

# ➤ Enlargement Since 2000: Too Much Too Soon?

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**Today, the enlargement rounds of 2004 and 2007 are often criticised for their quick pace and lack of preparation. Indeed, nearly all member states that joined in the last decade still struggle with complex problems. All of the post-communist countries had to build up modern democracies, functioning market economies and efficient administrations without textbooks or blueprints on how to master such complex transformations. In most countries, this transformation is not complete and their economies are fragile and below the average level of EU wealth. The rule of law needs strengthening, the political culture remains weak and corruption (despite all efforts) is widespread and in some cases on the rise. Moreover, two out of the four countries that introduced the euro quickly after accession face serious difficulties.**

One could question the EU membership of the newcomers of 2004 and 2007 if their problems stood out from the crowd, but this is not the case. Greece, Portugal, Ireland, Spain and Italy also face quite serious problems that will take many years to solve. In fact, today only a few EU countries are well-functioning democracies with healthy economic patterns, efficient administrations and vibrant civil societies. The greater the euro crisis, the louder some voices have demanded those countries' exit. These voices do not come from EU institutions, but from national political leaders – for instance, in Germany there is a strong view that Greece in particular should leave the euro zone. There could be a correlation between the negative perception of recent or future enlargements (especially Turkey) and the false understanding of the EU as a club of high-performing Western countries.

The EU currently faces an identity crisis brought about by a number of reasons. Politically, the EU was long seen as 'Europe', a Western ally in the Cold War that cut itself off from its Central and Eastern European parts just as Christian Europe did from its Turkish roots when the Hagia Sophia was lost to the Turks in 1453. However, the breakdown of the Iron Curtain unveiled a nearly forgotten part of the continent that had never given up its European character. The West European uneasiness with that forgotten part – and its claims to belong to Europe after freeing itself – materialised into the development of a set of criteria that each country had to fulfil to join the EC. These criteria had a biased nature from the outset. It had a take it or leave it approach with no flexibility that disregarded country-specific needs or aspirations. And whilst these criteria defined the scope of the transformation and provided countries with orientation, the final judgement on their fulfilment rested solely on the EU. The judgement, moreover, took place on an administrative level in the hope that it would remain objective. This gave officials a strong say on the details of the whole enlargement process and a high level of political influence over these countries. In short, the power to judge the criteria was a powerful weapon.

The enlargement conditions were further refined in 2006, underpinning the already quite detailed criteria with new benchmarks countries had to meet before negotiations could begin. Croatia suffered greatly as the first country required to pass this new procedure. Croatian officials complained only in private, however, because they feared they might lose the goodwill of the Commission, which is a precondition for success in the enlargement process. This new approach was meant to ensure the best possible

preparation for EU membership, but in reality the enlargement process now lacks any strategic orientation and instead functions in a lengthy procedural way. Iceland presents the best example: it was an EEA member that could have finalised the accession negotiations within a couple of months provided both sides had the political goodwill.

Economically, the needs of the most advanced countries govern EU integration. This problem first came to light when the Commission rightly pointed to Greece's economic weaknesses and imbalances when it aspired to EEC membership in the 1970s. However, the Commission quickly forgot its concerns when the European Council positively replied to the Greek request citing well-founded political reasons. As a result, the enlargement negotiations with Greece and all future cases took place along the same principles: full transposition of the existing *acquis communautaire*, no exemptions and few transitional periods. Financial assistance from the EU was seen as the necessary and sufficient instrument to help countries catch up. However, the recent crisis of the euro zone has demonstrated that this policy approach has not functioned in most cases and that the internal market, considered as advantageous to all countries participating, produces winners and losers because competition works.

European legislation, driven by the view that common rules must govern the internal market, has aggravated the problem of different economic development levels inside the EU. These rules disregard whether an enterprise acts at the local, regional or national level, or across the EU's boundaries and beyond. Furthermore, the internal market has not replaced national legislation, but stands alongside it as a complex set of regulations at the national and EU level. A rapid expansion of EU rules in a number of areas, such as taxation, health, the environment, veterinary aspects, social affairs and energy then followed the internal market concept. As a result, a complex set of EU and national regulations have set tough rules for all EU member states (big or small) that require significant compliance and administrative costs. The same goes for companies, with small enterprises from a given sector having to fulfil the same requirements as big multinationals.

On top of these developments came the introduction of the common currency, which eliminated another instrument of competitive adjustment – the exchange rate. EU countries do not have many tools left to cope with competitiveness issues. Wage setting plays a role, but only up to a certain point. The free movement of people ensures optimal factors allocation within a nation state. However, such freedom is limited by the different cultures and languages of the EU and by heavy administrative obstacles. How can one attract new investments in underperforming countries to strengthen their national base? Excellent education is one prerequisite, but not feasible in the short run. Excellent infrastructure is another – but how can countries develop infrastructure with tight budgets where a big portion of money is bound to other obligations? Countries could lower corporate taxes, but this would cause a negative reaction from the strong EU member states, and only a couple of EU member states to date have withstood the pressure for a common approach. The answers, as seen in the Commission's documents or in the rescue actions for Greece and others, are always the same: so-called structural reforms, meaning cutting wages, decreasing the budgets for the health sectors and pensions, raising taxes, hoping for successful privatisations and loosening the rules on hiring and firing. Instead of giving the countries more flexibility as compensation for the forlorn exchange rate mechanism, European mainstream thinking calls for even more common rules and regulations in the economic area.

Third, the nation state culture, with all its positive and negative consequences, is much stronger in the EU than anybody had expected after so many years of integration. A very interesting study on the development of corruption in the EU concluded that the EU cannot do much to help eliminate the structural reasons for corruption in any state, and that it may even add to the problem through vast rule-setting and EU transfers.<sup>1</sup>

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<sup>1</sup> Alina Mungiu-Pippidi, 'The Good, the Bad and the Ugly: Controlling Corruption in the European Union', Advanced Policy Paper for Discussion in the European Parliament, 9 April 2013.

More important, however, is another aspect. While the nation state gives its population a feeling of national identity and belonging, the EU obviously does not. Instead, the EU offers rational 'no-other-option policy choices', or (in bad times) a framework of blame games, where old stereotypes and prejudices resurface. Paradoxically, the EU cannot become a state, but the nation states in Europe cannot cope with the challenges of the present and the future on their own.

This deep identity crisis explains the EU's uneasiness with enlargement. Fundamentally, the EU has no idea how to cope with an ever larger number of countries. The long-lasting view that deepening would provide the appropriate framework for widening has turned out to be an incorrect assumption. It is also an illusion that EU membership creates more homogeneity amongst its members, which is one of the reasons why the EU is so reluctant with regard to Turkey's EU aspirations.

Instead, the EU has seen an increase in cultural, economic and social diversity. The concept of different integration levels inside the EU is consequently also re-emerging, although it is heavily opposed by the traditional supporters of 'more Europe' (which one could also interpret as 'more homogeneity').

The EU cannot overlook the challenge of managing increasing diversity. The integration and enlargement recipes of the past 20 years will not deliver the right answers. Politically, the EU should understand one of its assumed weaknesses – a lasting alliance of states, deeply rooted in European culture and history – as a strength. This would allow the EU to better recognise its historical role: safeguarding the integration of the different peoples of the European continent.

Economically, the EU should give up striving for homogeneity and allow much more flexibility for all present and future EU member states. The US internal market tolerates a lot of different environmental or taxation legislation and is considered a competitive and innovative environment. The EU should therefore revisit all rules without exception, whether they are needed at the European or any other level. Countries should undertake fitness tests, as the UK has started to do, and should examine whether individual rules

hamper or support their most urgent development needs. The result could be that countries might not apply every piece of legislation, or perhaps do so only partially or in the long run. Companies operating in the domestic market should face much lighter rules than those engaged in European or global business.

It would also imply a standstill in EU areas not relevant for exiting the current crisis in the euro zone. With a worryingly high level of unemployment and youth unemployment, it is hard to understand why the Commission now pushes issues such as environmental labelling.

The same flexibility should extend to the accession negotiations. While the EU should sustain its position on democracy, rule of law and human rights, it should enhance its focus on promoting real development needs (rather than assume that the transposition and proper application of EU rules will do the trick). This would, however, imply that member states give up an enlargement negotiation strategy driven by their own national fears and preoccupations and not by a real interest in their partners. This last point is perhaps the most difficult to achieve, since there is no real interest in the situation of other EU partners at the national level. The Commission has much more knowledge of the situation and facts than do member states, but profoundly lacks comprehension of the political and social needs and national circumstances of each member state. Thus, countries have sufficient loopholes to help them escape or hide unpleasant facts or difficult circumstances from themselves and others. Spain recently announced new legislation that will provide for the mutual recognition of products produced in compliance with the rules of one region and for the national market. This rule is superfluous following the internal market legislation, but the case demonstrates that countries can find their way around.

Consequently, both the Commission and the member states will have to change attitudes to allow more open and fair political discussions at the European level about what should and should not be done within a collective European framework. Changing attitudes, however, presents a formidable challenge in itself. There is not much time and only a few options remain on the EU's table. The first is to continue with

the past integration approach of muddling through, with a couple of countries performing well. The other and more preferable option is to critically review the negative developments of the last decades and to draw the appropriate lessons. Listening to the experiences of the countries of the last enlargement round of 2004-2007, evaluating where hopes matched expectations and where they did not (and why) could be a starting point. ■