CHAPTER III
FRANCE, GERMANY AND THE ENLARGEMENT OF THE EUROPEAN UNION

The cascading events in Europe following the collapse of the socialist system, the completion of the Single Market and the signing of the Maastricht Treaty rendered the EU with sufficient dynamism to sustain its integrationist momentum and draw attention from its northern and eastern neighbours. Before the end of the East-West conflict, the option of integration was not available to all Europeans. The members of the European Free Trade Area (EFTA) deliberately chose to be left alone, some South European states were kept at a distance while the East Europeans were segregated from the west during the Cold War.\(^1\) The thaw in the East and the emergence of the EU as a dominant trade bloc which brought the Eftans close to the latter implied a more inclusive interpretation of the EU. The EU found itself facing a new challenge of enlargement and this eventually gained prominence in the EU agenda.

The European Community of Six, after the First Enlargement in January 1973, became the EC of Nine (with the United Kingdom, Denmark and Ireland). The Second and Third Enlargement, from the EC of Nine to the EC of Twelve took place in January 1981 with the addition of Greece and in January 1986 with the inclusion of Spain and Portugal. The Fourth Enlargement, from the EC of Twelve to the EU of

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\(^1\) See, Helen Wallace, The Europe that came in from the cold", *International Affairs*, vol.67, no.4, October 1991, pp.647-663.
Fifteen (with Austria, Sweden and Finland), took place from 1 January 1995. A fifth and subsequent enlargements of the EU are likely to take place at the turn of the century.

Prior to the 1990s, discussions of enlargement primarily focussed on the applicant states either from the Union's southern periphery or northern states of the EFTA. With the spread of democratization throughout the Central East Europe, the form, speed, scope and need for enlargement has become EU's pressing problem.

The EU was envisaged as a wider family of European states with flexible institutional relations. The Treaty of Rome (1957) adequately accommodated the original six members all of whom shared relatively similar economies and levels of development. Both the Single European Act (1986) and the Maastricht Treaty (1991) introduced policy and reforms to assist the EU with its increased membership of Twelve and to prepare it for further enlargement. Maastricht of course fell far short of radical measures needed to prepare the EU for the subsequent expected enlargements over the next decade. The Maastricht Treaty, taking into consideration only the EFTA applicants, incorporated Article O, stating: "Any European state may apply to become a member of the Union."2 The term 'European' combines geographical, historical, cultural elements which all contribute to the

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European identity. Other essential conditions for membership as referred to in the Maastricht Treaty are the principles of democracy and free market economy, the respect for human rights and the acceptance of the Union acquis, i.e., the legal, economic and political framework of the EU, including the ability to implement the CFSP.

IMPACT OF PAST ENLARGEMENTS

In order to understand the issue of future enlargements, it is necessary to discuss it within the context of EU's past experience of enlargement from Six to Twelve and Twelve to Fifteen. The EU has significant experience of increasing its domain geographically. Enlargement has successfully taken place on four successive occasions (1973, 1981, 1986 and 1995). Despite the unique features of each, the themes common to all three enlargements can be identified: the level of commitment to the European ideal, economic and political compatibility and the impact on existing policy frameworks.

FROM SIX TO TWELVE

The political content of EU membership, particularly in 1973, had been under-emphasised in comparison with economic aspects. Britain's isolation from the EC would have relegated it to a 'second class European', on the other hand, economically, the Common Agricultural Policy (CAP) was ill-adapted to the British needs, and Britain was sensitive about relinquishing its national sovereignty. Given this attitude towards the EU, it is hardly surprising that a significant percentage of the British population still remain ambivalent to membership. Denmark also displayed a similar level of attitude.
towards the political vocation of the EU but sought EU membership in a bid to extend EU’s influence northward in the Nordic region.

The decade that followed the first enlargement lent support to those who argued that "widening" would be incompatible with "deepening". The EU underwent a period of stagnation although steps such as the first direct election to the European Parliament and the creation of the European Monetary System (EMS) were taken. Britain and Denmark resisted proposals that they felt would erode their national sovereignty. Both Denmark and the UK, two enthusiasts for a widened EU preferred to see it as a loose inter-governmental structure with an expanded free trade area.³

The enlargements in 1981 and 1986 also had to face the question of commitment to the EU ideal. The theme common to the second and third enlargements was that of economic and political compatibility. For different reasons, the three applicants --- Greece, Spain and Portugal --- were delayed on the grounds of compatibility with the EU. The three states were free from dictatorial strongholds and the EU was a symbol of democracy which would help consolidate their newly formed democratic system. For the EU, the political factors, like, maturing of these fledging democracies was essential.⁴


The Southern enlargement brought with it a new kind of economic divergence which generated new policy in new areas. The economies of the three new members were at a premature stage of development. These members and Ireland pressurized the EU for regional development and social cohesion to complement and balance the economic consequences of the Single Market. After the Maastricht conference, the Council agreed on a "Cohesion Fund" for the poorer states.

The three successive enlargements of the EU have had significant impact on EU politics. The CAP, which is EU's most controversial and yet most developed policy area, went through major structural changes. The first enlargement saw the Irish and Danish dairy sectors integrated into EU's agricultural support system, together with Britain's farming enterprises, but the latter did not benefit from its financial contribution to the CAP. The economic disparity between the Nine and the new members had detrimental consequences for the CAP.

EU's successive enlargements have tended to strengthen intergovernmentalists, like the U.K, Denmark and Greece, in areas like decision-making, the limited roles ascribed to the Parliament and Commission and the political authority of the Council. Though these enlargements of the EU may have dissipated much of its dynamism upto the mid 1980s, but conversely, without these enlargement-caused-crisis, the EU may never have been able to address the structural loopholes in its institutions.
FROM TWELVE TO FIFTEEN

With the completion of the Single Market, there have been major implications for EU’s trading partners of which the EFTA countries were the most important ones. The Single European Act (SEA) of 1986 which created new challenges for the EFTA’s previous relations of bilateral free trade with the EU proved to be too inadequate. Lacking a strong foothold and facing a discriminatory potential in view of EU’s internal market programme, the EFTA countries sought to re-fashion their relationship with the EU. Their disappointment with the European Economic Area (EEA) which was set up to ensure a "more structured partnership" made the EFTA states seek a more palpable alternative in the form of full membership into the EU.\(^5\) For the EU, there was a noticeable change in its perception towards the EFTA countries. The proximity of their socio-political and economic set up with that of the EU, made the latter move closer to their more affluent neighbours, whose inclusion would not only expand the revenue base of the EU but also help share the burden of reconstruction of Eastern Europe.

With the application of membership coming from Austria, Sweden, Finland and Norway, the EU started negotiation with each of them on its own merit. The other EFTA countries, namely, Iceland, Switzerland and Liechtenstein decided to remain outside the EU due to

their respective national restrictions against joining a supranational organization. The referendum held in the four applicant states became the deciding factor for EU membership. Austria, Finland and Sweden voted in favour but Norway rejected EU membership. On 1 January 1995, the three countries joined the EU and the EC of Twelve expanded to the EU of Fifteen.

The Nordic members of the EU who are by nature confederalists with a clear sense of identity, entailed a change in several structures of the EU institutions. A new set of problems centering around the rotating Presidency of the EU Council, the functioning of the Commission and the European Parliament with the increase in the number of members, came to the fore. The European Parliament has already been plagued by a quantity problem. The enlargement of the EU had a danger of the Parliament suffering from a "paralyzing hypertrophy" and possibly a lack of unanimity in policy formulation.6

A decisive issue that came up with the accession of the three states, mainly Austria, was with regard to the implementation of the CFSP. A Member State which has legal status for maintaining permanent neutral status could create hurdles in reaching a consensus on the issue.

Apprehensive of some of the institutional challenges that a geographical expansion would entail, the EU agreed to examine them in

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6 See, Trevor Meridian, "How will the EFTA four affect the EU Twelve?" European Trends, (EIU), 2nd quarter 1994, pp.53-62.
the, 1996 Intergovernmental Conference (IGC).

**PRINCIPLES OF EU ENLARGEMENT**

The challenge of enlargement which the EU faces today with the changes in the European landscape, raises questions about the way in which the EU has traditionally managed the enlargement process and whether this is an appropriate framework for the future. The classical method of enlargement has been based on five key principles, which though often reluctantly accepted, have been the underpinning principles of the integration process.

The first principle implies the full acceptance of the _acquis communautaire_, by the applicant states. This principle found expression in De Gaulle's rejection of the UK's application to EC membership in 1963 on grounds that the UK was incapable of adapting to the _acquis_. In more recent enlargement, this acquis has been expanded in order to strengthen EU institutions.

The second principle is based on the premise that formal accession negotiations focus solely on the practicalities of the applicants taking on the _acquis_. The EU manages this process by setting up transitional periods, target dates for reducing tariffs and quotas. This principle was tested when it was believed that Greece, Spain and Portugal would have more difficulties in adjusting to the

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7 Christopher Preston, "Obstacles to European Union Enlargement", *Journal of Common Market Studies*, vol.33, no.3, September 1995, p.352

8 UK's commitment to the European Community was also questioned by France due to the former's "special-relation" with the US and ties with the Commonwealth countries.
acquis. In the case of Greece, it was overridden by the political priority given to locking Greece's new democracy into the Union. The budgetary burdens of Spain and Portugal also made the negotiations protracted.\(^9\)

Each enlargement has brought into fore the possibility that hard won agreements between Member States might have required a reform in order to integrate new members, if their economic structure does not fit into the existing patterns of the EU-expenditures etc. This issue was raised during the Spanish & British cases of enlargement. UK's high level of food imports from cheaper producers and Spain's competitiveness of agricultural exports threatened to undermine the CAP. Strict application of the acquis either imposed domestic adjustment costs on existing Member States as was the case with French farmers during the Spanish enlargement or imposed high budgetary burden on new members, as was with the UK. In these cases, the Union's preference has been to stretch the adjustments and transitional periods of the acquis and unburden the problem of adjustment on to the applicant states and refashion the acquis once the new members joined. The establishment of the Regional Development Fund in 1975 and Structural Funds in the late 1980's addressed the issues created by UK's membership and the Iberian enlargement respectively.\(^10\)

EU's previous enlargements have pointed out that the Union

\(^9\) Preston, n.7, p.454.

\(^10\) Preston, n.7, p.454.
prefers to negotiate with groups of states which already have close relations with each other. Despite this, preference, policy and issue linkage between applicants, can hamper the enlargement process. The negotiation process of EU's first enlargement was determined by issues raised by the UK's application. The Danish and Irish applications were linked to a series of issues over which they might not have had any control. During the Mediterranean enlargement, the difficulties created during the Spanish negotiations tended to undermine the negotiations with Portugal. The EFTA enlargement presented the EU with a close grouping whose experience in the European Economic Area (EEA), facilitated convergence in EFTA's negotiations with the EU.

THE CHALLENGE OF FUTURE ENLARGEMENT

Future enlargements present the EU with more choices although some sub-groups can be identified like the four Visegrad States or the Baltic States. EU's policy objective is geared to strengthen these linkages within a coherent framework before accession negotiations can begin. The EU on completing the first stage of its post Cold War reconstruction by embracing three states of EFTA has had to shift its

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11 As was the case during the Iberian enlargements when the EC negotiated with both Spain and Portugal together, or the recent EFTA accession.

12 Preston, n.7, p.456.


14 Ibid., p.456.
gaze to its East in response to the emerging challenges that came with the transition in the erstwhile communist countries of Central and Eastern Europe.

1989 was the annus mirabilis of the postwar era of Europe. The democratic resurgence in East Europe blurred the political boundary between the East and the West. The chief event in this period was the transformation of Hungary, Poland, Czech and Slovak Republic, Bulgaria and Romania into nascent democracies and the disintegration of Soviet Union. In the wake of the collapse of the socialist system in Central East European Countries (CEEC), the EU has been confronted with a new set of challenges in the form of political and economic instability, resurgence of nationalism, resulting in an exodus of refugees from the East to the West. These issues, if neglected has the potential of spilling over to the West and jeopardizing its peace and stability.

**IMPLICATIONS OF THE CHANGES IN THE CEEC**

Central East European Countries in the aftermath of the 1989 revolutions represent on the one hand, an assertion of a historical and cultural identity distinct from that imposed for 45 years by the Soviet Union. On the other hand, it is also a part of the continuing political search for an alternative to the partition of Europe. Their economy is characterized by a high rate of inflation, growing unemployment, decline in real income, steeply rising public debt, and unfruitful

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transition to hard currency. All these offer a fertile ground for the resurgence of traditionalist and nationalist forces which are often seen to be reversing to old historic designs. The Yugoslav crisis bears testimony as to how a failure to cope with these threats could spillover to the EU and jeopardize the peace and security of its neighbouring areas. The transformation of CEEC, which has been considerably impaired by ethnic and nationalistic elements, accentuated the problems of mass migration from East to West.

**MOTIVATIONS OF THE CEEC FOR EU MEMBERSHIP**

The countries of CEEC, which have recently emerged from the shackles of communism, consider membership of the EU as an anchor for political and economic stability and greater regional security. The EU is a model which the CEEC aspire for, in terms of high living standards, economic growth and a long record of democratic credentials. Moreover, the Single Market project by putting East Europe before the prospect of having to face a powerful and compact economic bloc, probably made these ex-communist regimes aware of their near bankrupt state of economies. In the East European states it is assumed that the removal of internal frontiers within the EU would lead to trade divisionary effects and that market access for EU would be

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impaired. From the point of view of the East European states, the worst possible outcome would be to find themselves isolated between West European states and a problematic Russia. 18

EU'S RESPONSE TO THE CEEC

The explosive potential of this situation has up till now mainly been contained by a European political order which is also dominated by one of its former Cold War features, viz., the institutionalized political and economic interdependence of West European states. The question is whether this order could be successful without its extension to Eastern Europe. When ex-Foreign Minister of Belgium, Mark Eyskens remarked "what has to be prevented at all costs in tomorrow's Europe, is the rekindling of nationalism as the result of a renaissance of the nation state", 19 it rang a bell of alarm amongst West Europeans, who, as a result of this could be infected by the emerging risks of Central and East Europe.

The EU today faces a sensitive question whether to proceed with the internal integration or to open itself for new candidates and thus enable the process of economic and political consolidation of the former socialist countries. On the one hand, a stable and firmly integrated EU could certainly be a reliable support to market and

democratic changes of East Europe but that would postpone possible admission of these countries for many years resulting in a long period of economic and political instability of a large part of the continent. On the other hand, early admission of these countries to the EU would permit their problems to enter the EU, which would postpone the strategic goals of its integration for a longer period of time.

The acceleration of the process of internal integration in the EU is also coupled with the realization that as the true centre of gravity of future developments, the EU not only has to meet the challenge of internal integration but its commitment in CEEC. In view of a lack of mutual support amongst the East Europeans to create a firm basis for amalgamation, it becomes imperative for the EU to respond to the challenge in the political, economic and security fields. A failure to create a civil society and pluralist structure with market economy may lead to a consolidation of a new European poverty-line. Shaping the relation between Europe's developed centre and semi-developed periphery in a socially compatible way is one of the biggest challenges confronting the EU.  

The EU, thanks to a shared tradition of common heritage and culture, is uniquely placed to help the European neighbours on their way back to democracy and free market economy. The revolution in CEEC and the completion of the Single Market have changed the

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political and economic architecture of Europe. The Single Market can become an opportunity for CEEC if the economic reforms are pushed resolutely. The CEEC provide a huge growth potential at the EU's doorstep -- especially in the Visegrad states namely Poland, Hungary and the Czech Republic due to their developed heavy industries and rapid progress of economic reform.

Another concept for the future relation between the CEEC is the notion of "Mitteleuropa", i.e., a political group of those states with historical and cultural bonds in the centre of Europe. Given the wide scale of involvement of Germany in the economic development of East Europe, an expanded network of connections would lead to link these states to EU in a special way.

The initial reaction of the EU to the historic changes in the former Iron Curtain countries was more of a conglomeration of discrete activities instead of a well developed strategy. The Member States seemed unable to overcome their political differences over the appropriate strategies. The task was left to the EU Commission which resorted mainly to well established means and procedures in the foreign relations of the Union. There were two dimensions for western interests in CEEC, viz., protection against dangers resulting from neglecting the CEEC and of capitalization of profits resulting from the integration of CEEC into Western structures. The Strasbourg Declaration on CEEC, by the European Council on 8 and 9 December 1989, recognizing the EU's responsibility towards the CEEC stated,
The community and its member states are fully conscious of the common responsibility which devolves on them in this decisive phase in the history of Europe. They are prepared to develop with the USA and the other countries of Central and Eastern Europe, and with Yugoslavia, in so far as they are committed to this path, closer and more substantial relations based upon an intensification of political dialogue and increased cooperation in all areas.\textsuperscript{21}

Based on the conclusions of the Strasbourg European Council Meeting of 8-9 December 1989, the Council of Ministers agreed on 20 January 1990 to prepare a draft on concluding Association Agreement with these countries.\textsuperscript{22}

Depending on the geographical proximity and progress in economic transition, the EU negotiated with three types of agreements with the CEEC. The \textbf{European Agreements} were created for potential East European applicants. They were meant to foster their integration by lowering trade barriers and establishing a framework of political dialogue. Poland, Hungary and former Czechoslovakia (CSFR) signed bilateral Europe Agreements in December 1991. Romania and Bulgaria signed it in February and March 1993 respectively.\textsuperscript{23}

\textbf{Trade and Cooperation Agreements} which were signed with the Baltic Republics and Albania in March 1993 and with Slovenia in July 1993 were seen as a step towards Europe Agreements. These agreements grant Most Favoured Nation (MFN) status rather than free


\textsuperscript{22} Ibid.

trade with the EU, excluding the sensitive sectors like textiles, steel and agriculture.\textsuperscript{24}

Partnership and Cooperation Agreements are a new form of agreement announced by the EU in October 1992. They were concluded with Russia in 1994, Ukraine and countries of the Commonwealth of Independent States (CIS). The central issue in these agreements is market access.

TRADE AND AID

Following the collapse of the Council of Mutual Economic Assistance (CMEA), the countries of Eastern and Western Europe became the most important trading partners. With the nordic enlargement of EU, its external trade accounts for roughly 87 per cent in case of Slovenia, 70 per cent in the case of Poland, 60 per cent for Hungary and almost 55 per cent for Czech Republic. This means that the four countries of Central and East Europe, with the most pronounced EU orientations reveal an extent of external trade ramification already resembling that of most EU Member States. The greater the degree of economic interpenetration, the greater the advantage of membership. The CEEC extended trade with the EU despite the fact that the latter erected trade barriers which do not exist within the EU. The Europe Agreements merely envisage a step-by-step reduction of tariff and quantitative restriction until a free trade area has

\textsuperscript{24} EC, Commission, Annotated Summary of Agreements Linking the EU with Non Member Countries, 31 December 1992, 351/930, Brussels, January 1993, p.98.
been created. The four Visegrad Countries --- Poland, Czech Republic, Hungary and Slovakia --- were given unimpeded access to the EU market for industrial goods from 1 January 1995, the corresponding access date for iron and steel products was in 1996 and for textiles until 1998. Imports of agriculture are however subject to the restriction of the CAP for an unlimited period. The same regulations apply to Romania and Bulgaria.

The countries of Central and East Europe are often seen as exporters of raw materials and agricultural products. These countries however have a much more advanced production structure than the Southern members of the EU. Machinery and transport material from the three Visegrad states have tremendous access to the German markets. Intra-industrial trade is more significant between the EU and the Visegrad states than in the case of the Member States --- Portugal, Greece and Finland. Hungary's intra-industrial trade with the EU reaches the levels recorded by Denmark and Ireland.

The CEEC have become important for the strategic locational planning of companies. The shift in their external trade to industrial goods is motivated by the fact that wage-intensive production and foreign investment are moving to an increasing extent to these


26 Ibid.
countries. The wage costs in Poland and the Czech Republic are roughly 7 per cent of the West German level, while roughly 50 per cent of the West German productivity level is achieved.

Following Europe Agreements, EU imports from the CEEC increased from 15.4 per cent in value terms in 1989 to 23.6 per cent in 1993. Poland recorded the highest share of imports to the EU followed by Hungary and the Czech Republic. EU exports to CEEC increased from 13.1 per cent from 1989 to 29.4 per cent in 1993 with the three Visegrad states recording the largest share of EU exports.27

In a bid to bail out the CEEC from economic impoverishment, the EU has taken a key role in coordinating the overall Western aid efforts for CEEC. These efforts are centered around Poland-Hungary Assistance for Reconstruction of the Economy (PHARE), European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) bilateral and schemes from donor countries, i.e., Group of 24 (G-24).28

Originally set up for Poland and Hungary, the PHARE programme was extended to Bulgaria, CSFR and Romania. The PHARE programme has surpassed EU's trade agreements with Poland and Hungary by abolishing all specific quantitative restrictions imposed by EU Member States on Polish and Hungarian products excluding the


sensitive goods. This gives Poland and Hungary treatment equal to that accorded to most of EU's other General Agreement on Trade and Tariff (GATT) trading partners.

The G-24 assistance to the CEECs in 1990-93 was ECU 33080.81 million out of which ECU 23663.01 million were allotted to the Visegrad states while ECU 9417.75 million were given to the other states of the region. As far as loan from the EIB is concerned, from 1990 to 1993, the Visegrad states have received the maximum loan from the EIB. In 1993 Poland received ECU 2300 million, Hungary received ECU 72 million and ECU 100 million was allotted to Czech Republic while Romania and Bulgaria received ECU 65 million and ECU 51 million respectively. Poland and Hungary have been the two most beneficiaries of the EBRD loan. In August 1994, the EBRD decided to give a credit of $38 million to Poland over a period of 10 years for developing energy while loans worth ECU 75,000,000 was granted to Hungary in 1993 for restructuring transport.

Recognizing the possibility of eastward expansion of the EU, the Member States and their officials have gone on record to reassure some

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potential states of the CEEC of their entry into the EU. In his meeting with the Polish Deputy Prime Minister in September 1994, EU Commissioner Jacques Santer confirmed the opinion that Poland may become a full fledged member of the EU by 2003-2004 AD.\(^{34}\)

Britain's preference for a loosely structured but geographically wider EU could be gauged from Leon Britan's keenness towards embracing the East. He stated, "we have taken a quantum leap towards bringing the Central and East European countries into the EU...".\(^{35}\)

The EU's dealings with CEEC, through its trade relations, aid, investment and loans, show a clear differentiated approach which the former has adopted vis-a-vis the three Visegrad States, i.e. Poland, Hungary and the Czech Republic and also Slovenia. The three states, owing to their relatively developed economy than Romania & Bulgaria, are in a better position to be considered for EU membership. Cyprus, Slovenia and Estonia together with the three Visegrad states constitute the first potential EU candidates to be considered for membership.

**TURKEY**

The southern enlargement of the EU which brought in Greece, Spain and Portugal into its domain, necessitated additional consequences from other neighbouring countries which found themselves being engaged in a competition for development. Other

\(^{34}\) Pap News Agency (Warsaw), 8 September 1994, in BBC, SWB, EE/2097, 10 September 1994, p.A/1.

\(^{35}\) Financial Times (London), 1 November 1994.
Mediterranean countries like Turkey were particularly hit hard by the repercussions of EU's Southern enlargement because of their geographical proximity and a fairly similar economic structure. Turkey was a special case with which the EC maintains ties following the Ankara Agreement of 1968. Article 28 of the Ankara Agreement envisages Turkish accession to the EU, once the country is in a position to fulfil the acquis communautaire.\(^{36}\)

Turkey's external relations after the Second World War were determined by both national security and economic cooperation. Feeling directly threatened by the Soviet expansionism, it joined the North Atlantic Treaty Organisation (NATO) in 1952. Henceforth, Turkish governments maintained fostering ties with Western Europe-by seeking membership of the Council of Europe and Conference on Security and Cooperation of Europe (CSCE). The disintegration of the Soviet Union left a political vacuum in the Trans-caucasian belt and Central Asia, which Turkey sought to replace. Its myriad domestic problems coupled with unfriendly relations with Greece over Cyprus, and terrorism on Kurds triggered problems for Turkey.\(^{37}\)

Turkish interest in seeking EU membership, nevertheless, remained one of its foremost priorities. Advocates of joining the EU view membership of the EU as a culmination of their process of

\(^{36}\) For a text on EC-Turkey Association Agreement, See Official Journal of the European Economic Community, no.217, 29 December 1964.

Westernization in which Turkey has been engaged for so long and it is a matter of Turkey being acknowledged as a member of the west and as a European country. Another major political motive governing Turkish interest towards the European Union is the "Greek factor". Turkey's bid to apply for Association Agreement with the EU in 1959 only eight weeks after Greece, reflects its efforts to ensure that the other side of the Aegean does not gain an edge in world affairs. Since Greece became a member of the EU, Turkish representatives have constantly voiced fears if Greece was using its membership to keep Turkey out of Western Europe. Aspirations for EU membership has also been motivated by economic factors, which include better access to western markets, export of labour (migrant workers) easing Turkey's burden on the domestic labour market and boosting economic development by financial aid from the EU. These interests form the background for EU-Turkey relations. Since September 1971, the EU has abolished all import tariffs and other levies in non-agricultural goods from Turkey other than textiles and petroleum products. EU has also established a customs union in 1995 with Turkey introducing the EU's common external tariff and abolishing quotas on imports from EU.

The present ruling coalition of Germany have assented to bring Turkey within the European perspective. Backed by the Social


Democratic Party (SPD) government of Germany, the EU has agreed, in the Helsinki Summit of December 1999 to grant the status of a candidate country to Turkey as the isolation of Turkey could be risky on geopolitical grounds. The Christian Democratic Union/Christian Social Union (CDU/CSU) remains critical to this approach as they feel that if Turkey is granted membership, it would be the biggest country in terms of size and poorest in terms of economy, which in turn would take a large share of the EU budget as a net recipient.

Despite the recent proclamations of increasing ties, prospects of Turkey’s membership into the EU does not seem optimistic for several reasons. Turkey’s main shortcomings, as perceived by the EU, has been its failure to draw consequences for national economic development policies from its treaty commitment to aim at an eventual membership. The most important factor which does not allow the EU to cherish thoughts of Turkish membership is the religious and cultural difference between the former and the latter. During the Fourth enlargement, EU’s worries about the influx of Protestants from Sweden and Finland in a predominantly Roman Catholic society was a clear indication of its desire to maintain a uniformity in the religious and cultural landscape of the Union. It is seriously felt in the EU that the inclusion of a


41 Interview with Dr. Ulrika Guerot, Former Member of CDU Parliamentary Group, Haus der Deutschen Wirtschaft, Berlin, 1 December 1999.
Muslim country would not only introduce asymmetrical sets of values but also cause cultural invasion in a "Christian Europe". Many observers, both from the European left and right parties have suggested that “Europe” was a homogenous continent with one religion and one civilisation, and that the integration of an alien religion would represent serious challenges to the societies, thus forbidding to some extent the admission of a country with a dominant Muslim population.\textsuperscript{42} In Turkey, too, there is a constant contradiction between the Kemalist inspired philosophy of etatism alongside a pronounced nationalism and the achievements of Western orientation by means of association with the EU. Turkey here faces the task of reconciling two basic features of its political culture that in principle defy reconciliation.\textsuperscript{43}

MALTA AND CYPRUS

Apart from Turkey, Malta and Cyprus have long been aspiring for EU membership and have for long been waiting in the wings of the EU.

As regards the application for membership from Malta and Cyprus, the European Council Meeting at Lisbon on June 1992 agreed to consider these applications on its merits. As regards Malta, the EU had agreed on starting accession negotiations six months after the 1996 IGC on the basis of the Commission’s proposals. Meanwhile the


\textsuperscript{43} Kramer, n.39, p.109.
Commission continues to monitor Malta's implementation of reforms to prepare its economy for accession. The per capita GNP of Malta is estimated at ECU 5630 which is lower than the EU average, less than that of Spain and Ireland but more than that of Greece. Membership of Malta to the EU would mean an additional expenditure between ECU 60 to 70 million from EU's Structural Fund while a net revenue of ECU 25 to 30 million will flow from the EU budget, making Malta a net beneficiary.

Although Malta had applied for EU membership back in 1990 after its Association Agreement in 1970, the EU has not been too enthusiastic about its membership. This could be due to Malta's exceptionally small size of 316 km and its leanings towards Libya, a terrorist state. Italy in particular has been often threatened by Malta's links with Libya with whom the former shares a common cause of the Mediterranean security. Domestic politics which often sees confrontations between the anti-EU Socialist Party and the Nationalist Party have also hindered the democratic credibility of the state.

Cyprus and the EC have been linked with each other ever since the Association Agreement of 1972. Cyprus which has a predominantly agricultural economy sought to enhance its economic development by

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getting access in EU markets and also be included in EU's Mediterranean Policy. The de facto division of Cyprus between Greece and Turkey following the Turkish invasion in 1974 caused a set-back in EU-Cyprus relation.\textsuperscript{47} EU however concluded a Customs Union in two phases with Cyprus in 1978 after the former's southern enlargement. The first phase marked the adoption of the Common Customs Tariff by Cyprus while the second phase which extends from 1997-2002 include the free movement of industrial and agricultural product.\textsuperscript{48} The situation in Cyprus worsened after the unilateral declaration of independence of Turkish occupied Cyprus in 1983. In view of its application for membership to EU in July 1990, the EU has agreed to start accession negotiations by mid 1998, six months after the 1996 IGC. Without a settlement between Turkey and Greece over the de facto division of Cyprus, it will be practically impossible for EU to consider Cyprus as a potential candidate. All evidence suggests that Turkey will not easily cede the northern territory of Cyprus as it considers Cyprus "an island which pierces the middle of Turkey like a dagger" and the "existence of Turkey in northern Cyprus is a guarantee against any enemy."\textsuperscript{49}


\textsuperscript{48} EC, Commission's Opinion in the Application by the Republic of Cyprus for Membership, Com (93), 313 final, Brussels, 30 June 1993.

EU's cast-iron promise to open accession talks with Cyprus which also happens to be the world's most densely militarised confrontation zone, has been considered by many Member States as rash. To quote German Foreign Minister Klaus Kinkel,

Anyone who wants to join the EU must know that the EU cannot deal with the accession of new members that bring in additional external problems.\(^50\)

EU faces a crucial issue as the Greek Cypriots are pressurizing the former to open talks on making Cyprus a member of the EU, while the Turkish Cypriots have not reached to any kind of reconciliation with the Greek Cypriots.

RUSSIA

EU's well-established credibility as an "island of peace and stability" has not only been confined to the countries of Central and Eastern Europe. Russia too perceives itself as a potential member of the EU, although from EU's standpoint this is a far-fetched expectation. EU is Russia's largest trade partner accounting for 45 per cent in 1995. Germany is Russia's biggest trading partner accounting for 40 per cent of EU trade. Russia attracted $700 million as foreign investment from EU in the first half of 1995.\(^51\) EU had earlier signed a Partnership and Cooperation Agreement with Russia in 1994. On 17 July 1995, it enhanced its partnership with Russia by signing an Interim Cooperation Agreement on trade. This agreement which enables the elimination of

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\(^50\) As Cited in The Independent, 23 January 1997.

quantitative restrictions and tariff provisions, came into force on 1
February 1996.

Given the massive size of Russia and its economy grappling with
reforms, membership is more than a distant prospect. There is a virtual
unanimity amongst the EU Member States of Russia being "a bull in a
china shop". The regional conflicts in Bosnia, Chechnya had led to a
revival of nationalistic flavours in Russia. This syndrome coupled with
the parliamentary debut of a Right-Wing extremist Vladimir
Zhirinvosky also put into question the democratic credibility of Russia.
It has been stated that trade itself is not a sufficient ground for
complacency. Russia figures well below the potential required for
mutually profitable business and attracts fewer funds than other East-
European economies.\textsuperscript{52} Since a complete political and economic
isolation of such a vast country would be detrimental for the whole
continent, EU has adopted a strategy through cooperation Agreement to
retain ties with Russia to foster stability and security in the country.

**GERMANY AND ENLARGEMENT OF THE EU**

With the political upheavals in CEEC, Germany's Ostpolitik or
eastern policy gained a new dimension and greater momentum. This is
largely due to the fact that Germany being the closest Western
neighbour of the volatile East is easily jeopardised by any kind of
political, social and economic and adversities of that region. High

\textsuperscript{52} For text see, EC, Commission, Speech by Hans van den Braack, "EU-Russia: A
levels of inflation rates, nationalist excesses leading to outbreak of violence brought in a wave of migration from CEEC to Germany. Between 1989 to 1992 a significant 1.35 million refugees who sought asylum in Germany came from CEEC. The same year witnessed 22,000 crimes against foreigners and electoral successes of right wing parties. In 1993, a trend towards political polarization continued as an increasing number of citizens voted for parties of extreme Right and the Greens.53

The disintegration of the "Yalta system" brought with it old and new questions about the German factor in Central European equation. For historical and cultural reasons it is impossible to reclaim a Central and East European identity without its essential German component.54 Germany has had an inextricable link with the East ever since the end of the Second World War. In the beginning of the 1980's, Konrad Adenauer, the first Chancellor of FRG, initiated a "policy of strength" by assuming that the EC's magnetic attraction would fade communism. This policy gave way to Willy Brandt's "change through rapprochement" which was based on the premise that the EC was a catalyst for creating an all-European peace and stability zone. Chancellor Helmut Schmidt continued the notion of "West Europe's windows, doors and passageways to the East Europeans". This


theme still ran strong and was enhanced by Helmut Kohl.\textsuperscript{55} Before 1989, Germany's eastern policies aimed at bringing about a change in the Soviet bloc, legitimately. With the upheaval in the East, the questions of stability and security in the East became incremental for Germany. To Germany, European integration and progress in Eastern Europe were locked in a symbiosis of stability. Political union was deemed to provide an "anchor of stability to deal with the immediate risks and uncertainties" of East European countries and to stimulate the long-term political and economic stabilization that would permit their entry into the EU. This change in priority towards the East was largely due to the fact that Germany is the closest Western neighbour of the volatile East and is easily jeopardised by any kind of political social and economic adversities of that region.

Germany's geopolitical and economic ties with CEEC makes it indispensable for Germany to shoulder most of its financial burden in the provisional aid and assistance of CEEC.\textsuperscript{56} From 1989 to 1993 Germany paid ECU 7.3 billion as aid to CEEC. Germany has also been the main donor and investor in CEEC. Foreign Direct Investment (FDI) flows from Germany to CEEC increased from DM 103 million in 1989 to DM 4.2 billion in 1995. In Hungary, where FDI has been the highest in CEEC, out of $7.5 billion recorded till the 3rd quarter of 1994, 20


\textsuperscript{56} Rupnik, n.15, p.259.
per cent of the total came from Germany. In the Czech Republic 39.9 per cent of total investments between 1991-1992 came from Germany.\textsuperscript{57} Germany was the largest member of foreign capital partnership in Poland, which figured over 3000 in 1994.\textsuperscript{58} German exports to CEEC increased from ECU 13.1 per cent in 1989 and reached ECU 28.9 per cent in 1994.\textsuperscript{59} German overall trade with Eastern Europe reached DM 100 billion in 1994. Germany accounts for nearly half of the EU's total trade with CEEC. The total trade in 1995 was DM 120 billion with German exports totalling to DM 58.5 billion. Germany's trade with CEEC exceeds its trade with the United States or Great Britain and it is expected that Germany's trade with CEEC will double by the year 2000.\textsuperscript{60}

The outcome of German elections in 1994 have had an impact well beyond Germany's borders. Germany has taken upon the task of using the next 3-4 years to prepare the EU for a decisive phase of enlargement. Germany's special interest in Eastern Europe has been emphasised by German Foreign Minister, Klaus Kinkel,

... in achieving political unification we derived a maximum gain from the end of the East-West conflict. On the basis of our central location, our size and our traditional relations with Central and East


\textsuperscript{59} EUROSTAT, no.7, 1994.

\textsuperscript{60} As cited in R.K.Jain, "Germany and the EU: Maastricht to the 1996 IGC", Paper presented at the International Seminar on Germany in the Ninties, JNU, New Delhi, 4-5 November 1996.
Europe, we are predestined to derive the primary advantage from the fact that these countries have intervened from Europe.\textsuperscript{61}

Two most important objectives of the German government seems to be narrowing the gap between East and the West to make Germany a more effective proponent of European integration.\textsuperscript{62} In a speech Chancellor Kohl, after emphasising on his pledge to intensify his commitment to European integration, said he would bring the young democracies of CEEC closer to the EU, in view of the risks and uncertainties which the East may pose for Germany. To quote Helmut Kohl, "it is neither in Germany's interest nor in Europe's interest that the Western border of Poland remains the Eastern border of the EU.\textsuperscript{63}

Germany's tilt towards Eastern Europe gained momentum in the Essen Summit of 9-10 December 1994. An invitation to the six CEEC to attend the Summit on the one hand, raised hopes for a German-led strategy to build a wider Europe and on the other, signified the relevance and importance of keeping eastward expansion of the EU on track. Helmut Kohl, on sending the message to the CEEC, stated that the EU was not running a closed shop. He said:

We want to show these countries (CEEC) that they will be welcome if they want to join the Union when their domestic and economic

\textsuperscript{61} Feldman, n.SS, p.41.

\textsuperscript{62} Financial Times (London), 14 October 1994.

situation permits it.\textsuperscript{64}

The Central and East European countries also look up to Germany to act as a "bridge-head" between the CEEC and the EU. Drawing the historical and cultural ties of Germany with the East, Czech President, Vaclav Havel, after a meeting with German President, Roman Herzog said that Germany wants to reflect truthfully about history and wants Germany to be a "real trustworthy European country who does not have any problem with its neighbours."\textsuperscript{65}

On one of his visits to Germany, Hungarian Prime Minister Gyualla Horn stated,

The German government is our partner in this and indeed it is one of the main initiators and supporters of Hungary's membership in the EU. We also fully agreed that there was no need to wait until all countries, even the Visegrad simultaneously meet EU membership conditions, but what must be considered is the extent to which the individual countries can fulfil these conditions.\textsuperscript{66}

This statement reveals the underlying desire harboured by the Central European countries who do not want to be treated as one bloc or one single region as and when the EU negotiates on the enlargement strategy with them. They would rather choose to be considered as individual countries. The EU has earlier demonstrated its preference to negotiate on enlargement with group of states which have geographical

\textsuperscript{64} As cited in an interview with Chancellor Kohl in \textit{International Herald Tribune}, (Paris), December 1994, p.2.


proximity with one another. A similar policy towards the CEEC might hamper the process due to the complex issue linkages and the varying degree of development in these states which could undermine the negotiations with the more progressive states of Central Europe.

In view of its traditional links with CEEC, Germany has emerged as a bridge between the East and West of Europe and a vehicle of integration for the "other Europe". Enlargement would expand the internal European market for German goods. German manufacturers are already taking advantage of the much cheaper skilled labour to be found just over the border by relocating production there. Last, but by no means least, Germany would be at the centre of this wider Europe. Regardless of how problematic an intensification of the EU might be in view of the growing heterogeneity which would automatically accompany accession by new members, the pursuance of the two goals of widening and deepening is in-keeping with the German interests.

FRANCE AND ENLARGEMENT OF THE EU

For France, the idea of a European Community has always been one of an able political actor, a distinct defence identity and a cultural mission. In view of this, the "French-Europe" has necessarily been Western Europe; for only Western Europe has had the potential to attain

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68 Timothy Garton Ash, "Germany's Choice", *Foreign Affairs*, vol.73, no.4, July-August 1994, p.76.
these qualities. Therefore, France has always been reluctant to have a European Community or European Union with a blurred border or unclear membership. With the changes in the political map of Europe, Eastern Europe has entered the French domain of debates and discussions.

In the early 1990s when there were debates concerning the eastward expansion of the EU, France preferred to take a restrictive approach towards this issue. Rather, it favoured an intensification of the EU structures and institutions. The fears of escalated German sphere of influence in the heart of Europe, once the CEEC were brought within the EU fold, loomed large in France. With the advent of the neo-Gaullists Rassemblement pour la Republique (RPR) Party in 1994 under Prime Minister Edouard Balladur and President Jacques Chirac, there were perceptible changes in French attitude towards the eastern enlargement. Distancing himself from the provocative remarks made by President Mitterrand in June 1991 that it would be "decades and decades" before the erstwhile communist countries would be ready for accession to the EC, Prime Minister Edouard Balladur reiterated his view on 8 April 1993, that the countries of Eastern Europe should be welcomed into the EU, first politically and later economically. On May 1994 Prime Minister Balladur stirred the Conference for a Pact on

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Stability in Europe, which focused on the CEEC's vocation to belong to the EU.\(^{71}\) The Copenhagen meeting of the European Council on 21-22 June 1993, lent a thrust to Balladur's design on Stability Pact. An underlying idea of Balladur's initiative was the idea of admitting those countries with Europe Agreements as "associate members" into the WEU, so as to bolster security in East and Central Europe.\(^{72}\) The Paris-Bonn axis pushed forward EU's eastern agenda, when Kohl and Balladur jointly declared that,

> it is the Union's historic obligation and common goal to help the states of Central and Eastern Europe, which have embarked upon the road of reform to rejoin the European family and to include them in the unification process underway.\(^{73}\)

Nevertheless, both the leaders warned that the "road to membership will be long and hard". There was a joint proposal by Kohl and Balladur to include the heads of government of applicant countries once a year at European Council Meetings to strengthen cooperation.

Jacques Chirac, on assuming office, too championed the cause of CEEC. His call for closer ties with CEEC has been reflected in his book, "Une nouvelle France: reflexious'.

In one of the sections entitled, "The East is our new frontier... Europe should forge its identity", he stated,


\(^{72}\) For the Text of Edouard Balladur's Memorandum, see, Agence Europe, Europe Documents, no.1846, 26 June 1993.

\(^{73}\) As cited in Sutton, n.70, p.155.
Europe cannot be content to be a club for the privileged, condemning a part of the European family to wait patiently for an audience.... The EU must open its doors to all the countries of the European continent, provided of course they have adopted democracy and the market economy and they show their readiness to participate in the shared adventure.  

France has also appeared as a third force between German and Polish relation. This "Euro-Trio" comprising German-French-Polish cooperation was an outcome of a tripartite meeting in Paris on 3 March 1994. From a Polish perspective, a third partner like France could help normalise the relation between Poland and Germany, which could run the risk of being impaired by the burdensome historical legacy. Declaring Poland as its first partner in CEEC, France confirmed its commitment towards the economic development of Poland through cooperation. Polish expectations of EU got a boost with Balladur's comment that Poland is qualified to be a full member of the EU as it is a democratic state with market economy and sustains "friendly relations with its neighbours".

France which is more extensively represented in Hungary, Czech

76 Pap News Agency, (Warsaw), 8 September 1994, in BBC, SWB, EE/2075, 10 September 1994, p.A/1. Reasons for a high degree of complementarity between France and Poland was also because of the fact that the latter recognises French interest in extending the association of the EU and intensifying cooperation with the Southern-Mediterranean countries. Poland also supports the French argument that the Mediterranean should be considered politically important for the EU because it constitutes an area of close proximity with Europe, though outside the EU. Refer, Hartmut Elsenhans (ed.) , *A Balanced European Architecture* (Paris: Publisud, 1999).
Republic and Slovakia in cultural and also economic spheres, has acknowledged the achievements in those countries in their endeavour to come closer to the EU.

In view of Germany's endeavours in the East, France sees itself as providing a supportive role in Germany's pursuit in the Eastern enlargement of the EU. However there is a sharp contrast between the French and the German approaches to enlargement of the EU. Germany's unquestionable position in the centre of Europe and a shared historical, cultural and geographical proximity with the East coupled with its enormous economic and trade ties with CEEC, makes it the indisputable spokesman of eastern enlargement in the EU.

German Presidency's preoccupation with the CEEC, which became even more prominent at the Essen Summit of 1994, when the heads of six CEEC were invited by Chancellor Kohl, was apparently followed by a "strategic bargain" between France and Germany. France aimed at balancing the priorities of Eastern Europe and the Southern Mediterranean countries with regard to trade concessions and aid from the EU. During the French Presidency of the EU, France redressed the balance by turning southwards due to its colonial links with that region. At a EU meeting in Brussels, the EU Foreign Ministers agreed to allocate ECU 5.5 billion and ECU 7 billion to the Mediterranean States.

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and the CEEC respectively between 1995 to 1999.\textsuperscript{78} In lieu of this compromise, Germany won an agreement for weakening anti-dumping provisions against the CEEC. The European Commission also agreed to submit proposals for phased modification of rules-of-origin in order to stimulate trade and investment in the CEEC.

France has also won $1 billion standing loan from the International Monetary Fund and persuaded the Paris Club of creditor countries to reschedule $5 billion worth of Algerian debts.\textsuperscript{79} Moreover, France succeeded in securing for the three Maghreb countries namely Algeria, Morocco and Tunisia, a fund from the EU to promote economic reform which would bring peace and stability in the region. Just as Germany has the maximum stake from any instability in the CEEC, so also peace and stability in the Maghreb countries of southern Mediterranean is essential for France. France is already facing problems with a heavy inflow of migrants from the Maghreb countries and North Africa. There are nagging concerns amongst the French, particularly by the cultural purists, of an intrusion by an immigrant alien culture in the French territory,\textsuperscript{80} which could increase the economic hazards within the country and serve as a "fifth column of

\textsuperscript{78} Financial Times (London), December 1994, p.2.

\textsuperscript{79} The Economist (London), 14 January 1995.

\textsuperscript{80} R.K. Jain, "The European Muslims", Asia Affairs, no.5, March 1997, p.29.
Islamic fundamentalism.\textsuperscript{81}

French interest in the Mediterranean region is gaining importance in the EU agenda just as Germany's involvement in CEEC has become significant in EU's enlargement strategy. In view of the fact that if priority is given to the extension of the EU to the East, problems in the balance of the European architecture might emerge. In order to avoid such problems and to maintain a balanced European architecture, a periphery for the "Latin Arch" should be envisaged. France became the most vocal proponent of this agenda and political reasons were proposed for the extension of the EU to the South. The French scholars urged the necessity to promote to the greatest extent the association of the Southern European countries with the EU, without threatening the extension of the EU to the East. The German preference for opening to the East is not primarily the consequence of geographical proximity, but a result of a lack of openness for non-European cultures. This seems to be consistent with respect to the two regions' various positions in economic development, geopolitical location and historical heritage. The French preference of favouring the Mediterranean option reflects a difference in the orientation of the European identity to be forged. The German preference reveals a short-term logic; the French preference reflects a 'return of Europe' into the world arena, a sort of

\textsuperscript{81} France has about 5 million Muslim population from Algeria, Tunsia and North Africa. Signs of religious fervour amongst the Muslims have led to various religious orginazitions. There is a growing fear in France that this could endanger European identity and cultural homogeneity. For details see, Jain, no.80.
European superpower, which is possible only if European integration has reached a degree of cohesion which would allow a European identity to emerge which does not yet exist.\textsuperscript{82}

**INSTITUTIONAL CHALLENGES**

Enlargement is also a major challenge for the institutions of the EU. The accession of more countries is widely perceived as an external shock which carries the risk of institutional paralysis without changes in the composition and working methods of the Commission, the Council, the Parliament, the increase in membership threatens to undermine the decision-making capacity of the main EU bodies.

However, previous enlargements of the EU has not demonstrated any kind of detrimental feature for the EU. Past experience suggests that the future widening of the EU would not be incompatible with its deepening. However, any subsequent enlargement would demand a reconceptualisation and readjustments of its policies, interests and institutions.

With greater diversities amongst the Member States, unanimity in the Council will be harder to attain. This will apply in particular to the CFSP and cooperation in the field of justice and home affairs, where unanimity is to be the general rule and in those cases, where unanimity applies in the Union's affairs.

\textsuperscript{82} Hartmut Elsenhans, "Mission de l'Europe: Complementaries and Rivalries between the two Options and Incompatibilities in the Historically Rooted Collective Memories of Some Actors" in Elsenhans, n.42, p.174.
Enlargement can make the system of rotating Presidency even more difficult. The problem is how to reconcile considerations of efficiency with the recognition of equality among Member States. Excluding the small Member States from the Presidency would be incompatible with the second criteria. Extending the present system to the new members would lead to a poor management of the Council. It also raises new questions about the inability of the system of supervision of the Commission and the European Court. In spite of an expansion of functions and a functional shift from policy initiation to policy implementation, the organisation of the Commission have been left largely unchanged, although the bureaucracy has grown in size. The problem of enlargement for the European Court of Justice is not one of adequate powers of procedures. On the other hand, the application of the EU law depends heavily on the Court's and legal systems of the Member States. Some of the judiciaries of the applicant states may not have the competence to play the role satisfactorily. The implication is that the applicant states must attain reliable judicial standards before they can accede to the EU.

Large countries are currently under-represented (relative to their population), in the Council and in the European Parliament. Since most of the potential members except Poland are small countries, their entry would exacerbate the large Member States' under-representation. Any

83 The already existing patterns in the legal system of the EU makes it hugely complex and complicated. For background details see, Daniel Wincott, "Is the Treaty of Maastricht an Adequate Constitution for the EU?", Public Administration, vol. 72, Winter 1994, pp. 573-590.
politics of institutional reform would be marked by the defence of interests by those Member States who would fear a loss of power and status, especially in matters which affect the distribution of power between big and small Member States. In relation to the demographic size, the smaller states are over represented in the Council when it comes to Qualified Majority Voting. A re-weighting of votes would be resisted by the smaller states. On the other hand, a voting system that includes a dual majority is likely to be opposed by the big Member States.

Language questions may prove harder to solve with further enlargement. With the present number of official languages in the EU, any meeting of the Ministers or officials required 27 interpretations. The entry of new states would create probably a 16, 18, 20 language-EU, needing more than 42 interpreters and involving exorbitant costs.

The most pertinent problems caused by enlargement in the EU institutions is with regard to EU decision-making capacity, which has been far from optimal in the EU of 12 to 15 and its efficiency is likely to decrease if more countries join. Some new decision-making structures will become imperative for the Council, since it safe-guards the interests of the Member States. In view of the impact that enlargement would have on EU institutions, EU Commission President, Jacques Santer said on the German Radio,
We will do everything to be able to lead these countries (CEEC) up to the EU around the end of this century. We must get our house in order from an institutional perspective. 

**PROPOSALS FOR INSTITUTIONAL REFORM**

The implications of enlargement make further institutional policy reform of the existing structure imperative during the IGC, 1996. In the opinion of former EU Commission President, Jacques Delors, substantial enlargement would demand considerable institutional change otherwise the EU,

would return to a simple free trade area and ...we (EU) would lose all the acquisitions gained from thirty years of political economic integration. 

The first salvo of proposals for constitutional reforms of the EU in the 1996 which came from the French government IGC, called for more flexible integration in a non-federal Union and for reforms of the institutions to make them more democratic so as to cope with an enlarged EU. French Prime Minister Edouard Balladur had asserted that an enlarged Europe "could not be federal". A federal state, he added, "would mean an expansion of majority voting", therefore the five big states representing four-fifths of EU's population could be put in a minority. The French Prime Minister also stressed that enlargement would require the Union to be more modest in its funding and called on the pooling of resources of Member States. 

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The French European Affairs Minister, Allain Lamassoure emphasized that "subsidiarity" should be made more precise, more homogeneous and more restrictive in the 1996 IGC, as bringing in more states into the Union would reduce the subjects of common interest between them. In order to solve the problems of decision-making and to extend democracy in the EU, the French government suggested reducing the Council of Ministers' management role from its legislative function. Balladur stressed the need for a more coherent security and defence policy in the 1996 IGC, just as the Maastricht Treaty emphasized on the Economic and Monetary Union.

With regard to the powers of the Parliament, a decision which may appear unfavourable to the nationalist French has been more or less agreed by those in Brussels. There was a plan of introducing the right of "co-decision" with the Council. With the view to consolidate the power of the Parliament, President of the EU Commission, Jacques Santer had suggested that the future Commission President should be elected by the Parliament from candidates proposed by governments.87 This could perhaps give way to the Parliament's demand for a "new code of conduct" that would require the Commission to treat it equally with national governments and to abandon any legislation rejected by an absolute majority of the Parliament and this would extend the Parliament's limited right of veto to all legislation.

In Germany, the government of Chancellor Gerhard Schroeder has stressed that institutional reform must be tackled as soon as the negotiations on Agenda 2000 (covering the reform of CAP, Structural Funds and the budget) will have been completed. The German government advocates the extension of decision-making by Qualified Majority Voting and restriction of unanimity.

**CAP AND EASTWARD ENLARGEMENT OF THE EU**

Extending the EU eastward is no longer an impractical proposition but the question is how to prepare these countries and accommodate them into the EU. The political promises have been made and several strategies have been worked out but for one --- farming. For all the modifications it has undergone, the Common Agricultural Policy (CAP) remains an inexpensive way of support for a fairly small number of farmers. East Europe is much poorer as compared to the EU and has a large number of farmers. Simply integrating them into the CAP with its high food prices is prohibitively expensive. Neither East European consumers nor the EU's farm budget would be in a position to build CAP-like policies in the belief that it will better prepare them for membership. But neither their budgets nor their consumers can afford it. The CAP's 1992 reforms have already lowered farm prices. Now that the EU has accepted the idea that farming should be subject to world trade arrangements, there will be

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continuing pressures implementing further price cuts.

With reference to the convergence between the CEEC and the EU in matters of agricultural policy, EU Commissioner Rene Steichen proposed that partners should adopt substantial components of the EU measures.\textsuperscript{89} The result however would be unacceptably excessive subsidies and a surplus production stimulated by the high prices. The convergence of the CAP would be difficult and reduction of subsidies would meet with stiff opposition in the EU.

As Baldwin points out,

\ldots even the Visegrad Four are two and half times more agricultural and less than one-third as rich as the EU. They could not enter the EU without threatening two powerful interest groups - the incumbent farmers and poor regions, during the decades they will need to catch up.\textsuperscript{90}

Extending to the east or not, the EU farm policy will become more market sensitive EU's accession agreements with Austria, Sweden and Finland have introduced even higher levels of farm supports and prices than the EU. To bridge the gap, the new Member States have been given considerable freedom to top up farm incomes. Some support will come from Brussels but much of the cost will fall on national budgets. This principle could be extended to CEEC farmers as well. Lowering CAP prices would prevent farm output in CEEC from soaring. But this proposal could also be susceptible to risks, as opening

\textsuperscript{89} Speech by Rene Steichen on "Outlook for European Agriculture and Agricultural Policy with the Central East European Countries", at Centre for Agricultural Strategy, Agence Europe, Europe Documents, no.1914, 7December 1994, 8pp.

\textsuperscript{90} See, E. Baldwin, Towards an Integrated Europe (London: CEPR, 1994).
more national support could lead to subsidised competition in CEEC.
Any attempts for the reform of the CAP will inevitably be subject to a
debate of agreements and disagreements between France and Great
Britain as both countries have certain reservations concerning farm
support and CAP budgetary.

TIMING AND DATE OF MEMBERSHIP
The highly demanding and structured process which the CEEC
has to undergo in order to join the EU requires the adoption of the
acquis communautaire which has been laid down in the European
Council of Copenhagen in 1993. The Copenhagen criteria specifies the
following conditions for membership:

- stability of institutions guaranting democracy, rule of law,
  human rights and respect and protection of minorities,
- the existence of functioning market economy as well as the
capacity to cope with the competitive pressures of the market
forces in the EU,
- the ability to take on the obligation of membership, including
  adherence to the aims of political economic and monetary
  union.  

On the basis of the Commission’s recommendations, the
European Council held in Luxembourg in December 1997 decided
to open negotiations for accession with the six applicant countries
(Poland, Hungary, Czech Republic, Estonia, Slovenia and Cyprus).

When assessing the ability of the candidate countries to take on
the obligations of membership, the Commission based its judgement on
the performance of a country in implementing the 'Europe Agreements'

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91 Quoted from Agenda 2000, Commission Opinion on Poland’s Application for
and its record in adopting the *acquis communautaire*. The core of the *acquis* is embodied in the internal market legislation the phased adoption of which is the essential element of the pre-accession strategy launched by the Essen European Council in December 1994.  

The adoption of the internal market *acquis* not only requires that the associated countries adapt their relevant legislation but also adequate institutional measures which ensure the effective implementation of community laws and regulations. Applying the *acquis* therefore, requires efforts in institutional building and administration and judicial reform which often put under strain the human and financial resources of the candidate countries. However, about 30 per cent of the *acquis communautaire* has been incorporated in the Europe Agreements. These agreements have aided the transition to the market economy in the associated countries by promoting legal and institutional convergence with the EU. The pre-accession strategy adopted by the Luxembourg European Council in December 1997 provides for bilateral agreements with the applicant countries which include a National Programme for the Adoption of the *Acquis* and financial assistance made contingent on the progress in implementing the Europe Agreements. Such an approach reflects the gap in economic development.


and institutional development between the EU and the candidate for accession as well as the asymmetry in the bargaining capacity between the parties to the enlargement process.\textsuperscript{94} Ambition to join the EU has clearly determined the path of political and economic transformation of several CEEC.\textsuperscript{95} Having entered a 'patron-client' relation with the EU, they had to commit to invest heavily in an economic constitution and regulatory regimes of great legal and institutional complexity. The EU, has been extremely reluctant to accept any binding commitments as far as the timing of enlargement and its own preparation for the same are concerned. This complicates the task of adjustment for the applicant countries, as the EU presents itself as a moving target.\textsuperscript{96}

ENLARGEMENT AND CONFLICTUAL INTERESTS AMONGST MEMBER STATES

As and when the EU includes the new members, differences of interest amongst the Member States will become more evident. Enlargement has potentially huge implications on various levels which are bound to provoke conflicts among Member States as well as between the Member States and applicant countries. Full membership implies complete freedom of movement. Given the huge wage differentials, this could lead to substantial migration flow from the new eastern members of the EU, primarily into Germany. Among the


\textsuperscript{95} Lippert, n.93, p.58.

\textsuperscript{96} See Mayhew, n.92, p.22.
applicant states, only Poland poses a problem in this context. Population is declining in most CEE countries and unemployment rates are at more or less the same level as in Western Europe. In this regard the picture is completely different from that in the Mediterranean with its massive population and high unemployment. Turkey's migration potential is probably the main reason for her not becoming a full member of the EU. The EU budget could increase substantially, if certain policies, like the CAP are not reformed before enlargement. Governments under severe pressure to raise their fiscal policies and reduce expenditure find new contributions to the EU a daunting task. The CEEC would be net recipients of the budget and Germany as the biggest net contributor will have to bear the burden.

The old Member States mostly benefiting from EU Structural Funds will lose transfers as thresholds will increase with the entry of poorer regions into the EU. With the average EU income decreasing, some regions now eligible for assistance will no longer benefit from the funds. For the countries like Ireland, Greece, Spain and Portugal, the EU has functioned as a "development assistance community" and this will also apply to the new members of CEEC. The struggle for budgetary resources will thereby intensify, pitting the new periphery against the old.

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97 Michael Dauderstaedt, “European and German Interests in Central and Eastern Europe compared to the Mediterranean”, in Elsenhans, n.42.
IMPACT OF TRANSFORMATION AND INTEGRATION IN THE CEEC

Ten years after the revolutions in the CEEC, these countries have made wide progress in the transition to free market democracies. Even these relatively stable democracies contain features that analysts find pessimistic when looking at developments in CEEC. These include a conjunction of challenges to democracy both traditional (centralism, voter turn-out, minority questions) and modern (overextended social welfare systems, lacking international competitiveness) in the context of a legacy of old structures and entirely different historical experiences and expectations.

Even in the case of sustained economic growth, the transformation process in CEEC has increased economic and social differentiation and created a significant group of worse-off and disgruntled individuals.

Because of specific structural problems (missing democratic traditions, value patterns, party system, and in general, a weakly developed civil society), the emerging democracies in East-Central Europe are particularly vulnerable to those groups who have suffered under the reforms and become critical of the new system.

Transformation and social differentiation are thus eroding popular support for democracy in East-Central Europe. Moreover, these democracies do not have a cushioning social welfare system nor

fresh democratic political alternatives.

Joining the EU would have ambivalent consequences for the democratic stability of East Central Europe. While it would provide an anchor of stability, it would at the same time accelerate not only the transformation process, but social differentiation and political polarization.99

CONCLUSION

It has been suggested that with its northwards enlargement in 1995, the "EU's eyes have grown a little bluer, and its skin a little fairer, its religion a little more Protestant and its political centre of gravity has moved to the Nordic states".100 The enlarged EU would, to some extent tilt the majority of Europeans to the north and eventually to the east and Germany. This is proving enough to make the Southern fringes of the EU feel queasy.101 The Southern Member States have already started thinking of means of tackling the problems emerging from their southern frontiers. The EU leaders have allowed their commitment to the southern neighbours by approaching a plan to embrace North Africa and Middle East in a free trade zone and pledging

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101 The hijacking of an Air France jet by Algerian extremists in 1994 was a grim reminder to France that their former colony (Algeria) was fighting a civil war that may well spill over France. Spain and Italy too, have already been receiving a steady flow of illegal immigrants from North Africa where poverty and instability combine to make them seek a better life in Europe.
to "maintain an appropriate balance in the geographical commitments". EU's ultimate aim is to create a Euro-Mediterranean Economic Area and contribute more than double aid to those regions.

The northward enlargement of the EU and the inclusion of Austria in the east and prospects of future eastward enlargement could prove decisive in shifting the weight and strength of EU to Germany making it the hub of European politics. To avoid being marginalised by EU's eastward expansion or to counter Germany's domineering influence, France hinted at its desire to cooperate with Britain, strengthen ties with Spain and Italy in order to boost its Euro-Mediterranean policy. The head of the Invest in French Bureau and Ambassador Jean-Daniel Tordjman commented,

The French have no wish to find themselves in a permanent tête-à-tête with the Germans and we would very much like Britain to join us wholeheartedly in the movement towards European Union. The German alliance is important, but a counterweight to German economic strength would also be valuable.

The debate amongst EU Member States over enlargement clearly reflect that applicant states not only have to fulfil the formal conditions of accession but also the less formal conditions arising from the national interests of the existing Member States. The national priorities of the Member States have always dominated the integration process of

104 As cited in International Herald Tribune (Paris), 8 December 1994, p.9.
the EU. With regard to future integration, the division within the EU have become so acrimonious that the idea of a "two-speed" or "multi-speed" Europe for those favouring deeper integration on the one hand, and for those tied to intergovernmentalism), it could become a possibility and some have argued this as the most likely and preferable alternative. The idea of a "multi-speed" Europe which was signalled by the Maastricht Treaty has the potential danger of leaving behind those who are slower in integration. Moreover, a "multi-speed Europe" would not fulfil the traditional homogeneity which the EU has always aspired to attain.

As the EU is formally negotiating not with a group but with individual applicants who will be treated according to their performance in meeting the criteria for membership, such selective demotion would be unexceptionable, but the transaction costs of the ratification process are likely to promote a group-approach rather than a series of ratification procedures for individual countries.105

EU's preferential treatment vis-a-vis the potential candidates presents a likely scenario of the EU breaking up into three distinct political and economic zones: the new entrants of EFTA forming the middle circle around the original Twelve Members to be followed by the Visegrad states in the periphery and the remaining applicant states in the extreme outer fringe. The idea of a "EU of concentric circles"

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was raised when Chancellor Kohl and his associates called for a core-group of countries led by Germany, France and the Benelux countries. Britain, in particular, has been critical of such a project where all the Member States would benefit economically, but those in the periphery would undoubtedly remain politically isolated.

EU's enlargement strategy largely depends on the 1996, IGC. Clearly, the EU is attracted by proposals for institutional reform before it absorbs new members. This deepening process will appear to reinforce the worry of a "Fortress Europe" and also that the EU is becoming a "rich-man's protectionist club". The idea of a European economic core, periphery and outer-rim being comprised of the original EU Twelve, the Nordic Members and the CEEC respectively, is likely to be replaced by a much more basic division of Europe: perhaps a rich "West" and a relatively poor "East".

Enlargement in the past had multifarious affects on the EU and even in future, enlargement will entail changes and remodeling of existing EU structures and institutions. The success of the EU, which lies in enhancing economic prosperity and stability of the region will be determined largely by the manner in which EU tackles this pertinent issue in the 1996 IGC and beyond.