishment stage, since the EU internal market legislation limits the grant of such rights to other member states only....” Speech at the Center for Transatlantic Relations, Johns Hopkins University, October 22, 2001.

<sup>96</sup>For a discussion of the rationale, see Andreas F. Lowenfeld, “What GATT Says (Or Does Not Say),” in William J. Diebold, ed., *Bilateralism, Multilateralism and Canada in U.S. Trade Policy* (Cambridge, MA: Ballinger, 1988), pp. 55-68; for a thorough review of EU preferential agreements, see Messerlin, *Measuring the Costs of Protection in Europe*, pp. 197-248; for the legal issues, see James H. Mathis, “The Community’s External Regional Policy in the WTO,” in Pitou van Dijck and Gerrit Faber, eds., *The External Economic Dimension of the European Union* (The Hague: Kluwer Law International, 2000). The issue of EU preferences of course cannot be separated from the broader trend toward regionalism and bilateralism in trade, now embraced also by the United States. See Guy de Jonquierès, “As countries clamour for bilateral agreements, the prospects of creating a truly open global order recede,” *Financial Times*, November 19, 2002.

<sup>97</sup>See Martin Brusis, Nathan Galer, “Southeastern Europe and the European Union: Problems, Actors, Policies,” in Wim van Meurs, ed., *Beyond EU Enlargement*, vol. 2, (*The Agenda of Stabilisation for Southeastern Europe*), pp. 45-71.

<sup>98</sup>Article 55 states: “Russia shall endeavour to ensure that its legislation will be gradually made compatible with that of the Community.”

<sup>99</sup>“Annex 2: EU-Russia High-Level Group charged with elaborating the concept of a Common European Economic Area, EU-Russia Summit: Joint Statement,” Brussels, October 3, 2001.

<sup>100</sup>Andrew Jack and Michael Mann, “EU looks for sense in Russia trade dialogue,” *Financial Times*, December 12, 2001.

<sup>101</sup>See John Van Oudenaren, “Ukraine, Germany and the EU,” in Richard W. Murphy, ed., *Ukraine in Europe*, CSIS European Studies Program Occasional Report, September 1999.

<sup>102</sup>USTR, *National Trade Estimate: Foreign Trade Barriers, 2002*, p. 428.

<sup>103</sup>Whether the EU will use its leverage to try to discourage conclusion of such agreements is an open question. It was reported that on the eve of the start of U.S. negotiations with Morocco on a trade agreement, French officials questioned whether Morocco could pursue free trade agreements with both the United States and Europe. See Elizabeth Becker, “U.S. opens talks on a free-trade pact with Morocco,” *International Herald Tribune*, January 22, 2003.

<sup>104</sup>USTR, *National Trade Estimate: Foreign Trade Barriers, 2002*, p. 421.

<sup>105</sup>For additional background, see Fran Burwell, “EU Enlargement: Implications for European Security and Transatlantic Relations”(AICGS working group paper, 2002).

<sup>106</sup>For a report that shows the high degree of convergence in outlook and values between citizens in the new and old EU member states, see Giuliano Amato and Judy Batt, *The Long-Term Implications of EU Enlargement: The Nature of the New Border* (Florence: Robert Schuman Center for Advanced Studies, 1999).

<sup>107</sup>Judy Dempsey, “EU and US in conflict on plan for NATO rapid reaction force,” *Financial Times*, September 18, 2002.

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<sup>108</sup> John Tagliabue, "Poland to Buy Lockheed Jets, Rival Reports," *New York Times*, December 27, 2002.

<sup>109</sup> See the remarks of Roman Kuzniar, director of the Planning and Strategy Department of the Polish Ministry of Foreign Affairs, quoted in Rafal Trzaskowski, "Poland," in Missiroli, ed., *Bigger EU, wider CFSP, stronger ESDP?* p. 23.

<sup>110</sup> For the most recent proposal, see "Contribution by Mr. Dominique de Villepin and Mr. Joschka Fischer, members of the Convention, presenting Franco-German proposals for the European Convention in the field of European security and defence policy," CONV 422/02, Brussels, November 22, 2002.

<sup>111</sup> Article 19 TEU.

<sup>112</sup> Romania is taken to task for this action in the Commission's "roadmap" for accession. See *Communication from the Commission to the Council and the European Parliament: Roadmaps for Bulgaria and Romania*, COM(2002) 624 final, Brussels, November 12, 2002, p. 41.

<sup>113</sup> The members of the like-minded group that led the negotiation of the landmine treaty were Austria, Belgium, Canada, Ireland, Germany, Mexico, the Netherlands, Norway, the Philippines, South Africa, and Switzerland. The members of the ICC like-minded group were Australia, Austria, Argentina, Belgium, Canada, Chile, Croatia, Denmark, Egypt, Finland, Germany, Greece, Guatemala, Hungary, Ireland, Italy, Lesotho, Netherlands, New Zealand, Norway, Portugal, Samoa, Slovakia, South Africa, Switzerland, and Trinidad and Tobago (representing 12 Caricom states). See M. Cherif Bassiouni, "Historical Survey: 1919-1998," in Bassiouni, ed., *The Statute of the International Criminal Court* (Ardsley, NY: Transnational Publishers, 1998), p. 25.

<sup>114</sup> This is the case in 2003, when France, Britain, Germany, Spain, and Bulgaria are serving on the Council.

<sup>115</sup> On this point, see Van Oudenaren, "Russia's Elusive Place in Europe;" Michael Emerson, *The Elephant and the Bear* (Brussels: Centre for European Policy Studies, 2001); Michael Emerson, "The Wider Europe as the European Union's Friendly Monroe Doctrine," CEPS Policy Brief No. 27 (October 2002); and the discussion of the EU's "gradated empire" in Ian J. Manners and Richard G. Whitman, "Towards Identifying the International Identity of the European Union: A Framework of Analysis of the EU's Network of Relationships," *Journal of European Integration*, vol. 21, no. 2, pp. 231-249.

<sup>116</sup> "Common Strategy of the European Council of 19 June 2000 on the Mediterranean region," 2000/458/CFSP, *Official Journal of the European Communities*, L 183/5, June 22, 2000.

<sup>117</sup> "The major European countries have no interest in bolstering U.S. leadership or dominance in Europe. U.S. engagement in Europe was certainly necessary in the Cold War, but nowadays there is no need for Europeans to follow automatically the preferences of a power, however well disposed, which has its own interests and legitimately wishes to pursue them." William Hopkinson, *Enlargement: A New NATO*, Western European Union, Institute for Security Studies, Chaillot Papers, October 2001, p. 97.

<sup>118</sup> These suspicions flared up in connection with U.S. Defense Secretary Donald Rumsfeld's reference to "old Europe" in the context of the dispute between the United States and France and Germany over possible military action in Iraq. See Keith Richburg, "'Old Europe' Reacts to Rumsfeld's Label," *The Washington Post*, January 24, 2003.

<sup>119</sup> CEC, *Towards the Enlarged Union: Strategy Paper* (2002), p. 5.

<sup>120</sup> On this point, see John Van Oudenaren, "E Pluribus Confusio: Living with the EU's Structural Incoherence," *The National Interest*, No. 65 (Fall 2001), pp. 23-36.

<sup>121</sup> See Giandomenico Majone, "The Credibility Crisis of Community Regulation," *Journal of Common Market Studies*, v. 38, n. 2 (June 2000), pp. 273-302.

<sup>122</sup> A case in point is Transport and Energy Commissioner Loyola de Palacio, who has been badly stymied by the member states in pushing forward any kind of strong, internal agenda in her areas of responsibility, but who has been very active in promoting an *external* agenda on such issues as the Galileo satellite project, the requirement that member states renounce or renegotiate bilateral aviation accords with the United States, and the transfer of control over oil stocks from the International Energy Agency to the Commission.

<sup>123</sup> These themes are discussed in more detail in John Van Oudenaren, "Unilateralism, Multilateralism, and Transatlantic Relations," paper presented at Woodrow Wilson School, Princeton University, October 4, 2002; revised version published as "What Is 'Multilateral'?" *Policy Review*, No. 117 (February-March) 2003.

<sup>124</sup> "Power and Weakness," *Policy Review*, No. 113 (June-July) 2002.

<sup>125</sup> See Kenneth Anderson, "The Ottawa Convention Banning Land Mines, the Role of International Non-governmental Organizations and the Idea of International Civil Society," *European Journal of International Law*, vol. 11, no. 1 (2002), pp. 101-102. For Rabkin, see *Why Sovereignty Matters* (Washington: AEI, 1998); *Euro-Globalism?* (Centre for the New Europe, 1999); and "Is EU Policy Eroding the Sovereignty of Non-Member States?" *Chicago Journal of International Law*, vol. 1, no. 2 (Fall 2000), pp. 273-290. See also the other articles in this issue, first presented at the American Enterprise Institute (AEI) conference, "Trends in Global Governance: Do They Threaten American Sovereignty?"

<sup>126</sup> See Edward Alden and Michael Mann, "US shifts tactics in GMO clash with EU," *Financial Times*, October 15, 2002.

<sup>127</sup> See Leo Van Houtven, *Governance of the IMF: Decision Making, Institutional Oversight, Transparency and Accountability*, IMF Pamphlet Series No. 53 (2002), p. 66, for a discussion of the IMF issue.



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