



Enlarging the European Union: Effects on the new member states and the EU



EDITED BY

GRAHAM AVERY, ANNE FABER AND ANNE SCHMIDT

TRANS EUROPEAN POLICY STUDIES ASSOCIATION

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First published 2009
By the Trans European Policy Studies Association
11, Rue d'Egmont, 1000 Brussels

© Graham Avery, Anne Faber and Anne Schmidt for selection and editorial matter;
individual chapters the contributors

Typeset by Tariatex
Printed and bound in Belgium by Tariatex (www.tariatex.be)

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ISBN: 978-2-9600828-1-4

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The texts published in this volume, which reflect the opinions of the authors, do not engage the responsibility of the Trans European Policy Studies Association or its member institutes.

I PREFACE

By Jan TRUSZCZYŃSKI

Deputy Director-General, Directorate General for Enlargement, European Commission

With the 5th anniversary of EU enlargement we see a rapidly growing volume of research on its effects. The bulk of what is already available covers mostly EU-wide sectoral or horizontal impact of enlargement and studies on socio-economic effects from a national perspective. This does not facilitate a comprehensive comparison of how new member states used the opportunities opened by their EU membership.

The format of the conference organised by TEPESA in October 2008 helped to fill this gap in our knowledge. During this two-day event we could listen to a series of presentations, coming from renowned scholars and outlining the main effects of accession, country by country, in almost all the new member states. Of course, every practitioner of enlargement, like myself, should be able to compile his/her own intuitive league tables with scores for each of the new members. However, intuitive assessment based on anecdotal evidence and individual empirical experience has nothing to do with science. Meaningful conclusions can only be based on a broad body of facts filtered through a consistent methodological grid.

It goes to the credit of TEPESA that its conference on the effects of EU enlargement brought us much closer to the making of such conclusions, which can be relevant to policy-makers in old and new member states alike. Having drawn much benefit from participating in it, I and my colleagues in the European Commission's Directorate General for Enlargement are now looking forward to further inspiring work of TEPESA on these issues.

By Georgios GHIATIS

Policy Department, Directorate General External Policies, European Parliament

The European Parliament (EP) has confirmed through various resolutions its commitment to enlargement as a historic opportunity for Europe. It has acknowledged that past enlargements have been a success, benefiting both old and new Member States, fostering economic growth, social progress and bringing peace, stability, freedom and prosperity.

Looking ahead with regard to the strategy for further enlargements, the EP has stressed that lessons can be learned from previous accessions and that the quality of the enlargement process can be improved. It has reiterated that it was essential to stick to agreed commitments made in view of further accessions while clear conditionality should apply and a rigorous compliance with all the criteria laid down was imperative. The EU's integration capacity should be strengthened so that future internal and external challenges can be successfully met.

Furthermore, the EP has taken the view that every enlargement must be followed by adequate "consolidation", that is a reappraisal of the Union's policies and means in order to respond to the citizens' expectations and ensure the viability of the European political project.

Hence, the assessment of the effects of the EU enlargement, by academics and researchers, is a useful exercise that allows conclusions to be drawn which, in turn, may serve as tools for making future choices and shaping policy. TEPSA is therefore to be praised for having organised the conference on this topic in October 2008. We in the European Parliament look forward to taking stock of the conclusions proposed.

II INTRODUCTION

By Anne SCHMIDT

2009 celebrates the 5th anniversary of the biggest enlargement the European Union has experienced so far. Looking back, the EU's enlargement policy has been one of the EU's most successful policies promoting peace and stability all throughout Europe. Starting over 50 years ago with 6 members, the European Union of today, after five enlargements later, is composed by 27 member states and a population of almost 500 million people. Further accession negotiations are in course with Croatia and Turkey, and other countries of the Western Balkans as prospective members. In recent discussions about deepening and widening enlargement became again a highly politicised issue and it is widely argued that without a substantial institutional reform of the EU system, such as foreseen by the Lisbon Treaty, further enlargements will not be possible.

Especially with the enlargements of 2004 and 2007, the European Union has altered its dimension and faces new challenges. The biggest enlargement in the EU's history brought in ten new member states of Central and Eastern Europe as well as Malta and Cyprus, thereby contributing to the re-unification of Europe.

The Trans European Policy Studies Association (TEPSA) has encouraged and supported this process of expansion, accompanying it by analyses of 'widening' and 'deepening' and recommendations to policy-makers. TEPSA itself is an example of enlargement with the number of its member institutes growing with every enlargement round.

Five years later, it is appropriate to start assessing the effects which enlargement has had on the new member states, and also on the European Union as a whole. How has involvement in the structures of the European Union shaped the new members' polity, policy and politics especially in economic, social and foreign policy terms? What changes have been set in motion by the membership negotiations? How far have national policy structures adapted to EU membership? How has enlargement affected the EU on the horizontal level?

In October 2008 TEPSA therefore organised a conference in Brussels on "Effects of EU Enlargement" in collaboration with its member institutes. Speakers contributed to the first part of the conference by presenting research results on the effects of accession on the new member states, particularly in the economic, social and foreign policy fields. In the second part of the conference, these results were synthesised and analysed from a comparative perspective, also with regard to effects on the EU as a whole.

The purpose of this publication is to present the conference's results and to identify future challenges both for research and policy-making.

Structure of the book

The contributions in this book, prepared for the TEPSA conference, were then adapted in view of publishing them. The country and EU contributions aim at presenting first research results on the effects of accession on the countries, particularly on economic, social and foreign policy issues, and the EU as a whole, respectively. The comparative chapters synthesise these research results and look on overarching similarities and differences of accession effects, focussing on economic, cohesion and foreign policy issues.

Maria Karasinska-Fendler starts by elaborating the effects of accession on Poland. Arguing that by acceding to the EU in 2004 Poland achieved its main strategic foreign policy objective she reports on first positive trends both in the economic field and agriculture. High economic growth rates, declining unemployment rates and increased foreign direct investments (FDIs) and impressive dynamics of Polish agricultural exports to EU markets and rapid growth of investment in agriculture and food economy can serve as indicators of this positive development after accession. On the other hand, negative social and demographic consequences arose from high migration flows of Poles going to find work in Western European countries. Still, Polish public opinion remains highly favourable towards the EU.

As for *Hungary*, *Tamás Szemlér* stresses that direct links between EU accession and simultaneous economic, social and political developments can only cautiously be drawn since other global and domestic factors matter as well or even more in the recent financial crisis. However, he reports that it seems that EU accession did not cause substantial changes in Hungary's economic performance, its social and regional disparities and its foreign policy. Changes were more visible in the pre-accession period. What can be perceived, though, is an increase in regional trade relations among the new member states and that, unlike others, Hungary did not experience mass migration flows to the old member states. Similar to Poland, EU membership has not changed but was a goal in itself to Hungarian foreign policy, also contributing to the solution of older bilateral disputes in a European framework.

Sabina Kajnc in her analysis of effects of EU accession on *Slovenia* first of all stresses the fact that there was a lack of research on this topic also pointing out that with EU membership Slovenia's main policy goal was achieved. In economic terms EU accession brought both positive and negative effects to Slovenia such as stimulated import-export activities for the business sector on the one hand and a decline in economic growth and an increase in the inflation rate on the other. A controversial topic in Slovenian discourse was the introduction of the Euro and its effect on Slovenian economy. As for Slovenia's foreign policy, Kajnc argues that it finds itself in a strategic vacuum, still lacking a new foreign policy strategy after EU accession and thus being rather passive. It remains to be seen whether socialisation processes in the EU which started when Slovenia held the EU Presidency can be maintained.

Vít Beneš analyses the discourse of the main *Czech* political parties on the EU's foreign policy and the EU's role as a global actor. Based on a 'securitization' approach he argues

that the perceived 'eurosceptic' governing Civic Democrats, according to their discourse, attach to the foundations of the EU's Common Foreign and Security Policy by visualising common European threats, urging new matters of energy security interests and promoting key concepts of Europe as a strong global actor. However, they remain critical towards a deeper institutionalisation or even supranationalisation of the CFSP.

On *Cyprus*, *Costas Melakopides* and *Kostas Sasmatzoglou* present their Greek Cypriot perspective and address the motivation of the Republic of Cyprus to apply for EC accession, the Cypriot efforts during and after accession negotiations, the positive effects on the Republic of both the accession negotiations and of enlargement, aspects of the EU-associated role that Cyprus can play in the Eastern Mediterranean and beyond, and Cyprus' expectations from the EU. Indicating that in the Greek Cypriot community the EU debate revolves around the fact that Cyprus is a 'semi-occupied' state they come to the conclusion that it is a test-case for the EU's normative role and credibility.

Roderick Pace reports for Malta that EU membership has provided Malta with a more stable economic environment and certainty than it had before but similar to other contributions transition processes started long before accession. Positive economic trends after Malta's EU accession include an increase in real economic growth and FDIs and a revival of tourism whereas negative ones saw high inflation rates and a maintaining vulnerability and 100 per cent dependence of Malta on energy imports. However, he points out that domestic policy-making will remain crucial to fully benefit from EU membership. In general and with regard to Malta's foreign policy in particular EU membership has provided Malta with a strong and influential EU framework, making Malta's voice more heard, especially in its areas of high concern like illegal migration.

As for *Romania*, *Daniela Filipescu* highlights the effects of Europeanisation with regard to Romanian governance structures. In economic terms all major indicators developed in a positive way for Romania. Like some contributions before also Filipescu stresses that this development already started long before the concrete accession day, namely when there was certainty enough that Romania would join the EU and NATO in a near future. The problems Romania faces after only two years of EU membership are related to issues such as social inclusion, free movement of workers, absorption capacity with regard to cohesion and structural funding, rule of law, corruption and the general living standard in comparison to the EU average.

Krassimir Nikolov and *Kaloyan Simeonov* at first mention that it was too early to conclude on effects of EU membership on *Bulgaria* only two years after. However, they present first trends: As for economics the picture is rather positive with regard to GDP growth and FDIs. On the other hand EU accession is linked to higher inflation rates and an increase in the Current Account Deficit. Whereas Bulgaria performs well in the EU's foreign policy, especially in the Eastern dimension of the European Neighbourhood Policy, Nikolov and Simeonov see big problems in the area of justice and home affairs (police and judicial reform), brain drain and mismanagement of EU funding.

In the comparative chapters *András Inotai* reflects on the *economic effects* the new member states have experienced so far. After pointing out that this analysis remained partial and limited due to its focus only on the new member states and not the EU-15, global and domestic factors to take into account (thus limiting the evaluation of effects of EU accession), a maybe too early evaluation for some policy areas, and a lack of interdisciplinary approach, Inotai however presents the first comparative results, of which some are selected here:

- Although full-fledged members by 2004 and 2007 the NMS, in several areas, had to accept a phasing-in process (with regard to direct payments for farmers, full participation in the EU budget, free circulation of labour, participation in Schengen and EMU).
- Increased free trade and foreign direct investments continued to contribute to high growth rates after accession, although not as a direct impact of membership. Economic actors had anticipated membership well before the political decision has been taken. However, accession seems to have dampened the speed of structural change and the political willingness to undertake fundamental reforms practically in all NMS, though also leading to a certain 'accession fatigue' after entering the EU.
- Trade developments became the most relevant and unprecedented success story of the enlargement.
- Fears of enhanced inflation were among the outstanding concerns of the NMS before accession. However, they did not materialize, at least not as a direct outcome of membership. If some countries still had to face growing inflationary pressure, they can be traced back either to global developments and/or mistaken domestic economic policies
- Another positive development in most NMS was the declining unemployment rate. However, it should not be ignored that the sometimes surprisingly positive trends in some NMS have to be attributed to massive migration immediately upon accession.
- In GDP per capita terms all NMS could continue the pre-accession process of narrowing the development gap between the EU-15 and the NMS. Looking, however, at reviving inflation, erosion of competitiveness and growing pressure on the national currencies, the sustainability of this process may be questioned at least for some countries.
- Membership of the NMS in the economic and monetary union and the introduction of the common currency proved to be a real watershed in the last years. There has been a debate on to what extent the Maastricht criteria elaborated for highly developed market economies can be applied to the NMS.

On accession effects on *cohesion* in the new member states *Maurice Guyader* focuses on some central remarks on serious demographic developments. Thus, several NMS experience declining and ageing populations due to migration and a decrease in birth rates. Furthermore, questions of poverty, long-term unemployment, low life expectancy and the situation of minority groups in society raise concern in most of the NMS. On the other hand, general educational indicators in the NMS show a rather positive picture. He concludes that there can be envisaged a long-term convergence of social and living standards in the framework of a development of a European Social Model, with the Czech Republic representing a kind of model to export to other countries.

Henriette Riegler takes a look on the impacts of accession on *foreign policy attitudes* in the new member states. She stresses the still dominant factor of national sovereignty in the NMS' foreign policy attitudes and renewed emphasis on bilateral problems as in the case of the Slovenian conflict with the candidate country Croatia. However, as argued by Riegler for the case of the recognition of the independence of Kosovo the NMS not only acted according to their national interests but also in an Europeanised manner. Thus, the remaining question is whether national attitudes in foreign policy making will be balanced by an Europeanisation process.

In the concluding chapters *Margus Rahuoja* gives a policy-practical insight view on effects of enlargement on the *EU's policies*. After mentioning, like other contributions beforehand, that effects on EU policies were perceived already before enlargement, he argues that the main reforms were done in the field of agricultural policy, cohesion and regional policy and transport policy. But the biggest effect of enlargement, according to Rahuoja, was visible in the EU's external policies with a general shift to the East and a prioritisation of EU-Russia and EU-US partnerships. However, the main catalyst for reforming EU policies was, due to him, not enlargement but new global challenges.

Finally, *Edward Best*, *Thomas Christiansen* and *Pierpaolo Settembri* present research results on effects of enlargement on the *EU's institutions and decision-making process*. They argue that no major change has taken place after enlargement with regard to the functioning of the EU decision making system, doing 'business as usual' also as an EU-27. However, they mention that enlargement could have a delayed impact and that enlargement can be characterised as a combination of assimilation (of the new member states into the EU system) and adaptation (of the EU-27 system adapting working practices, internal rules and informal arrangements). This 'business as usual' and continuing efficiency though comes as a price: a more informal, 'presidential' and administrative policy style leads to a less legitimate, transparent, accountable and political policy- and decision-making system, thus raising enormous normative questions for the future of the EU.

The effects of enlargement on the European polity: State of the art and theoretical and methodological challenges

By Anne FABER

1. Introduction

Enlargement is a curious phenomenon not only in the process of European integration, but also as a topic in European integration research, making periodic appearances but then disappearing in the long interim phases between enlargement rounds. In comparison with the “deepening” of the European integration process, enlargement and its effects seem easily forgotten, especially when taking into account that widening has never significantly changed the modes of governance on the national levels – whereas the “deepening” of European integration, i.e. the inclusion of new policies, the broadening and intensifying existing ones and the reform of institutions and decision-making procedures, has.

However, enlargement represents a phenomenon which would justify a much more systematic and comparative analysis. It is simultaneously situated both outside of the Union and inside it, i.e. taking place at the interface between the external and internal dimensions of European integration, thus representing one of the key suspects for singular insights both into the internal and into the external driving forces and mechanisms of change in European integration. At the same time, the present state of the art of research on enlargement clearly shows the methodological and theoretical challenges involved in any attempt to analyse this phenomenon.

These challenges start with the search for a definition of the term “enlargement.” In their ground-breaking analysis of the state of enlargement research in political science of 2002, Schimmelfennig and Sedelmeier proposed defining “enlargement” as “a process of gradual and formal horizontal institutionalization” (Schimmelfennig/Sedelmeier 2002: 503). This definition has been taken up by other authors in the debate as a starting point for their analyses. However, it seems questionable with regard to three aspects: First of all, in a formal (technical) sense enlargement is not a *gradual* process, but an event at a clearly defined point of time, i.e. the date when new member states accede to the existing community or union. Certainly, this event is prepared by a long history of pre-accession negotiations and followed by a post-accession process. But a pre-accession process may include (and indeed has included) more states than those actually acceding. Therefore, it seems to make sense to differentiate between the pre-accession process, “enlargement” or accession as such, and then membership, as three different formal stages. Secondly, *horizontal institutionalization* seems to refer to the concept of proceeding in common and at the same speed among all member states (“deepening”), which is more and more called into question by the ever-increasing number of qualitative and temporary exceptions and differentiation in a growing number of European policy areas (e.g. in the form of opt-outs and transition periods). Furthermore, member states of the EU are more and more looking for alternative forms of cooperation outside the treaty where and when

they believe that a common approach of all member states will not be an option. Thus, the definition of Schimmelfennig and Sedelmeier seems to have a strong normative bias in the sense that it anticipates horizontal institutionalization as the “normal” result of enlargement, when in fact it represents only one possible outcome of the process.

Taking these considerations into account, it seems to make sense to refer to “enlargement” as the *formal (or legal) event of the accession of new member states to the EC/EU* or indeed as the simple act of adding new member states to the European Community/ Union.³

Eastern enlargement has re-ignited a debate that had slowly subsided after the two previous enlargement rounds in 1986 and in 1995, highlighting a second, more theoretical challenge: So far, political science has very little to offer regarding theoretically informed, comparative analyses of enlargement effects on the horizontal institutional level of the European Union. Instead, two major gaps continue to persist in the debate on institutional effects of enlargements:

- theoretical approaches to the (institutional) effects of EC/EU enlargement are few and disparate
- empirical studies and follow-up analyses of the effects of enlargement are also few, although Eastern enlargement represents an exception to this rule.

The second part of this chapter summarises the state of the art of the present debate on enlargement effects in integration theory, concluding by a plea for a combination of neofunctionalist, intergovernmentalist and institutionalist arguments and suggestions for a more inductive approach towards analysis and theory-building in this area.

2. Theoretical approaches to the description and explanation of enlargement effects

Much has been written and predicted in the run-up to the first round of Eastern enlargement in May 2004 regarding the political and institutional effects of this “big bang” enlargement round. In many respects, the 2004 enlargement round appeared to be unique in terms of the number of the acceding states, their size, the comparatively low level of economic development, the size and predominance of their agrarian sector and their communist past. Thus it seemed justified to expect unique effects not least on the Union’s institutional structure. As Helen Wallace summarised in a study 2007 (Wallace 2007: 1), two contradictory hypotheses dominated in this debate: The first one argued that the EU-25 would become instable and ineffective if the institutional arrangements and procedures originally designed for only six member states should prevail. Thus, a fundamental institutional overhaul or new foundation of the EU was deemed inescapable in order to prevent an institutional paralysis after enlargement. The question behind this line of argument of course was how much diversity the EU system could tolerate before it would become unstable. However, the second hypotheses argued that, as it had been

(3) *Whereas the concrete stipulations of the accession treaties should be regarded as (potential) manifestations of institutional change and reform on the EU level.*

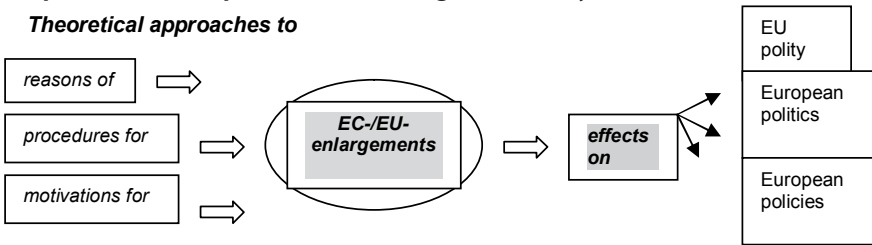
the case after previous enlargement rounds, the institutional effects of Eastern enlargement would be far less dramatic than expected by many, and that “business as usual” would be the most likely outcome.

Theoretical approaches to European integration have had, at least up until the late 1990s, rather little to say that might have illuminated this debate and the arguments exchanged between the proponents of the two camps. The lack of a consistent and lively theoretical debate on the institutional effects of EC/EU enlargements may be one of the major reasons why the interpretation of the empirical effects of EC/EU enlargements and their explanation remains so difficult: “Based on a descriptive approach on enlargement, it is impossible to tell whether a next enlargement will develop along the same lines as one of the previous enlargements, since the underlying mechanisms remain unclear” (Stenunenberg 2002a: 8). So does the EU become “intergovernmentalised” as a direct effect of a growing number of member states (see Miles/Redmond/Schwok 1995; Baun 1999; 2004), or are *de facto* tendencies towards greater supranationalisation predominant (Lempp/Altenschmidt 2008), and why? Does the EC/EU become more politicised or more bureaucratized due to enlargements? Will formal or informal modes of governance and policy-making increase? Will there (have to) be more flexibility in order to manage the enlarged Union (see Moravcsik/Vachudova 2003; Miles 2004), or is indeed (the lack of) political leadership the critical issue in an enlarged EU (see Guérot 2005)?

This non-commitment of integration theory to enlargement effects as an object of analysis applies in particular to the two “grand old” theories of European integration, neo-functionalism and intergovernmentalism. In both schools, enlargements and their potential effects on the institutional structure and inter-institutional change classically represent a “blind spot”, or, as Schmitter put it: “[...] [N]either functionalism nor neofunctionalism nor neo-neofunctionalism has or had anything to say about enlargement” (Schmitter 2004: 70). Instead, enlargement has simply been treated as a proof for the validity of neo-functionalists’ (geographical) spill-over-hypothesis, as a general proof for the success of European (economic) integration or ignored altogether. It is this basic ignorance of classical integration theory to which Miles refers when deploring that “[s]cholarship is far from having developed anything like a comprehensive ‘theory’ to enable us to understand the all-embracing nature and impact of EU enlargement” (Miles 2004: 264).⁴

Graph 1: The “blind spot” of classical integration theory

Theoretical approaches to



(4) See the detailed assessment of neofunctionalism, liberal intergovernmentalism, multi-level governance, new institutionalism and constructivism regarding the respective “usefulness” of these approaches for the analysis and explanation of EU enlargement provided by Miles 2004.

It is therefore not surprising that the systemic effects of enlargements on the EC/EU's polity remain highly controversial in this debate, often relying on little more than "informed guesses":

One of the rare contributions to the neofunctionalist-intergovernmentalist debate on enlargement has been presented by Miles, Redmond and Schwok, who provide a theoretical account of previous enlargements contrasting neofunctionalist and intergovernmentalist arguments. Their aim is to assess the implications of past and future enlargements on these two theoretical approaches and vice versa. Enlargement, according to them, overall enhances the intergovernmental tendencies within the EU, which become more diverse and heterogeneous regarding the interests, the nature and configuration, the economic situation and the ideological perspectives of its member states: "Consequently, it is evident that a theoretical approach based on intergovernmentalism best explains the process of enlargement" (Miles/Redmond/Schwok 1995: 189).

In contrast, Falkner concludes from her analysis of the potential impact of Eastern enlargement on the EU that enlargement will necessarily entail far-reaching institutional reforms within the EU, further limiting the national autonomy and sovereignty of old and new member states alike. In this context, she emphasizes the importance of the time dimension when looking at the effects of an enlargement round: Whereas minimal reforms might suffice in order to prepare for Eastern enlargement, there would have to be "unavoidable" and "far-reaching" reforms later on (Falkner 1996: 239f). This conclusion rather seems to support classical neo-functional arguments about the dynamics of the integration process.

In a more recent contribution, Moravcsik and Vachudova assess the potential effects of Eastern enlargement from the perspective of bargaining theory, emphasizing the importance of the relative bargaining power of old and new member states. They state that "[e]nlargement is in fact more likely to reinforce current EU trends toward slower legislative and reform output; greater budgetary conflict over structural funding; more pressure to reform the CAP; greater 'pillarization' of governance; a stronger Council vis-à-vis the Commission; more recourse to flexibility and coalitions of the willing; a shift in focus from deepening to widening; and above all, an emergent 'constitutional compromise' in which the regulation of much of the economy is internationalized but social, cultural, educational, and other policies remain largely national" (Moravcsik/Vachudova 2003: 56f). With regard to the dimension of these (institutional) consequences for the old EU-15, the two authors however emphasize that "[d]iversity of interest, not the number of members per se, is the real issue" (Moravcsik/Vachudova 2003: 55). This is an important and theoretically highly interesting note which may also be found in other analyses (see e.g. Steunenberg 2002b: 112).

Thus, although more recent contributions drawing on the two old schools of European integration theory do provide some insights into the phenomenon of enlargement and its effects, which may be followed up upon, they still represent exceptions to the rule of a surprising silence of neofunctionalism and intergovernmentalism on enlargement effects and demonstrate the diverging and controversial views visible in the debate. In

terms of a more systematic inclusion of enlargement as an independent variable into the two classical theoretical schools, both continue to feature a considerable analytical and explanatory gap. This also means that they are not able to define for which constellation of member states their hypotheses have been formulated and how enlargement may have changed their analytical and explanatory potential.

Of course, it might be argued that turning to the two grand models of European integration for clues on the institutional impact of EC/EU enlargements means to look into the wrong direction altogether. Instead, it could be argued, one should turn to contributions by (neo-)institutionalism and theories of institutional change in order to capture the potential institutional effects of enlargements. Indeed there are a number of studies available which analyse the institutional effects of EC/EU enlargements from these theoretical perspectives. Perhaps the most extensive work in this regard has been done by Steunenberg, who employs different game forms of EU-decision-making in order to illustrate different scenarios for the decision-making process, combining them with insights from constitutional economics and politics (Steunenberg 2001: 352; 355). He summarises his main results as follows:

- Eastern enlargement will reduce the power of the old member states;
- if decisions are taken by qmv, this loss will be larger for the bigger member states (“power-reducing effect of enlargement”);
- if qmv is introduced in areas where unanimity applies, this will lead to a power-increasing effect for the old EU-15 (see Steunenberg 2001: 362).

Thus, Steunenberg concludes that Eastern enlargement does create a momentum for institutional change for the old member states, since they will want to protect or even improve their relative (voting) power position after the accession of new member states. However, as quoted above, Steunenberg also confirms the importance of (the intensity of) heterogeneous preferences among the member states for creating reform pressure, which is not a typical feature of an enlargement scenario, but also applies to any group of member states (see Steunenberg 2001: 364).

Other more recent approaches on institutional change in more general terms include e.g. Greif and Laitin (2004), who suggest a game-theoretical foundation in order to account for endogenous institutional change, or Lindner (2003), who explores the relationship between institutional stability and change and defines four sources of institutional stability such as the costs of switching to a new institutional setting.

Perhaps most interesting in the context of this paper is the contribution by Stacey and Rittberger (2003), who develop a rational choice historical institutionalist framework in order to conceptualise and explain formal and informal institutional change both in history-making decisions as well as during the interim phases between IGCs. They conclude by presenting a set of seven hypotheses which, at first sight, look rather general, but respond to a number of issues discussed in earlier theoretical and empirical accounts of EC/EU enlargements (see Stacey/Rittberger 2003: 874ff), combining the “wisdom” of historical institutionalist arguments about processes of institutional and constitutional

development on the European level with arguments taken from rational choice approaches and highlighting connections and interfaces between informal and formal institutional change also relevant in the context of EC/EU enlargements.

These results of more recent (rational choice) institutionalist and game theoretical approaches therefore point towards potentially important mechanisms and logics of enlargement effects on the micro- and meso-level of inner- and inter-institutional change, often using methodologically highly refined and complex models. However, whereas the analytical and descriptive capacities of these more recent theoretical perspectives are highly developed, their explanatory value is comparatively low. What sometimes seems to be lacking in these contributions (and what neofunctionalist and intergovernmentalist approaches provide on the meso- and macro-level of analysis), is a deeper understanding of the wider context of specific conditions and characteristics of European institutions and decision-making. Furthermore, it is clear from these more recent theoretical contributions that a purely “technical”, rational choice approach to institutional change or proposed institutional change does not capture the complex nature of the underlying processes. Thus, approaches combining insights of rational choice, historical and also sociological institutionalism appear much more apt.

Taking the rather heterogeneous and fragmentary overall state of the theoretical debate on enlargement effects and institutional change into account, it is difficult to synthesize findings because the different approaches operate on different analytical levels. It is equally difficult to deduct a coherent set of theoretical hypotheses from the approaches and results available. Not surprisingly, the most promising avenue for the future of this theoretical (non-) debate therefore seems to lie in a combination of neofunctionalist, intergovernmentalist and institutionalist arguments, complemented by findings of approaches to social learning. Such a combination of theoretical approaches and hypotheses should focus on:

- the mechanisms and conditions under which supranational or intergovernmental processes and institutions are strengthened in the aftermath of an enlargement round;
- the rise in substantial interest diversity following an enlargement round;
- the relationship and interfaces between formal and informal institutional change;
- the impact of processes of socialisation and social learning on institutional change after the accession of new member states;
- the question of the overall institutional consequences resulting from potential derogations and opt-outs (in cases when not the full *acquis* has been accepted by new member states).

Thus, the present state of the debate cannot provide a veritable theoretical framework on institutional enlargement effects. However, what it does provide are strong indicators, coordinates and suggestions for a more inductive approach towards analysis and theory-building in this area.

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III THE VERTICAL DIMENSION: EFFECTS OF ACCESSION ON THE NEW MEMBER STATES

Effects of accession on Poland

By Maria KARASINSKA-FENDLER

Political dimension

With the accession to the European Union on 1 May 2004, Polish foreign policy achieved its main strategic objective since the beginning of the political transformation in 1989. The successful conclusion of Polish EU membership was and is indisputably an event of historical dimension both for Poland and Europe. With the end of the East-West conflict and the transformation of Poland from a Socialist, Soviet-dependent country into a democratic political system, the idea of becoming a member of the EU and NATO turned into reality. Furthermore, Polish support to continue Eastern enlargement was successful in creating the second round of enlargement, continuing further Eastern enlargement negotiations, and in establishing special relations between the EU and the Ukraine. At the same time, Poland worked to contribute to the development of the new type of the common EU-relationship with Russia.

The common perspectives for the enlarged EU are currently the main issue of intensive discussion between the 27 member states with the main focus on the Lisbon treaty as well as on the future of the CFSP and the ESDP. The related debate about the future of the EU or “finalité politique” of European integration not only includes key issues and problems of further institutional reforms, efficiency and democratic legitimacy of the enlarged Union, but also regarding the political will and the political, economic and military ability to act as a global player in the framework of joint actions for peace-keeping, peace-building, and international crisis management in particular.

Poland’s motivation to join the EU was based on five principles:

1. In terms of norms and values, Poland perceived membership in the European Union as its legitimate and historical place. At the same time accession preparations served as an important element of the process of democracy building and in political transformation from a Socialist towards a Western democratic political system, assigning to the EU the role of an anchor in the political transformation and West-orientation.
2. In terms of interests, membership in the European Union had major economic, political and military advantages: Both for the transformation towards a market economy and the rapid growth and modernization of all sectors of the economy (including the highly backward agricultural sector) as well as in order to guarantee trade, investment, and labour export.

3. In security terms a NATO-membership promised fullest security against any Soviet/Russian military-political threat as well as direct access to U.S. policies. Membership in the EU was considered to be a political supplement or a sort of political reassurance that European NATO-members would fully support Polish security needs and interests in general and particularly vis-à-vis Russia.
4. In terms of power, Poland understood that the political geography, situated between EU/Germany and Russia, would not only enable it to exploit its re-established national sovereignty, but that seeking EU- and NATO-membership would allow Poland to use both EU and NATO power and influence to better pursue its national interests.
5. In addition, Poland defined itself as the most important and influential Central Eastern European country both in the EU and NATO and as the promoter of the Eastern European interests.

In fact, Poland saw both the EU and NATO as being the community of shared democratic values, of major economic and military benefits for Poland, and as an economic-political (EU) and a military-political (NATO) powerful actor, which could be used for promoting Polish interests.

After four years of membership, evaluating Poland's ways of acting within the EU and its efforts in regard to the future of the EU is not an easy task. It seems that Poland's objectives concerning the future of European integration process are divided and could be summarized by four characteristics:

1. Poland follows an inter-governmental approach in substantial questions like the reform of the Union's constitutional architecture and legal system, especially the mode of decision-making in the EU.
2. Poland presents quite limited and sometimes ambivalent support for deeper integration in some important questions like for instance the foreign and security policy of the EU.
3. Poland presents a strong and continued support for further widening to the East - particular concerning the Ukraine and Moldavia (without exclusion of Belarus in the future).
4. Poland's political ambition is to reinforce its role and influence as a major European power.

In summary, the membership in the European Union has been a crucial historical success for Poland's identity, its economic and military interests and its power. Transferring sovereignty towards the EU was regarded as a small price, limited by Poland's consent of subscription towards inter-governmentalism and compensated for by many advantages – including financial benefits as well as rehabilitating and legitimizing Poland as a major power in a Central Eastern Europe.

Economic dimension

Between May 1st and August of 2007 the first medium and long-term accession effects became evident, which was reflected in the economic growth level reaching 6.5%. Declining unemployment rates combined with increased household demand brought about the consumption growth of 6% per annum.

In 2003 the unemployment rate amounted to 20%, average salary was at the level of EUR 537, and inflow of FDIs was at the level of EUR 3.7 billion. After four years of membership (by the end of 2007) those indicators amounted respectively to:

- Unemployment - 11.4%
- Salary - EUR 850
- FDI – EUR 12.8 billion.

That means that after four years of EU membership unemployment dropped by almost a half and was combined with nominal salary rise by 58%. High inflow of FDI continued to be an indirect effect of accession. It is estimated that approximately 1.2 million jobs have been created so far thanks to foreign investments.

Social dimension

It is impossible to determine precisely the number of Poles working abroad. According to an estimation by the Central Statistical Office, in January 2007 almost 2 000 000 of Polish residents have lived in a foreign country for over two months and, as an academic survey (CMN) revealed, approximately 1 100 000 of them left Poland after 1st of May 2004.

Recent migration from Poland has had an effect in numerous fields. In case of Poland, the last several years have seen the process of gradual switch from enthusiasm to serious concern and pointing to the threats stemming from the mobility of Poles. Demographic consequences include not only a significant loss of population, but also a deformation of the demographic structure. The decline in population is visible mainly in terms of a decrease of young people in the economically productive age group, which contributes to the population ageing and increases the “burden” imposed on this group inside Poland. At the same time, the outflow of young people diminishes the demographic reproduction potential. This migration affects the sphere of family relationships.

Positive sides of migration are perceived in the “development” sphere – competence gained abroad may be “re-imported” and change local communities – and in terms of financial transfers of the migrants. The National Bank of Poland estimated at the beginning of 2008 that emigrants transferred over 20 billion PLN, which is twice as much as in the year 2004. Quasi-investment expenditure such as for housing and households investments, especially in human capital, has a multiplier effect and a great and ever growing significance.

Agriculture

The first four years of Poland's membership in the EU were – on the whole – advantageous to Polish agriculture. The beginnings of the CAP tools implementation were promising: relatively good adjustment to Community standards by Polish producers, general absorption of funds allocated to direct payments, extraordinary dynamics of exports to EU markets and rapid growth of investment in agriculture and food economy. Despite the fears expressed earlier, Poland's accession to the EU did not prove traumatic to Polish farmers; small holdings were not eliminated, the Polish market was not flooded with EU products, foreigners did not dramatically increase their purchases of land.

Inclusion of Polish farmers into the CAP forced revolutionary changes in relations between farmers and the financial and advisory institutions. In the late 1990s only less than 20% of farmers had bank accounts and used bank services. By the end of 2004, almost 90% had to have a bank account to be able to receive direct payments and other forms of EU support. The use of EU aid programmes, requiring considerable knowledge, and the demand for specialized advisory services substantially increased, contributing to the service sector development.

These positive developments strongly influenced the attitude of farmers towards European integration (in 1999, only 23% of farmers were in favour of EU membership, whereas in 2007 - 78% supported integration).

Territorial governance and Structural Funds

The implementation of the Structural Funds (SF) in Poland has on the one hand generated hope concerning its beneficial influence on economic development as well as considerable mobilisation of beneficiaries and on the other hand, fears amongst experts concerning the numerous flaws in the system and the insufficient preparation of administrations. In fact, the rate of SF absorption started to grow more rapidly only from summer 2006. Nevertheless, as a result of learning efforts and the rationalisation of procedures these preliminary fears turned out to be exaggerated. In fact, for instance, in Lower Silesia the value of funds effectively transferred towards the beneficiaries has increased from 14% of the total allocation for the region in July 2006 to 30.4% in December 2006. The Europeanisation process driven by the implementation of the SF in

Poland has had different outcomes at different levels of government. The introduction of the EU's regional policy in Poland has thus generated ambiguous dynamics.

Firstly, at central government level, both the vagueness of the European Commission's recommendations concerning administrative reform and its reluctance to consign the task of formulation of regional operational programmes to young regions have opened a window of opportunity for the state. The latter could thus impose solutions suiting its interests and favouring the (re)centralisation of power, in line with the Polish institutional legacy. This embeddedness of the centralised mode of operation in Poland, inherited from the communist past, confirms the pertinence of path dependency as a helpful con-

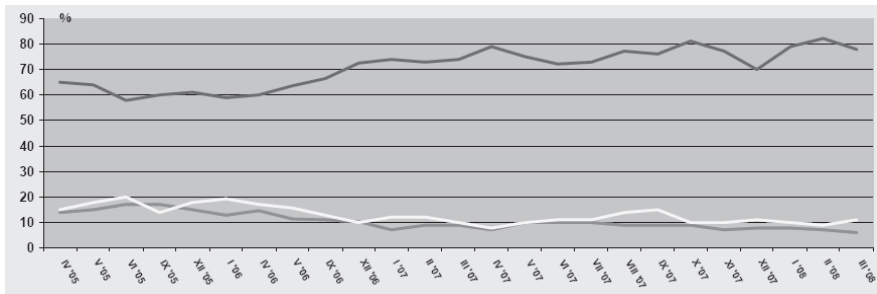
cept in explaining the laborious patterns of institutional change in transition countries.

Secondly, at regional level, imposition of the SF framework has forced the regional authorities to learn and adjust their practices. Consequently, their capacity in terms of management of regional development policy has improved, which allows them to reinforce, to some extent, their position within the state. This could contribute to a reassessment of the regions as important actors of regional policy, and, eventually, in the longer term, their emancipation from the state's trusteeship inherited from the communist regime. These dynamics are therefore contrary to the one observed at the central level, yet further research is needed to fully assess their outcome.

As a final remark, it should be highlighted that the system of distribution for the SF, as well as the practices of actors that are involved in its implementation, are constantly evolving, which suggests that our conclusions might require amending in the near future.

Public opinion

Support for Poland's membership in the EU³, question asked: "If on Sunday a new referendum on membership in the EU was to be held would you vote for or against accession to the EU?"



— for (SMG/KRC – 2004, Pentor – 2005, SMG/KRC-2006, Pentor-2007, GfK-2008)
 — against (SMG/KRC-2004, Pentor –2005, SMG/KRC-2006, Pentor-2007, GfK-2008)
 — would not vote (SMG/KRC-2004, Pentor –2005, SMG/KRC-2006, Pentor-2007, GfK-2008)

Source: Pentor, GfK Polonia, SMG/KRC for DA/UKIE

As for the whole period of four years of membership public support remains high, amounting to 78% (March 2008). Poles remain positive about the effects of accession to the EU, and they positively assess further benefits for the next 10-20 years. A positive evolution of these attitudes is especially visible within the agricultural sector - as before the accession Polish farmers used to be the social group with the most skeptical opinion on Poland's membership in the EU.

(3) Source: as above p. 110 – Original sources: Pentor, GfK Polonia, SMG/KRC for DA/UKIE.

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The Effects of EU accession in Hungary

By Tamás SZEMLÉR

This contribution on the effects of accession to the EU on Hungary concentrates on four issues: 1. economic performance, 2. social and regional disparities, 3. foreign policy, 4. attitudes towards the EU; some general final remarks complete the paper.

1. Economic performance

GDP growth, catching-up

Hungary's GDP per capita in 2007 was 63.5% of the EU27 average. This level means a considerable development compared to the level of one decade before (51.6% in 1997), but, since 2003, this indicator has not changed much; since 2006, it has even declined. The forecast (before the financial crisis) for 2008 was lower than the level in 2003. It means that in the first years of EU membership, instead of acceleration of the catching-up process, the country experienced a decline in its relative development level.

The cause is the recent low rate of economic growth after 2006: following the average 4-5% real GDP growth per year in the period 1998-2006, the growth rate fell to 1.1% in 2007. It is estimated to be around 1.9% in 2008. This is one of the important consequences of the stabilisation measures announced in 2006: The measures are part of the convergence programme of Hungary, and their main objective is to restore the balance of public finances.

The actual problems are not stemming from EU membership, but are the result of un-disciplined domestic economic policy since (at least) 2002. Fortunately, the duties stemming from EU membership constitute an important control mechanism, and thus limit such harmful practice. The most visible and at present most important tool in this respect is the convergence programme.

Trade

EU membership did not change much the trade patterns of Hungary with the EU15. The spectacular change could be observed in trade relations with those Central and Eastern European countries that joined the EU together with and after Hungary. Although the rapid increase of these trade relations was to a certain extent unexpected, there are explanations for it: the former free trade agreement practically never functioned at 100%; free trade of agricultural products became possible only after EU accession; trade in services also developed rapidly; last, but not least, in the single market, SMEs also became more active, and the neighbouring or close countries were among their most important new targets.

Hungarian imports from the new member states increased from € 4 bn in 2003 to € 9.7 bn in 2007, or from 1/10 to 1/7 of total imports. Hungarian exports to the new member

states increased from € 4 bn in 2003 to € 13.7 bn in 2007, or from 1/10 to 1/5 of total exports. It can be seen that Hungary improved its trade balance with these countries substantially: from a practically balanced trade in 2003, the country gradually increased its net exports towards the new members to € 4 bn in 2007. Hungary was also able to keep its net exporter position vis-à-vis the EU15, although the yearly export surpluses were lower in the recent years than in 2002–2003.

As a result of the above processes, Hungary reached in 2007 a practically balanced overall external trade performance (the total trade deficit being € 309 mn; for comparison, trade deficit in 2003 was € 4.2 bn). The positive trends continued in the first half of 2008, and Hungary closed that period with a € 453 mn trade surplus.

Labour market, migration

Employment level in Hungary increased slightly after EU accession (from 56.8% in 2004 to 57.3% in 2007), and is still among the lowest values in the EU. The unemployment rate increased from 6.1% in 2004 to 7.4% in 2007, but this change was due to internal factors (slowdown of growth, changes in labour market and social benefits regulations), and not to EU accession.

Unlike some other new member states, Hungary did not experience mass migration from the country to other member states of the EU. According to estimations, the number of Hungarians beginning permanent work in the EU member states after the EU accession of the country does not exceed 15,000 – which is, in comparison with the data from other (and in many cases, smaller) new member states, a very low figure⁴. In addition to that, experiences (limited, of course, by the short time since EU accession) show that most Hungarians return to the country after some years of work abroad.

2. Social and regional disparities

EU accession in itself did not change the situation regarding social and regional disparities in Hungary. Social disparities are more subject to other factors, related first of all to domestic policy measures. The only effect of EU membership in this respect can be in principle related to restrictive measures (as part of the convergence programme).

Regarding regional disparities, EU funds (Structural Funds targeting mainly NUTS II level developments, but also the Cohesion Fund, with expected effects among others on the improvement of the country's infrastructure) can contribute to reduce them on the long run. Although Hungary is one of the best performing new members regarding the absorption of EU funds, for the time being (due to the still short period of EU membership), this effect can not be seen. However, it can be seen as an achievement that territorial

(4) According to estimations taking into account short-term and seasonal workers, there may be ca. 70-80 thousand Hungarians who work(ed) in the EU since the country's EU accession, this is also a very low number (one of the lowest among the 8 Central and Eastern European countries that joined the EU in 2004).

disparities (on the NUTS II level) did not increase significantly.⁵

This can be seen as a positive result of the changes in Hungarian territorial development policy; these changes have occurred since the second half of the 1990s, as part of the preparation for EU membership. Using EU funds transfers with a more emphasised regional focus (the National Strategic Reference Framework for 2007–2013 points into this direction) can help begin reducing existing disparities. EU Funds can also contribute to the overall catching-up process of the country, including modernisation; in this latter respect, the future of the Lisbon Strategy can be crucial.

3. Foreign policy

EU accession did not change the direction of Hungarian foreign policy – except that with the accession one of its main objectives has been reached. In most cases, Hungary's interests are in line with the EU-widely accepted directions; in this respect, difficulties can only arise in specific cases.

One of the specific cases since Hungary's EU accession was the issue of the recognition of the independence of Kosovo. Due to historical experiences as well as to the still considerable Hungarian minority living in Serbia, being in line with the EU position (or, to put it more precisely, with the position of the majority of the EU member states) was not easy. Interestingly enough, it was just the reluctance of some member states, and the appearing possibility of delaying the recognition that made Hungary's decision (recognising Kosovo's independence) easier (increasing the room of manoeuvre regarding the timing of the decision). Without EU membership, this decision could have been much more difficult to take (with special attention e.g. to the country's NATO membership).

Russia is another key issue in the foreign policy of Hungary; the importance of Russia is of course, based on important economic reasons. The Hungarian approach to the issue is quite cautious, and this can be said about the EU approach, as well – with the important difference that there is still no clear all-EU approach. The same is true for the relations with the Ukraine. Especially in this latter issue, Hungary could and should play a more important role than until now, and (together with other member states, e.g. Poland) use the EU (*à la française*) as a multiplier of power.

Last, but not least, it became also clear that EU membership in itself cannot solve bilateral foreign policy conflicts. This is quite clearly reflected – at least on the surface – of the current mood in the Hungarian–Slovakian relations. However, the EU may still act as a discipline mechanism, and it also provides occasions for direct contact even in times when „genuine“ bilateral relations look cold.

4. Attitudes towards the EU

Recent *Eurobarometer* results show a decline of the EU's popularity among Hungarian citizens. By autumn 2007, to the question “Generally speaking, do you think that (OUR

(5) In 2002, GDP per capita in the most developed NUTS II region of Hungary (Central Hungary) was ca. 2.4 times higher than in the least developed ones (Northern Hungary and Northern Great Plain); in 2006, the ratio was slightly over 2.6.

COUNTRY)'s membership of the European Union is/would/be...?" the share of those who replied "a good thing" was 40% in Hungary. This was clearly below the EU27 average (58%). By spring 2008, the situation got worse: the EU27 average declined by 6 percentage points (to 52%), but the decline of the Hungarian result was even more important (8 percentage points), and the result (32%) shows a not very favourable attitude to the EU.⁶

Regarding the more concrete question "Taking everything into account, would you say that (OUR COUNTRY) has on balance benefited or not from being a member of the European Union?", the share of those who answered "benefited" was 42% by autumn 2007 and 36% by spring 2008 in Hungary (the EU27 average being 58% and 54%, respectively). The development is similar – although somewhat more moderate – to the case of the previous question.

According to the same surveys, Hungarians – like most peoples in the EU – trust EU institutions more than their own national ones. Even if there was a drop since autumn 2007⁷, by spring 2008 52% of Hungarians tended to trust the EU. This is by far more than their trust in the national Parliament (15%) or in the national government (13%).⁸ Regarding two key institutions, trust in the European Commission stood at 54%, trust in the European Parliament stood at 59% by spring 2008.⁹ The reason of this situation can be the depressive political life in the country as well as Hungarian citizens' only superfluous information about the EU.

5. Final remarks

It is clear even from the above short contribution that one has to be cautious with establishing direct links between EU accession and simultaneous economic, social and political developments. Such links surely do exist, but changes since 2004 cannot be simply seen as results of EU accession. There are other factors – global developments on the one hand, domestic processes on the other – that influence the country's development and the trends described above. Of course, these developments and their consequences also influence the public opinion. As, being an EU member, it is always easy to find an external and visible (far more tangible than the "archenemy" globalisation) scapegoat, the general mood of the society can also be reflected in the popularity of the EU.

Last but not least, it has to be emphasised that this short contribution does not take into account the effects of the actual financial crisis. This crisis, its consequences and the solutions applied can largely modify the picture we have about the effects of being an EU member. At this moment, it is too early to paint a clear picture of the potential changes, but it may be timely to begin to think about them.

(6) However, one can not say that the attitude is very negative: the share of those who answered "neutral" was 43% in Hungary.

(7) The value for autumn 2007 was 60%.

(8) For comparison, the EU27 averages by spring 2008 were 50%, 34% and 32%, respectively.

(9) The decline since autumn 2007 has been 7 and 8 percentage points, respectively.

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Effects of EU enlargement: Slovenia

By Sabina KAJNČ

1. Introduction: Accession – project completed?

Changes in Slovenian society, economy and politics, including foreign policy, following its independence in 1991 have been driven by (i) its newly acquired statehood, (ii) a changed domestic and international politico-economic situation, (iii) the globalization process, and, nonetheless (iv) approximation to the European Union (EU). How and to what extent these four drivers account for shaping and adapting of various elements of the Slovenian socio-economic and political landscape is subject to epistemological and methodological queries. However, the undisputed goal of acceding to the EU, with Copenhagen criteria to be fulfilled and the *acquis communautaire* adopted, offered clearer benchmarks for research into the effects the EU accession process had on Slovenian society, economy and politics. Up until the accession to the EU in 2004 there was extensive research into the various elements of Slovenian socio-economic and political changes, recognizing the accession efforts as the main driver for change in areas covered by the Copenhagen criteria and the accession negotiations.

Following accession to the EU, however, systematic research into the effects of the EU has faded. This contribution sets out reasons for lack of research into the effects of EU accession on Slovenia and presents a scattered account of effects in three not entirely unrelated fields: economy, labour movements and monetary issues following the adoption of Euro and public opinion on the EU and European integration generally.

2. Loss of research interest: relation between reality and research

Three sets of reasons for a lack of systemic research into the effects of the accession to the EU had on various elements of Slovenia's socio-economic and political life can be identified. First, an 'accession-effort fatigue' can be witnessed. With the accession criteria fulfilled, the motivation to adjust and adapt, not surprisingly, faded.

Second, socio-economic and political dynamics lost the EU accession as the main drive and was replaced by at least two less tangible sources of change: (i) October 2004 general elections saw a swing of the electorate from centre-left to centre-right, resulting in a replacement of a centre-left coalition, which ruled almost uninterruptedly since independence, to a centre-right government, opening space for more active and turbulent domestic politics and a more Euro-Atlanticist foreign policy and, (ii) Slovenia quickly embarked on three new projects: adopting the Euro; Chairmanship of the Organisation for Security and Co-operation in Europe (OSCE) in 2005 and Presidency of the Council of the EU in the first half of 2008. While the process of adopting the Euro signified a continuation of guided efforts by the EU to adjust and comply with the set standards, Chairmanship of the OSCE presented, mainly, the Ministry of Foreign Affairs with another operative project, to a large extent, as it was conceived, detached from the EU. Preparations for the

2008 Presidency of the EU marked, once again, a turn to a more EU-focused foreign policy, however, as an operative project of preparations and finally conduct of the Presidency.

Not unrelated to these two reasons and this is the third reason, the research community, with projects and funding related to Slovenia's accession to the EU by then expired, turned to a less Slovenia-concentrated research fields. Issues related to adopting the Euro, however, presented a continuation of a previous research thread into the effects of the EU on Slovenia's socio-economic and political landscape. The Presidency experience and the fifth anniversary of accession to the EU recently spurred a new wave of research on the effects membership in the EU has on Slovenia. Results of this are slowly finding their way in the form of conference papers and written contributions.

3. Scattered account: Economy, labour and the effects of adopting the Euro

Immediately following the accession to the EU positive and negative trends on Slovenia's economy have been observed. Positive trends had been identified¹⁰ in the field of services, especially capital services. Despite greater competition following accession, financial services, insurance, catering and especially tourism stick out in positive trends; in capital services the influx of new mutual funds, banks and new forms of financial services were being felt. Opening of markets, the development of a wider financial market and easier access to capital not only stimulated the import-export activities of larger companies, but also had a very favourable effect on the international operation of small and medium enterprises (SMEs).¹¹ SMEs as champions of Slovenian economy were to a large extent integrated into the internal EU market prior to the accession; still, they found the conduct of business following the accession cheaper as well as simpler.

Membership in the EU and the consequent opening of agricultural markets intensified the effects of globalization on agricultural trade, bringing more competition and new problems for Slovenian products. In order to ensure the success on the single market, farmers' community in Slovenia recognised a need to establish a unified approach towards trade in agricultural products and called for further linking of regional producers' organizations.¹²

On the other hand, in line with prognoses and expectations the situation worsened in labour intensive sectors with low added value. These sectors were not only affected by the new conditions of the internal market, but also by the changing conditions in the world economy. Textile industry was the most affected in the negative respect. Challenges were similar in the food manufacturing industry. Re-structuring of the industry did not yet give results as the added value annotated in the sector only reached 52 per cent of the average

(10) Sector for European Affairs of the Slovenian Chamber of Commerce and Industry (September 2009); Data obtained in the framework of a research conducted for EU25 Watch N3 (Slovenia).

(11) Slovenian Press Agency (STA) (30 January 2005) Predsednik GZS uk: Za podjetništvo trenutno najbolj stimulatívne makroekonomske razmere [President of the Chamber of Commerce and Industry uk: Entrepreneurship currently faces a most favourable macroeconomic situation].

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added value in the EU-15, similarly, productivity was at 70 per cent of the EU-15 average.¹³

Labour-movement statistics¹⁴ for the period after May 1st 2004 shows a slight increase in labour originating from the member-states of the EU, while labour from the states of the former Yugoslavia still prevailed (traditional seasonal workers in construction and agriculture). The majority of workers from the EU member states (new member states, Ireland, Sweden and Great Britain) are those who come as posted workers offering services. Less than a third of all workers from the EU member states registered as employed, and around 5 per cent registered in Slovenia on the basis of a civil contract.

The process of adopting the Euro dominated the macroeconomic level. The official process of the adoption of the Euro began on 28 June 2004 when Slovenia, alongside with Lithuania and Estonia, entered the European Exchange Rate Mechanism, and finished with the actual introduction of the currency on 1 January 2007. Evaluation of the process of the adoption of the Euro in Slovenia in general terms leads to the conclusion that the preparations for the introduction of the new currency ran relatively smoothly. There is, however, more divergence in the perceived effects introduction of Euro had on Slovenia's economy. This was even more exacerbated following decline of economic growth and significant increase in the rate of inflation, beginning in March 2007 and turning Slovenia in the Eurogroup's highest inflation rate member. The introduction of the Euro was largely seen as favourable for the business sector, offering more options for easier international investment and co-operation opened to many entrepreneurs and small and medium enterprises. The only business sector that was forced to seriously rise up to the challenge was the catering industry, due to the rapidly growing prices of food and drinks after the introduction of the Euro.¹⁵ On the other hand, the government faced a series of accusations asserting that the Euro was responsible for an unfavourable economic situation in the country, but turned them down, ascribing the inflation rates to the growing prices of oil and food on global markets. With a continuous turmoil on world markets throughout 2008, the Euro eventually lost its 'scape-goat' mark in public and media perceptions.

4. Public opinion: steady, but passive support¹⁶

First results of Standard Eurobarometer 69 (June 2008) showed that 52 percent of the respondents believed that membership in the EU was a good thing for Slovenia.¹⁷ Despite a relative decline in support for the membership since the last Eurobarometer (56 percent in autumn 2007), Slovenian results once again remained levelled with the average in the EU. Similarly, 'Politbarometer' polls,¹⁸ conducted nationally, on trust in public

(13) Sector for European Affairs of the Slovenian Chamber of Commerce and Industry (September 2009).

(14) Ministry of Labour, Family and Social Affairs (September 2005) (data obtained by means of a questionnaire sent to the Ministry in September 2005).

(15) Kovač, Stanislav (Finance, 16 January 2008) Public enemy: napihovalci inflacije [Public enemy: blowing the inflation out of proportion], available at <http://www.finance.si/201750> (5 July 2008).

(16) Findings in this section result from a research conducted for the EU27 Watch N7 (Slovenia).

(17) Standard Eurobarometer 69 – Public opinion in the European Union: First Results, p. 24, available at http://ec.europa.eu/public_opinion/archives/eb/eb69/eb_69_first_en.pdf (9 July 2008).

(18) Politbarometer is a comprehensive poll, conducted by the Center za raziskovanje javnega mnenja [Centre for public opinion research], commissioned by the Government's information office between 1995 and 2005 and independent ever since.

institutions, among those also the EU, reflects the results of Eurobarometer. Poll results from December 2007 and June 2008 indicate that 38 percent of respondents place trust in the EU, putting the latter firmly in the upper half of the most trusted public institutions. Such results can be attributed to the fact that there is a trend of a high level of trust in international institutions, and a considerably lower level of trust in national institutions respectively, in post-socialist countries. In Slovenia this is confirmed by the low level of trust enjoyed by the Government (21 percent in December 2007, 18 percent in June 2008) and the National Assembly (20 percent in January 2007, 17 percent in June 2008).¹⁹ Eurobarometer and national public opinion polls show no clearly identifiable long-term trend in the support for the membership in the EU. Moreover, the support for membership has been constantly matched with the average throughout Europe. Such results could be explained by the fact that entering the EU did not change the lives of citizens significantly; the only major novelty was the subsequent adoption of the Euro.

5. Slovenia's foreign policy: caught in cyclical operative projects

Slovenia's foreign policy found itself in a strategic vacuum after having achieved its main goals of state recognition, friendly neighbourly relations (to an extent) and membership in the European Union (EU) and the North Atlantic Treaty Organisation (NATO). With the accession to the EU being the undisputed primary goal of its foreign policy, EU's conditions for the membership provided guidelines for (foreign) policies it had not yet devised and structures it had not yet set up. This is mostly seen in the case of development cooperation policy and in the organisational changes within the Ministry of Foreign Affairs, but to a certain extent also in the field of trade policy. Soon after accession to the EU, however, the Government and primarily the Ministry of Foreign Affairs were succumbed into two operative projects: the 2005 Chairmanship of the OSCE and the 2008 Presidency of the Council of the EU. The pursuit of membership in NATO shifted the country's orientation from that of a more 'Europeanist' to a more 'Atlanticist' position,²⁰ which evolved into a foreign policy characterised by the principle of 'balance'. The OSCE Chairmanship and the EU Presidency, on the other hand, brought about a cyclical nature of Slovenia's foreign policy, in which 'implementation' of – largely externally conceived – tasks was a priority. The belated organisational adaptations to the realities of the EU membership in the Ministry of Foreign Affairs as well as still absent foreign policy strategy (the last Slovenia's foreign policy strategy dates to 1999, with the main goals set those of accession to the EU and NATO) supports the prioritisation thesis of the operational projects. The project-based foreign policy resulted in a foreign policy system widely open to external processes and pressures, which was put under the first real test during the Slovenian Presidency of the EU in the first half of 2008.

(19) *Politbarometer 3/2007 (March 2007) (Javnomnenske raziskave o odnosu javnosti do aktualnih razmer in dogajanj v Sloveniji [Public opinion surveys on the attitude of the public towards current affairs and developments in Slovenia])* p. 20, available at http://www.cjm.si/sites/cjm.si/files/File/raziskava_pb/pb12_07.pdf (5 July 2008); *Politbarometer 3/2007 (March 2007) (Javnomnenske raziskave o odnosu javnosti do aktualnih razmer in dogajanj v Sloveniji [Public opinion surveys on the attitude of the public towards current affairs and developments in Slovenia])* p. 4, available at http://www.cjm.si/sites/cjm.si/files/File/raziskava_pb/pb06_08.pdf (5 July 2008).

(20) Cf. Sabina Kajnc and Milan Brglez in: Jan Techau and Alexander Skiba (November 2009) *Transatlantic Relations 2009: European Expectations for the Post-Bush Era. EPIN Working Paper* (7 November 2008).

Slovenia's foreign policy conduct during the Presidency has shown it values the principles of unity, solidarity and balance, all in pursuit of 'European' goals in matters where it lacked its own national goals. The picture was slightly different in its conduct towards the Western Balkan. Slovenia pushed very hard to attain its principal goal – concluding the ring of Stabilisation and Association Agreements, but did not overdo it, when it assessed that this would go against the established principles (in case of Macedonia) and hurt its credibility.²¹ At the same time, it began its membership in the EU by (successful) projection of its major foreign policy occupation – the dispute with Croatia over a border in the Gulf of Piran – to the EU level, but did not use its Presidency to shift the EU's policy towards Croatia.

It remains to be seen whether, after a project has been concluded, Slovenia will (once again) stall and turn back into a passive, but open, member and whether it will again seek to project its bilateral issues at the European level. Slovenia's Presidency was characterised by the role of an honest broker, like that of smaller states do. However, with the principle of balance penetrated in many other Slovenia's foreign policy, it might be that the socialization into the European politics it has shown during the Presidency will survive into the time of a 'normal membership'. And this is not only the question for Slovenia's foreign policy, but for the whole range of its policies as well as politics and polity at large.

(21) Cf. Kajnč, Sabina (2008) *Die slowenische EU-Ratspräsidentschaft 2008. Aus Politik und Zeitgeschichte*, 32/2008 (August 2008).

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The Czech discourse on the EU's external activities²²

By Vít BENEŠ

The Czech Republic is often regarded as a 'eurosceptic' country, not least for its rather lukewarm attitude towards projects of common foreign, security and defence policies. Even before the entry into the EU the Czech Republic demonstrated during the Iraq crisis in 2003 that foreign and security policies remain the sole responsibility of individual member states. After the 2004 enlargement, the Czech Republic, led by a Social Democrat government, officially supported the Common Foreign and Security Policy (CFSP), but still under the condition that any plan for a stronger European foreign, security or defence policy should not weaken NATO.

The 2006 elections brought to power the 'eurosceptic' Civic Democrats who formed a government with two 'eurooptimist' but small and weak parties. The euroscepticism of the new government was clearly demonstrated during the negotiations of the reform treaty. On a number of occasions, the Czech government has tried to mitigate the institutional reform and minimize the legacy of the rejected reform treaty. This resistance was fought under the banner of state sovereignty against the creeping strengthening of supranational institutions and against the promotion of qualified majority voting in the Council. Foreign, security and defence policies undoubtedly belong to the few sacrosanct attributes of state sovereignty to be defended against any 'institutional reform'. Moreover, CFSP and the European Security and Defence Policy (ESDP) were, from time to time, simply perceived as a projection of the interests of the most powerful EU members, and as a tool for their domination over the smaller members. But is the reality that simple? In this paper, I would like to show that even the current 'eurosceptic' government shares certain basic assumptions that underline CFSP and ESDP. I do not deny that the Civic Democrats (the strongest party in the current government) remains sceptical towards further institutionalization of CFSP and ESDP and (more or less) also towards the current shape of these policies. But I argue that on the deeper, discursive level, even this 'eurosceptic' government remains committed to the idea of a competitive and strong Europe. Generally speaking, shared identities and the need for common external activities vis-à-vis third countries are sustained through the processes of "othering" (articulation of a difference) (Diez, 2004), representation of threats and challenges (Campbell) and securitisation (Wæver, 1995; Buzan et al., 1997). The preliminary results of our research indicate that even a 'eurosceptic' party such as the Civic Democratic Party (i.e. its representatives in the government) may be implicitly engaged in these processes. More concretely, it is engaged in the discursive construction of the threats and challenges endangering Europe as a whole (Russia, terrorism). It is also involved in intense securitization of new topics – namely energy security.

(22) The research was done in the framework of the project "European integration and the interests of the Czech Republic implemented by the Institute of International Relations, Prague. This paper does not provide a comprehensive overview of the changes and development of Czech domestic and foreign policies after the entrance into the EU. Instead, it focuses on one aspect of Czech policy within the EU: the underlying sources of Czech Republic's position towards the EU's external actions. Beside that, it also brings some insight into the Czech interpretation of the EU's role in global politics.

The method applied in our research was critical discourse analysis in the form developed by Ruth Wodak (Wodak, 2001; Wodak et al., 1999). She distinguishes three levels of analysis: 1) content and topics, 2) rhetorical strategies and 3) linguistic means and forms of realization. We have followed her steps and applied the analytical model to the Czech discourse on EU's external activities and the 'actorness' of the EU as a global player between 2004 and 2008 in order to trace the post-entrance development. The corpus of our discourse analysis consisted of circa 50 speeches, articles and newspaper interviews with leading figures on Czech political scene – party leaders and foreign policy experts (shadow foreign ministers). Beside these, other genres were included in the analysis: personal interviews with selected deputies or senators and recordings from parliamentary and senate committees for European affairs and foreign policy. Our research project focused on the Czech political landscape as such, but this short paper will concentrate on the discourse of the current Czech government.

Content and topic

First, the discourse analysis of the texts and speeches of Czech politicians revealed their shared commitment to a strong, competitive and open Europe. Even certain heavy-weights within the 'eurosceptic' Civic Democratic Party seem to endorse the general idea that coordinated action is needed for Europe to withstand global geo-economic and geopolitical competition. The idea of a competitive and strong (and open) Europe is quite widely accepted as a legitimate goal (Topolánek, 2007). At the same time, the term 'fortress Europe' depicts the kind of Europe that should be avoided.

Nevertheless, there is a disagreement about the sources of this weakness and the solutions to it. What will strengthen Europe? The conservative right (the Civic Democrats) argues that Europe (the old, tired and 'sick' Europe) should get rid of its rose-coloured attitude, that it should find the will to defend itself and to defend its values, notably the value of freedom. They treat the 'socialist way of thinking' as a universal culprit for the all the wrongs in Europe: for the economic weakness of Europe, for the rigid and inappropriate institutional set up, for the inward-looking and protectionist trade and foreign policies of the old Europe. The government dominated by the Civic Democrats sees the solution in a flexible and strictly intergovernmental institutional set-up.

On the other side, the Social Democrats are in favour of further institutionalization of foreign and security policies. One would expect that leftist parties (Social Democrats and Communists) argued that the external activities of the EU should in the first place protect the EU against the negative side-effects of the 'intangible' forces of globalization. But this is not the case. Globalization rarely occurs with overtly negative connotation. It does not serve as a source of legitimization in the discourse. The Social Democrats rather speak about the need to retain (or regain) competitiveness vis-à-vis the 'tangible' economic powers like China.

Argumentation strategies

The topic of 'energy security' is being intensively securitized in the Czech governmental discourse. In line with the theory of securitization, energy security is not only highly politicised, but energy security is considered essential for the survival of basic European norms (namely freedom) and for the survival of Europe as such (Topolánek, 2008a). The opposition, the Social Democrats, also place energy policy high on the agenda, though they do not travel all the way to "securitization" and seem to remain on the level of "politicization" (Buzan et al., 1997: 21-47).

The conservative discourse of the Czech government offers a quite clear image of threats or at least challenges for Europe. Recently, 'neoimperial' Russia (or at least neoimperial tendencies in Russia's foreign policy) is depicted not only as a potential threat to the Czech Republic or Central Europe, but as a (potential) threat to Europe as a whole. The argumentation strategies of naming and predication endow Russia with negative qualities as an 'other' to Europe. For example, while the EU creates the 'zone of stability', the activities of Russia are described as an attempt to establish a 'sphere of influence'.

In fact, these argumentation strategies implicitly contribute to the construction of a shared European identity (even though the content of this identity is different from the message conveyed by the left-leaning European politicians). The discourse of conservative "eurosceptics" (Civic Democrats) legitimizes a common response to external threats and depreciates individual actions (such as bilateral contacts and agreements with Russia) (Topolánek, 2008b).

Linguistic means

Following the script of Wodak and her collaborators, we have investigated a wide range of possible linguistic means utilized in the Czech discourse. Here we will mention only one of them: the use of the personal pronoun 'we' – including all its dialect forms and the corresponding possessive pronouns. The pronoun 'we' is probably one of the most important linguistic tools for the creation of a shared identity and a way to legitimize common external action vis-à-vis 'others'. Quite interestingly, in the discourse of some leading Civic Democrats (such as the Czech prime minister), the pronoun 'we' embodies Europe as a whole. On the other side, the leader of the Social Democrats tends to speak about Europe as 'they'. Of course, he stresses that the EU is necessary and useful for us, but the pronoun 'us' is reserved for the Czech Republic.

Conclusion

By visualizing the common European enemies and threats (such as neoimperial tendencies in Russia, 'forces of evil', terrorism or the economic competition of rising China and India), by securitizing new topics (energy security) and by explicitly or tacitly accepting concepts like 'strong Europe' and 'Europe as a global actor', the Czech right-wing government actually constructs, lays or at least maintains the very basic foundations for a common European foreign, security and defence policy. This discourse legitimizes the

existence of these policies even though it remains sceptical towards existing or proposed institutions of foreign and security policy (e.g. the European foreign minister) and towards the current outlook of these policies (they are too much under the influence of the old member states).

The 'eurosceptic' discourse of the Civic Democrats and the Czech government stands, in some respect, in opposition to the traditional, 'eurosceptic' discourse represented by Václav Klaus, who denies the very idea of Europe or the EU as a political actor. But still this discourse remains (in line with the arguments of Václav Klaus) critical towards the institutionalization or supranationalisation of the European foreign and security policy.

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Cyprus and EU Enlargement

By Costas MELAKOPIDES/Kostas SASMATZOGLOU

1. Introduction

This chapter will address (i) the *sui generis* motivation of the Republic of Cyprus to apply for EC accession; (ii) the *idiosyncratic* Cypriot travails during and after accession negotiations; (iii) the positive effects on the Republic of both the accession negotiations and of enlargement; (iv) aspects of the EU-associated role that Cyprus can play in the Eastern Mediterranean and beyond; and (v) Cyprus' particular expectations from the EU. Throughout this discussion, the reader is urged to recall that the Republic of Cyprus is the only Member-State under partial military occupation.

The Republic of Cyprus is a paradigm case of a European country that is foggily understood. One of the smallest EU members in territory and population, but proud, dynamic and prosperous, with gifted and hard-working citizens, and an enviable geostrategic value, Cyprus is simultaneously a dramatic instantiation of the consequences of limited hard power in a partly Hobbesian world. It also constitutes a melancholy reminder of the irresistible attractiveness to powerful and/or amoral states of geopolitically significant space.²³ That is why we should always keep in mind that Cyprus is an EU member state of which 37% of its territory remain under military occupation since the 1974 Turkish invasion. It follows that, ever since, most of the political and intellectual energies of most Cypriots are applied daily on the "existential" issue of the country's liberation and reunification, through the fair and functional settlement of its notorious political problem with its deep psychological and moral implications.

2. Cyprus' motivation for accession and travails before and after its accomplishment

It is this dramatic post-1974 reality – marked by the gross violation of human rights and fundamental liberties, the massive colonization of the occupied north by Turkish settlers, the incessant psychological warfare to which the small state is subjected, etc. – that formed the primary motivation for Nicosia's July 1990 application for EC accession. The economic, commercial, cultural and associated goals were, by comparison, only secondary. The Commission's Communication of 30 June 1993 was nearly flattering. *The Agenda 2000* of July 1997 confirmed the start of accession negotiations with Cyprus, six months after the completion of the IGC stating that "the Union is determined to play a positive role in bringing about a just and lasting settlement in accordance with the relevant United Nations Resolutions. The status quo is at odds with international law, threatens the

(23) A remarkable illustration of this point is provided by former US Under-Secretary of State, George Ball. Commenting on the Cypriot inter-communal strife of 1964, he was brutally honest: "Viewed from Washington, the issues were clear enough. Cyprus was a strategically important piece of real estate at issue between two NATO partners: Greece and Turkey. We needed to keep it under NATO control." *The Past Has Another Pattern* (New York: Norton, 1982), p.342 (emphases added).

stability of the island, the region (sic), and has implications for security".²⁴

After receiving confirmation of its eligibility, the Government of Cyprus authorized preparations for the accession negotiations under the auspices of the Cyprus Planning Bureau. Modelling its work on the Austrian and Scandinavian candidacies, it formed 23 working groups which undertook to study the *acquis*, to compare it to Cypriot legislation and policy, to identify gaps, and to prepare a programme for action to converge with the Union's laws and regulations.²⁵

Ever since the publication of the first *Regular Report from the Commission on Cyprus' Progress towards Accession* in 1998, it became evident that Cyprus was a front-runner among the initial "5 plus 1" candidates in adaptation to EU policy and adoption of the *acquis*.²⁶ Cyprus' preparations were generally acknowledged in all subsequent reports, which noted the country's successes as regards most dimensions of the Copenhagen criteria. In addition, the Commission had clearly endorsed the Cypriot government's optimism regarding the "catalytic role" that accession could play vis-à-vis reunification. And as formal accession was nearing, Cyprus kept leading in the harmonisation preparations among the "10". As then President of the Republic George Vasiliou recalls to illustrate the Cypriots' success, the country had also mobilized the assistance of the Legal Service and the House of Representatives, "and we had to produce 1080 new legislations and legal changes so that Cyprus could finally adapt itself to the *acquis communautaire*".²⁷

And yet, the "catalytic function" of the negotiations was proving a chimera. Rauf Denktash, the then leader of the Turkish Cypriot community, remained adamantly inimical to the EU, rejecting all invitations to join the Cypriot negotiating team. Meanwhile, the avalanche of post-1964 proposals by the international community – primarily by the UN – for the peaceful settlement of the Cyprus problem was refreshed by the last initiative of 2002-2004. This was the so-called "Annan plan", so-called because the main authorship should be attributed to Lord David Hanney, as he at least asserts in his recent book.²⁸

As Costas Melakopides has tried to demonstrate – e.g. in his *Unfair Play* (2006)²⁹ – this plan was essentially created not to reunify the Island-state, but primarily to exculpate Turkey of its political, legal and economic obligations to Cyprus. In addition, if accepted by both communities, the plan would have removed a major obstacle to Turkey's own accession ambitions; it could have served the geostrategic interests of three foreign pow-

(24) Quoted in Costas Melakopides, "On the Mediterranean 'Fuzzy Edge of the EU: the Candidacies of Malta, Cyprus and Turkey", *Journal of European Integration*, Vol. 22, No.3, 2000, pp.307-8.

(25) See Costas Iakovou, "Cyprus' Preparations for Accession Negotiations," in *Cyprus-EU: Contribution to Preparations for Effective Accession Negotiations* (Nicosia: IKME, 1997) (in Greek), pp. 100-109.

(26) In early 1999, EU Chief negotiator, Leopold Maurer, during his visit to Nicosia, "congratulated Cyprus" for presenting more chapters than the Eastern European candidates, adding: "You are treated as if you are already a member of the EU [...]": *Cyprus Mail*, 17 January 1999.

(27) George Vasiliou, "Five Years After Cyprus's Accession to the EU", *Phileletheros* (Nicosia daily), 10 May 2009.

(28) David Hanney, *Cyprus: The Search for a Solution*, (London: I.B.Tauris, 2005). For an illuminating review of this book, see Miltiades Hatzopoulos, "Pride and Prejudice in a British View of the Annan Plan Negotiations," in Costas Melakopides et al. (eds.), *The Cyprus Yearbook of International Relations 2007* (Nicosia: Power Publishing, 2008), pp.231-242.

(29) Costas Melakopides, *Unfair Play: Cyprus, Turkey, Greece, the UK and the EU* (Kingston, Canada: Queen's Centre for International Relations, 2006).

ers at the expense of the Greek Cypriots' own interests;³⁰ and it would have satisfied the special needs of the Turkish Cypriots (most of whom opposed Denktash)³¹ and many of the over 120,000 illegal settlers, whom the "Annan plan" had decided to legitimize by fiat.³² Therefore, it was not surprising that the residents of the occupied territory endorsed the plan in the twin referendum of 24 April 2004, whereas the Greek Cypriots rejected it by 76%. For the latter concluded that this externally imposed plan was manifestly unfair, contrary to international and EU law, hence utterly unworkable, and therefore deeply suspect. As *Unfair Play* further documents, the Greek Cypriots also reacted angrily to the excruciating machinations emanating from some domestic circles and foreign centres, including the threat that, unless the plan were endorsed by the referendum, Cyprus would not enter the EU.³³

In fact, a week later, the Republic of Cyprus formally acceded to the Union. And according to Protocol 10 of the 2003 Accession Treaty, whereas the entire Republic is an EU member-state, the *acquis communautaire* will be enforced in the occupied north upon settling the country's legal, political, and ethical problem. (For an April 2009 decision by the Court of the European Communities, with enormous political implications, see below.)

By accepting Cyprus' membership despite its status as a semi-occupied state, the EU endorsed the legal essence of the case, thereby honouring its political culture and ethical core. To be sure, deep confusion over, and even ignorance of, the real nature of the "Annan plan" and, therefore, of the real meaning of the Greek Cypriots' rejection, caused irritation and discontent in Brussels. Progressively, however, these sentiments were transcended, as the plan was being exposed and Nicosia kept proving its good faith. Hence Cyprus progressively returned to the pre-accession accumulation of political, legal, and diplomatic kudos. Paradigmatic was the EU response to Turkey's "declaration" of 29 July 2005 that its signature to the Additional Protocol to the Ankara Agreement did not "amount to any form of recognition of the Republic of Cyprus referred to in the Protocol". To this, however, the EU responded by the "Counter-declaration" of 21 September 2005: "The European Community and its Member States make clear that this declaration by Turkey is unilateral, does not form part of the Protocol and has no legal effect on Turkey's obligations under the Protocol." (Par. 2) and further in Par.4: "The European Community and its Member States recall that the Republic of Cyprus became a Member State of the European Union on 1st May 2004. They underline that they recognise only the Republic of Cyprus as a subject of international law." Finally, and equally important, the counter-declaration demanded that, while supporting the UN Secretary General's efforts to reach a comprehensive settlement of the Cyprus problem, this settlement should also

(30) Needless to say, these powers were the United States, the United Kingdom, and Turkey.

(31) As manifested during the massive demonstrations of December 2002 and January 2003 in the occupied territory.

(32) The number of 120,000 was presented in Council of Europe, Parliamentary Assembly, Committee on Migration, Refugees, and Demography, Colonisation by Turkish settlers of the occupied part of Cyprus, Doc.9799, 2 May 2003, Rapporteur Mr Jaakko Laakso (Finland), p. 2. Since the rejection of the Annan plan, the number of the illegal settlers is reportedly exceeding 200,000, far outnumbering the indigenous Turkish Cypriots.

(33) For a brilliant analysis of the plan's inherent weakness and the associated political and diplomatic fiasco, see Claire Palley, *An International Relations Debauch: The UN Secretary General's Mission of Good Offices in Cyprus 1999-2004* (Oxford and Portland Oregon: Hart Publishing, 2005).

be premised on “*the principles on which the EU is founded*” (emphasis added).³⁴

Thus, while Turkey kept opting for intransigence, Cyprus felt closer to its cardinal political goal, with renewed optimism regarding the EU’s prospective role for the reunification. And yet, the forces frustrated by the rejection of the “Annan plan” kept undermining Nicosia.³⁵

3. Cypriot change of guard and the positive effects of accession

Eventually, in the presidential election of February–March 2008, Secretary-General of radical left AKEL party, Demetris Christofias, defeated President Tassos Papadopoulos. He assumed power on a platform primarily premised on assurances that the Cyprus problem *will now be settled* since he would be assisted by his “friend and comrade,” the leader of the Turkish Cypriots, Mehmet Ali Talat. While many celebrated the fall of Tassos Papadopoulos and welcomed the assurances and mild attitude of Demetris Christofias, the Cypriots of the free territory impressed the Eurobarometer of April 2008. Greek Cypriot public opinion was now embracing the EU vocation with unprecedented enthusiasm. Exhibiting the highest level of support for the EU, 71% of those replying said that they “trust” it. Cypriots also confirmed the highest level of support for their newly elected national government amongst the EU-27, with 69 percent. Similarly, “[the] majority of citizens residing in areas under the control of the Republic of Cyprus trust the Cypriot legal system, the police and the army. 75% trust the National Guard, 62% trust the police and 59% trust the justice and the Cypriot legal system.” Equally crucial, 52% now considered Cyprus’ membership in the European Union as a good thing; a mere 15% thought it bad; and 58% of Cypriots said that they have a positive image of the Union. A significant increase of 18% was also recorded regarding the belief that Cyprus has overall benefited from its EU membership, reaching 55%.³⁶

Cypriots also seemed to be pro-European regarding decisions being taken at EU level, with the greatest support recorded for defence, foreign policy and inflation. When asked to prioritize the most important issues faced by their country, Cypriots ranked, in order of importance, crime, inflation and the economic situation.

The 2004 EU accession and the 2008 entry into the Euro zone have also affected Cyprus’ economic performance. Clearly, it is rather premature and some would say unwise, to even attempt to assess the full impact of those momentous events at such an early stage. Even so, we can already identify four areas where there are clear signs that the economy is entering a new stage of development: first, we are experiencing an invigorated competitive environment that is starting to improve the hitherto low productivity of Cypriot enterprises. Second, the macroeconomic conditions, already very good, are becoming even more so, thus enhancing the overall stability of the economy. Third, improved intra-

(34) See both Turkey’s declaration and the EU’s “counter-declaration” in Costas Melakopides et al. (eds.), *The Cyprus Yearbook of International Relations 2006* (Nicosia: Power Publishing, 2006), pp. 203–205.

(35) The strategy of these forces was to employ primarily the myths that President Tassos Papadopoulos was “inimical” to any resolution of the Cyprus problem; that, unless he were removed or defeated, no solution was forthcoming; and that, in any event, by voting “yes” to the referendum, the Turkish Cypriots (and the illegal settlers) had exculpated Turkey.

(36) Eurobarometer 69, pp. 6–9.

EU labour mobility is starting to infuse - badly needed - flexibility into the labour market. And fourth, the quality of the overall financial/economic regulatory and supervisory framework is showing clear signs of improvement, with Cypriot consumers begging to reap the benefits.³⁷

Moreover, as the 2008 global financial and economic crisis was deepening dramatically in most EU member-states, Cypriots felt relief that their adoption of the Euro had taken place on 1 January 2008.³⁸ For, together with the apparent solidity of the banking sector which had, among other things, avoided exposure to international “toxic” products the Euro is considered as the main reason for the Cypriot economy’s vitality, marked by continuing growth even in the first half of 2009. In this respect, Finance Minister Charilaos Stavrakis stated that near the middle of 2009 Cyprus is predicted to achieve the highest rate of growth among the EU-27, with one of the lowest rates of inflation and the second lowest rate of unemployment.³⁹

In addition, conceiving the global economic crisis not only as a challenge but as an opportunity as well, the government has been actively pursuing foreign direct investments. Beyond the Russian Federation, a consistent investor in the country for years, the Cypriot eyes have recently turned also towards other neighbouring countries in the Middle East, the Persian Gulf, Iran, and even China.⁴⁰

More broadly now, European integration is deeply treasured in Cyprus and perceived as enforcing the country’s international role and prestige. Belonging to the European family is acknowledged as a serious asset by the Cypriot public, decision makers, opinion makers, the business community and organized groups. In addition, Cypriot businesses, NGOs, other organized groups, and even the Church of Cyprus, are developing ever closer ties with Brussels. Many of them have been establishing offices there; and some are appealing for Community assistance in various projects. During 2008, given a number of local, regional and broader setbacks – such as the second worst drought since 1901, an outbreak of Foot and Mouth Disease, and the disconcerting increases in energy and food prices - even more affected groups appealed for EU assistance. And as EPP MEP, Panayiotis Demetriou, recently noted, Cyprus also owes the EU the flourishing of “civil society”, in contrast to the pre-accession experience.⁴¹

It bears repeating that some of these positive effects were already emerging thanks to the accession process itself. For instance, as Kalliope Agapiou-Josephides has noted vis-à-vis the EU Convention on the future of Europe, “In the case of the Republic of Cyprus, a number of innovative features has been introduced into its political culture: new re-

(37) We thank our KIMEDE colleague, Professor Andreas Antoniou, for this paragraph.

(38) The late President Tassos Papadopoulos should be credited for his unwavering insistence on this date, in opposition to 1 January 2009 long favoured by left-wing AKEL.

(39) Minister Stavrakis’ Press Conference was reported in *Phileleftheros*, 13 May 2009, available at: www.philenews.com/digital/PrintForm.aspx?nid=496709

(40) For instance, in addition to encouraging Iranian interest in purchasing residential homes in coastal areas, more recent reports suggest that the Government of Qatar, following President Christofias’ state visit to the country in early May 2009, is all but ready to invest half a billion Euros for the construction of a “six-star” hotel in central Nicosia.

(41) Interview with Costas Yennaris, “Five Years since EU Accession”, *Open Files*, a Cyprus Broadcasting Corporation special TV report, 9 May 2009.

relationships between parliament and society, more transparent and participatory political processes, a more visible role for women and youth, and, perhaps most importantly, an environment conducive to future peace and cooperation among Greek Cypriots and Turkish Cypriots.”⁴²

To be sure, through both virtue and necessity, Cyprus had adopted the norms and values of international law and international ethics since Independence (1960); it had sought UN peacekeeping protection since the early 1960s; it had shown authentic solidarity with the Third World as an active Member of the Non-Aligned Movement; and it applied for EC membership for the reasons intimated above. Following accession, the free territory’s political culture has embraced wholeheartedly the Union’s declared principles and values. This is manifested in its consistent commitment to uphold international law (as in the UN-Charter-premised refusal to recognize Kosovo); EU solidarity in moderation (dramatized when Nicosia resisted twice –in 2004 and 2005- the use of its veto against Turkey’s own accession negotiations); unquestioned respect for the rule of law; steadfast satisfaction of human rights in the Republic’s free territory; help to people in need (as after the Asian tsunami or the Cuban victims of Ike and Gustav); genuine commitment to the cosmopolitan causes of liberty and justice; and generous assistance to neighbours –most remarkable both during and after the 2006 Lebanon war, as well as after the August 1999 earthquake in Turkey.

After all, despite progressive pre-accession and post-integration improvements in most fields, Cyprus still needs hard work in many areas. They include greater seriousness concerning the environment (more renewable energy resources, more de-salination plants, rational water consumption); a less dysfunctional public health system; a healthier political class and academic culture; a break with pathological clientelism which frequently undermines meritocracy; even stronger and wider voluntarism; and further promotion of gender equality. The positive picture is only meant to suggest that, given Cyprus’ 20th century dramatic vicissitudes, it was only natural to extend and celebrate the Union’s principles and values.

Inevitably, opinion polls in the Republic’s free territory are immediately affected by developments in the island’s protracted political problem and the conflicting perceptions of its resolution prospects. In any event, the EU has consistently been promoted by most political elites, influential academics, columnists and political analysts, as an authentic bastion of human rights and international law. Consequently, any foul play during efforts to resolve fairly and functionally the Cyprus problem –especially when self-regarding foreign interests are identified- are treated as hostile to the European Union’s normative culture. This is why the rejection of the “Annan plan” –as externally imposed, unfair and unworkable- revealed the Cypriots’ deep axiological commitment. Since that plan attempted to circumvent European legal and political principles, as well as cosmopolitan ethical values, its rejection by the Greek Cypriots was an act of moral courage and a genuine celebration of “the principles on which the Union is founded”.

(42) Kalliopi Agapiou-Josephides, “Old and New Patterns of Domestic Politics in the European Perspective: The Debate in the Republic of Cyprus”, in Sonia Lucarelli and Claudio M. Radaelli (eds.), *Mobilizing Politics and Society? The EU Convention’s Impact on Southern Europe* (Abingdon, Oxon: Routledge, 2005), p. 169.

4. Cyprus' EU-associated role in the Eastern Mediterranean and beyond

If, then, Cyprus seems increasingly at home in the Union, with optimism about anticipated solidarity from like-minded member states, the Republic can rationally be expected to expand and strengthen its EU-associated role in the sensitive vicinity of the Eastern Mediterranean and beyond. Already a member of the Euro zone, a transportation and telecommunications hub, an ambitious shipping, trade and banking centre, with one of the largest merchant marine fleets in the world, being historically friendly with both the Arabs and Israel, and being akin to a veritable "unsinkable aircraft carrier" (as neighbouring Crete was proverbially described during the Cold War), the Republic of Cyprus can utilise its material resources and diplomatic capital to expand the EU's prestige and collective influence. Needless to say, this role will be enhanced enormously when reunification is achieved with the EU's appropriate help.

As one of us had anticipated in 1999, "Cyprus itself can become a catalyst for a host of European interests and Euro-Med designs. Starting with the geo-economic dimension, the island will become the EU's most south-eastern territory, bringing the Union to the heart of the Middle East. The advantages and assets associated with the Cypriot geo-economic profile automatically become benefits for the Union. As it expands the EU's capacity to build bridges to the markets of the Middle East, Russia and the Central Asian Republics, Cyprus will be transformed into a communications and transportation hub for Europe. In addition, given its remarkably developed service sector, business from Cyprus would mean reduced costs for the operation of EU firms."⁴³ Most of these assertions have materialized already.

5. Cyprus' expectations from the Union

Our discussion further entails that Cyprus has emerged as a test-case of the Union's normative consistency, axiological identity, and international credibility. After all, the EU tends to define itself primarily in terms of the principles and values of liberty, justice, democracy, the rule of law, and human rights.⁴⁴ Moreover, the EU is known to apply severe sanctions to innumerable third parties (in Europe, Asia and Africa) when they violate their own citizens' human rights.⁴⁵ Therefore, the protection of the fundamental rights of all legitimate citizens of a Member-State is, a fortiori, a moral duty of the EU.⁴⁶

This argument for the EU's moral duty, we will argue, has just received additional legal ammunition with profound political and moral implications. The April 2009 judgment by the Court of Justice of the European Communities in the case *Meletis Apostolides v David*

(43) Costas Melakopides, in *Journal of European Integration*, op. cit., note 2 above, pp. 317-318.

(44) See, inter alia, Ian Manners, "Normative Power Europe: A Contradiction in Terms?", *Journal of Common Market Studies*, Volume 40, No2, pp.235-258; and Sonia Lucarelli and Ian Manners (eds.), *Values and Principles in European Union Foreign Policy* (New York, NY: Routledge, 2006).

(45) See Karen E. Smith, *European Union Foreign Policy in a Changing World* (Cambridge, UK: Polity Press, 2003), Appendix 1, "Cases of aid suspended and diplomatic sanctions imposed by the EU for violations of human rights and democratic principles in third countries since 1988", pp. 205-208.

(46) This thesis is developed in Costas Melakopides, "The Moral Obligations of the European Union to the Republic of Cyprus", in Costas Melakopides, Achilles Emilianides and Giorgos Kentas (eds.), *The Cyprus Yearbook of International Relations 2007* (Nicosia: Power Publishing, 2008), pp. 199-221.

Charles Orams & Linda Elizabeth Orams, verified once again the claims of the Republic, of its allies, and of this essay, concerning the demonstrable illegality of the occupation and, *inter alia*, the concomitant illegality of purchasing Greek Cypriot properties in the occupied territory.⁴⁷ Cypriot legal, political, and academic elites keep welcoming enthusiastically this judgment as one more positive outcome of the Republic's full EU membership which should assist the principled resolution of the country's problem.

But our analysis also implies that, while the Union should fulfil its obligations to Cyprus on pain of *axiological self-contradiction*, the EU has a rare opportunity to score a grand diplomatic triumph through its *Moralpolitik*. By bolstering one of its smaller members and eventually ending the unconscionable occupation by an EU candidate state, the Union will usher in the solid prospect that the triangle Cyprus-Greece-Turkey will be transformed into a zone of peace, cooperation and friendship with tangibly positive consequences for all.⁴⁸

(47) See Court of Justice of the European Communities, *Meletis Apostolides v David Charles Orams & Linda Elizabeth Orams*, "A JUDGMENT OF A COURT IN THE REPUBLIC OF CYPRUS MUST BE RECOGNISED AND ENFORCED BY THE OTHER MEMBER STATES EVEN IF IT CONCERNS LAND SITUATED IN THE NORTHERN PART OF THE ISLAND", Press Release No 39/09, 28 April 2009.

(48) It should be recalled that, to date, the Governments of Nicosia and Athens remain steadfast supporters of Turkey's eventual membership, provided the latter fulfills its well-known obligations. Hence Kostas Karamanlis' slogan, "Full compliance, full membership".

The effects of EU enlargement on Malta

By Roderick PACE

The effects of EU membership on Malta can be analyzed from several angles. This paper limits itself to the main positive and negative impacts of membership, in the economic, social and political field.

General Introduction

Barely five years have passed since the 2004 EU enlargement and hardly enough time has elapsed to allow for a thorough assessment of all the effects of membership. For this reason, this chapter limits itself to what is reasonably verifiable and points to issues that need to be watched or analysed further in the future. However, before beginning the analysis, some preliminary remarks will be made, which will provide the parameters for the analysis that follows.

In the run up to Malta's EU membership, a number of positive and negative arguments were aired by the two opposing sides in the 'great debate' which preceded the membership referendum held on 8 March and the election of 12 April 2003. These arguments show what the two sides were expecting from membership. They can thus serve as an adequate starting point for assessing the effects of membership. On the negative side it was stressed that membership would lead to the erosion of sovereignty, to a loss of identity and would create problems because EU law made no exceptions for small states, since it was based on the notion of "one size fits all". It was also stated that Malta would not have an adequate 'say' in the institutions, that its neutrality as enshrined in its constitution would be eroded. On the economic front, it was stressed that consumer prices would increase, EU surplus labour would displace Maltese workers in the domestic market and house prices would increase. The removal of protectionist tariffs would wipe out the indigenous manufacturing base and lead to unemployment, while the removal of state subsidies would lead to the closure of the shipyards. Malta would also be forced to introduce abortion and divorce.

Those campaigning in favour of membership depicted the EU as a set of opportunities which could be exploited to Malta's advantage, provided that the right set of national policies were put in place. The success of membership would increase the welfare of the Maltese citizens. They stressed that membership would enhance Malta's security and moor Malta to the West. They denied all the negative prognostications of the "no" camp: sovereignty would not be eroded, but pooled; the removal of protectionism would lead to increased economic efficiency; foreign direct investment would increase; access to the cohesion funds would allow Malta the opportunity to close the economic development gap between it and the more advanced EU countries over a shorter time span; free movement for Maltese citizens in the rest of the EU would be beneficial; there would be more opportunities for students to study overseas; better standards and enhanced welfare, an improvement in the quality of life as a result of a more rigorous application of

European standards. The EU had no competence to force Malta to introduce abortion or divorce. The movement of EU workers to Malta would be negligible because geographic mobility of labour in the EU was generally very low.

The spectrum of opinion varied much more than is stated here. In between the two extremes of, on the one hand, the EU being detrimental to Malta's interests and on the other, the EU as a panacea for all of Malta's ills, lay a considerable number of other shades and colours of opinions. Following this summary of the positions adopted by those for and against membership, the analysis shifts now to the assessment of the effects of membership, as qualified earlier. The underlying question is: how many of these negative and positive expectations have come true?

Economic Performance

It can be stated that on the whole, the Maltese economy has performed well since membership. However, this is being said with some caution, for any 'ex-post-ante' assessment of the effects of enlargement encounters two main difficulties. The first is that the economic restructuring process and the adoption of the "acquis communautaire" started well before membership. Hence, when we adopt, as I do in this chapter, the actual date of membership as the demarcation line separating the 'before' and 'after' periods, we are aware that this is not completely correct. The second difficulty we confront concerns the task of separating the effects of membership from those which result from the normal evolution of the economy and social life, immaterial as to whether Malta forms part of the EU or not. In this case, an attempt can be made to sift and select the effects of membership from the others, but this approach is not attempted here. The difficulties which this task presents are manifold. For example, a report published by the World Bank in 2008, includes Malta in the list of 13 countries of the world, which have shown a remarkable sustained economic growth in the post World War II period. According to the Report, some people have labelled these cases as "economic miracles," events impossible to explain and unlikely to be repeated.⁴⁹ Of course, the Report quickly throws cold water on this speculative conclusion by distancing itself from it. What is more relevant perhaps, is that the Report does not discuss the impact of EU membership on Malta or of Malta's long-standing relationship with the EU following the 1970 Association Agreement. The Association Agreement has been shown to have impacted positively on Malta's economic development particularly in the seventies. However, the Report highlights, indirectly, the danger of taking a simple view of any positive developments following membership. For, prior to membership, Malta already showed a capacity for rapid and dynamic economic growth. In short, life did not start with EU membership.

Turning now to the empirical data, we begin with a helicopter view of the economic panorama (see Table One). Three years before membership, Malta's rate of economic growth began to slow down. But, following negative and slow growth in 2003 and 2004, real economic growth rebounded reaching an average of 3.5% per annum in the three years 2005-2007. This growth rate was achieved despite the massive increase in the world price

(49) Commission on Growth and Development, "The Growth Report: Strategies for Sustained Growth and Inclusive Development", International Bank for Reconstruction and Development (World Bank), May 2008 (conference edition).

of petroleum products. In this respect, it is important to note that Malta's *Energy Import Dependency* is 100%, compared to the 50.1% average of the EU-27. In addition, about 57% of Malta's water needs are also produced by desalination which is powered by fossil fuels. The vulnerability of the Maltese economy in the energy sector is thus unquestionable and more will have to be done to address it in the future. For this reason Malta is extremely sensitive to changes in world petroleum prices. The increase in the world price of petroleum since 2003, when it started rising above \$30 a barrel, coupled with the strength of the Euro against the dollar, have been the main, but not the only contributory factors to inflation; the other factor being that salaries rose faster than productivity.

A number of factors caused the 2003-2004 economic slow down, but three of them seem to stand out. Investment slowed down considerably in 2002 and subsequently many local investors postponed their investments in expectation of the result of the EU membership referendum. The latter uncertainty eventually came to an end when voters opted for membership in the 2003 referendum and subsequently re-confirmed their decision in a general election held a few weeks later. In the meantime after its sharp fall in 2002, FDI picked up again in 2003, slowed down in 2004, but rebounded thereafter.

The second reason behind the economy's sluggish performance was that the economic reforms, which were being implemented to ensure that Malta adopted the "acquis communautaire", were beginning to take their toll. For example, the removal of protectionist tariffs, liberalisation and privatisation restricted growth prospects in the short-term in some economic sectors, while the factors of production adjusted to the new situation. However, looking on the bright side, and as the International Monetary Fund (IMF) pointed out in 2008, after a two-year lull, and largely as a consequence of these liberalizing reforms, Malta experienced a three-year-long expansion underpinned by foreign direct investment (FDI) and export diversification. In the context of buoyant EU activity, growth accelerated to 3.8 percent in 2007 while the external current account deficit declined to 5½ percent of GDP. This reflected new export-oriented activities such as pharmaceuticals, on-line gaming, and financial and business services.⁵⁰ The Report continues that the arrival of low-cost airlines and price moderation triggered a revival of tourism. The resulting job creation and income gains supported domestic demand with beneficial ripple effects on domestically oriented businesses. Labour costs, however, rose ahead of productivity in 2007 – hence contributing to inflation. The latter, coupled with euro appreciation, led to a loss of competitiveness in unit labour costs relative to trading partners. What the Report does not highlight was that the opening to low cost airlines was one of the first results of EU membership. It was precipitated by public pressure to ease the air travel monopoly enjoyed by the national airline AirMalta and facilitate travel. One of the advantages of membership trumpeted prior to membership was that this would help Malta overcome some of the drawbacks of its insularity by ushering in cheaper travel. This pressure came at a time when the tourist sector was experiencing difficulties, which convinced the government to dispel all hesitations and open up to low cost carriers.

(50) "Malta-2008 Article IV Consultation: Concluding Statement of the Mission," International Monetary Fund, Washington, May 30, 2008.

A third reason could have been that the economy was going through one of its periodic and cyclical downturns.

Notwithstanding these positive economic developments – consider that, in the first half of 2008 the economy still expanded by 3.3 per cent in real terms despite the deteriorating world economic situation – a number of economic pitfalls need to be watched attentively. As already shown in this chapter, in the energy sector Malta's vulnerability is exemplified by its 100 per cent dependence on energy imports. This vulnerability is only augmented by the high degree of openness of the economy. By definition, since small countries have a very small domestic market, their economies depend a lot more on international trade. In this context we must refer to the distinction made by Alberto Alesina and Enrico Spolaore, between the political size of states and the size of their markets. A small state's market corresponds to its small domestic market only "if the country's economy is perfectly integrated domestically but completely closed to the rest of the world". But in an economically integrated world, the market size of a country is much larger than its political size.⁵¹ Small states have recognised this basic fact and some of the more dynamic of them like Luxembourg, Cyprus, Singapore, Malta and Iceland have built up their prosperity on it by expanding their exports of goods and services to the rest of the world. However, as the case of the impact of the current financial crisis on Iceland shows, this openness also has its dangers.

Openness is a structural factor which the small state can never change, or avoid, though it can strengthen its resilience against its negative effects and unexpected developments. The Maltese economy is very open; the ratio of exports of goods and services to GDP is around 87%. This, together with its external energy dependence increases its vulnerability to negative developments or turbulence in the world economy more than it does in the case of states which are less open. Moreover, EU membership has increased Malta's openness due to the fact that the EU has preferential trading arrangements with practically all the nations of the world. Add to this the fact that despite the lack of progress registered in the current Doha Round, that the establishment of the World Trade Organization (WTO) and the trade liberalisation process which extended over the whole of the post-war period under the General Agreement on Tariffs and Trade (GATT), have rendered the world trading system more open and interdependent. This also presents many challenges to small states. However, as an EU member state Malta enjoys the benefit of being part of a powerful world trading bloc, which can negotiate better terms of trade and protect itself against unfair trading practices. As a member of the euro-zone it benefits enormously from a stable exchange rate regime since the bulk of Malta's trade takes place with the other EU partners, while the euro is a guarantee that Malta's currency can never come under severe pressure as was the case with the Icelandic kroner in the recent crisis. Hence the loss of monetary independence entailed by joining European Monetary Union (EMU) is compensated by the longer-term guarantee of some level of protection against the worse turbulence emanating from the world economy.

(51) Alesina Alberto and Spolaore Enrico (2003), *The Size of Nations*, MIT Press, Cambridge, Massachusetts and London, p. 82.

At the same time, during the current financial crisis, the Maltese banks and financial sector are not exposed to any significant danger, Malta's very open economy can fare badly as a result of a global economic recession or a downturn instigated by the crisis. For example, a global recession may cause a fall in the demand for Maltese exports and tourist arrivals. Around 25% of the economy depends on tourism. On the positive side the Maltese economy has diversified considerably over the past two decades and besides tourism, there are other important sectors such as pharmaceuticals, financial services (at least 20 non-Maltese banks operate in Malta), information technologies, back-office location, transshipment of goods, medical and educational services, on line gambling and Information Communications Technology (ITC) which will be boosted enormously in the coming years as a result of current investments.

Since membership, inward-directed Foreign Direct Investment (FDI) has increased as shown in *Table One* and this may have fuelled a lot of the post-membership economic rebound. Malta shares this good performance in attracting FDI with fifteen other EU member states, ten of which are new member states. According to data provided by UNCTAD and reproduced in *Table Two*, Malta has a high potential for attracting FDI and is among the front runners in managing to do so. It is difficult to link Malta's FDI performance solely to EU membership, because data supplied by UNCTAD shows that Malta has been in the first quadrant of the performance matrix (shown in *Table two*) since 1988 – except for a brief phase in between 2001-2003, which also happened to be the period of greatest uncertainty with respect to the EU membership prospects as the national debate on membership raged on. In general, the period 1988-2004 can be described as one in which Malta had the most excellent relations with the EU. Hence the “circumstantial evidence” seems to point to a positive correlation between good relations with the EU and membership on the one hand, and inward-directed FDI performance. Of course, besides the EU factor, other FDI-friendly policies and inducements also impacted positively and one can mention in this regard the excellent standards in governance achieved (See *Table Five*), stable labour relations, simplification of business law, privatisation and education which supplies a trained and flexible work force which is also fluent in the English language.

At the same time, it would be myopic to look at these more visible aspects of the economy, such as FDI, without examining the latent and potentially more significant changes taking place. For example, the successful introduction of the euro on 1 January 2008, has forced Malta to consolidate public finances by reining in the fiscal deficit and government debt. Government subsidies have been halved since 2004. In turn, this has strengthened Malta's ability to withstand external shocks – although more still needs to be done on this score. The Act of Accession also binds Malta to stop all state aid to the ship yards by the end of 2008.⁵² But this also means that resources which have hitherto been used to subsidise the loss-making yards will now be diverted to more productive sectors such as alternative energies and services. The removal of protectionism as a result of membership has led to an increase in competition and efficiency in the domestic market. Taken together these and other changes such as the introduction of EC norms in various sectors enhance the country's overall competitiveness and its ability to ride the turbulence originating in the world economy.

(52) *Act of Accession (2003) Official Journal of the EU, L236, Volume 46, 23 September, p. 860.*

Table One – Malta Basic Economic Indicators

Economic Indicators	2001	2002	2003	2004	2005	2006	2007	2008 (1 st half)
Real GDP Growth	1.6	2.6	-0.3	1.1	3.5	3.2	3.7	3.3
Gov. Debt : GDP	62.1	60.1	69.3	72.1	69.9	63.8	62.2	na
GDP per capita in PPS*	77.9	79.5	78.4	77.2	77.7	77.0	77.1	76.1f
Fiscal Deficit as a % of GDP	6.4	5.9	9.7	4.7	2.8	2.3	1.8	increased
Inflation (HICP)**	2.5	2.6	1.9	2.7	2.5	2.6	0.7	na
FDI in millions of USD***	251	-440	968	396	675	1865	959	na
Unemployment	5.1	5.2	5.6	5.6	5.1	4.9	4.1	3.9

Sources:

* GDP per capita in Purchasing Power Standards (PPS) (EU-27 = 100) – f = forecast - Eurostat

** Annual average rate of change in Harmonized Indices of Consumer Prices (HICPs), Eurostat

*** UNCTAD, <http://stats.unctad.org/FDI/TableViewer/tableView.aspx?ReportId=1254> (accessed 17.11.2008)

na = not available

Unless otherwise indicated all other values are as provided by the National Statistics Office, Malta

In sum, EU membership has provided Malta with a more stable economic environment and certainty than would have been the case in the non-membership scenario. Of course, Malta's ability to navigate a safe course and steer clear of the many reefs which abound in its way, will depend a lot in the future on its ability to maintain flexibility – or the readiness to change in response to changes in the international environment. This flexibility in turn depends on the quality of its human resources which is the main resource the country can boast of. Membership has not led to 'automatic' benefits and national policy-making will remain crucial in maximising the benefits of membership.

Social and Regional Disparities

Malta's regional disparities are not significant when compared to the larger EU member states, but they are not negligible when viewed from Malta's angle. Pockets of backward neighbourhoods exist around the harbour areas, where the historic walled cities are located, but the rapid transformation taking place here is significant: the restoration of historic buildings, the opening of yacht marinas, casinos, restaurants and service industries, are replacing the rusting shipyards and rejuvenating these areas.

Table Two – Matrix of Inward FDI Performance (2005-2008)

	High FDI Performance	Low FDI Performance
High FDI Potential	<p>Front Runners Azerbaijan, Bahamas, Bahrain, Belgium, Brunei Darussalam, Bulgaria, Chile, Croatia, Cyprus, Czech Republic, Dominican Republic, Estonia, Hong Kong (China), Hungary, Iceland, Israel, Jordan, Kazakhstan, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mongolia, Netherlands, New Zealand, Oman, Panama, Poland, Romania, Saudi Arabia, Singapore, Slovakia, Sweden, Thailand, Trinidad and Tobago, Tunisia, Ukraine, United Arab Emirates and United Kingdom.</p>	<p>Below Potential Algeria, Argentina, Australia, Austria, Belarus, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Ireland, Islamic Republic of Iran, Italy, Japan, Kuwait, Libyan Arab Jamahiriya, Mexico, Norway, Portugal, Qatar, Republic of Korea, Russian Federation, Slovenia, Spain, Switzerland, Taiwan Province of China, United States and the Bolivarian Rep. of Venezuela.</p>
Low FDI Potential	<p>Above Potential Albania, Armenia, Botswana, Colombia, Congo, Costa Rica, Egypt, Ethiopia, Gambia, Georgia, Guinea, Guyana, Honduras, Jamaica, Kyrgyzstan, Lebanon, Namibia, Nicaragua, Nigeria, Peru, Republic of Moldova, Sierra Leone, Sudan, Tajikistan, the former Yugoslav Rep. of Macedonia, Togo, Uganda, United Republic of Tanzania, Uruguay, Viet Nam and Zambia.</p>	<p>Under-performers Angola, Bangladesh, Benin, Bolivia, Burkina Faso, Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Ecuador, El Salvador, Gabon, Ghana, Guatemala, Haiti, India, Indonesia, Kenya, Madagascar, Malawi, Mali, Morocco, Mozambique, Myanmar, Nepal, Niger, Pakistan, Papua New Guinea, Paraguay, Philippines, Rwanda, Senegal, South Africa, Sri Lanka, Suriname, Syrian Arab Republic, Turkey, Uzbekistan, Yemen and Zimbabwe.</p>

Source:

UNCTAD <http://www.unctad.org/Templates/Page.asp?intItemID=2468&lang=1#>, (accessed 16.11.2008) (note EU member states in quad 1 & 2 in bold)

The Maltese archipelago consists of three islands, the main ones being Malta (pop.380,461) and Gozo (pop.29,829) – total population is 410,290. Gozo suffers the drawbacks of smallness more acutely than Malta because it is much smaller and faces the problem of double insularity. Double insularity means that most goods produced in Gozo face additional costs of having first to be shipped to Malta before they can be sent to the rest of the world. In the Act of Accession a declaration by Malta designating Gozo as an “island region” was included in the Final Act but more favourable treatment was agreed in the main Act itself comprising zero rating on VAT for inter-island transport and a temporary derogation allowing the public authorities to continue to subsidise the transport of agricultural products for a transitional period.⁵³ The declaration also specifies that:

“Before the end of each Community budgetary period entailing a redefinition of the

(53) *Act of Accession (2003)*, op.cit., Declaration 36, p.982.

Community regional policy, Malta will request that the Commission report to the Council on the economic and social situation of Gozo and, in particular, on the disparities in the social and economic development levels between Gozo and Malta. The Commission would be asked to propose appropriate measures, as required, in the framework of the Community regional policy or other relevant Community policies, to ensure the continuation of the reduction of disparities between Gozo and Malta as well as the further integration of Gozo into the internal market on fair conditions. In particular, in the event that Malta, as a whole, would no longer be eligible to certain measures of the regional policy, the report would assess whether the specific economic situation of Gozo justifies a continued eligibility of Gozo to those measures, and under which conditions, during the reference period."⁵⁴

The low level of unemployment (see Table One) is another indicator of the absence of significant social disparities. However, greater attention must be paid to pockets of poverty. The latest EU statistics pertaining to 2005 show that the proportion of Maltese women and men living in jobless households is 8.2 per cent, compared to the EU-25 average of 10.2 per cent.⁵⁵ Angela Abela and Carmel Tabone have concluded from the latest (2007) figures published by the National Statistics Office (NSO) that 14.9 per cent of the Maltese population falls below the poverty line.⁵⁶ The average for the EU stands at 16 per cent. In their study Abela and Tabone find a correlation between poverty and social exclusion, a positive relationship between educational attainment and unemployment. Among the poor there is a higher incidence of long-term health problems, a higher incidence of mental illness and more emotional problems amongst poor children.⁵⁷ Hence the reduction of poverty for those who are below the poverty line or precariously approximate to it, remains an important challenge for the government in the coming years.

Foreign Policy

EU membership has led to improvements in Malta's Foreign Policy in the sense that Malta's international standing has been enhanced. There has been a tendency by states to accord Malta more importance than they may have done in the past precisely because it sits on the EU Council of Ministers. Given the right circumstances, Malta can also lobby from within the EU in favour of particular initiatives of concern to it; Malta's foreign policy now takes place in a more *information-rich* environment; and Maltese diplomats are gradually becoming more socialised in the ways of the EU and are more prepared to collaborate with their partners – and, their networks have expanded since they participate regularly in the various committees and structures of the EU Council in Brussels.

Collaboration with fellow member states can be shown by two examples. Malta and Cyprus have agreed to share diplomatic facilities in Ramallah and Tel Aviv. Furthermore, in July 2008, an agreement was signed between the Deputy Prime Minister and Minister of

(54) *Ibid.*

(55) *The Life of Women and Men in Europe: A Statistical Portrait, European Commission, Eurostat, 2008 edition, Table A52, p.187.*

(56) *Abela Angela and Tabone Carmel (2008), Family Poverty and Social Exclusion: With a Special Emphasis on Children, Research on the Family Series, No 1, Kummissjoni Nazzjonali Familja, Malta, p. 8.*

(57) *Ibid.*, pp 26-31.

Foreign Affairs, Dr. Tonio Borg, and the Spanish Minister of Foreign Affairs, Miguel Moratinos Cuyaube, in Madrid, foreseeing the use of buildings and resources of the Spanish Embassies around the world to represent Malta's interests particularly when it comes to consular matters involving Maltese citizens. Presently, Malta has 25 Embassies but in view of this agreement, Malta will have a much wider representation overseas.

Malta's foreign policy continues to focus mainly on the Mediterranean region (Euro-Mediterranean Partnership, the Union for the Mediterranean, 5+5 in the Western Mediterranean) and to a lesser, but not insignificant extent, on the Commonwealth. In 2008, Malta rejoined NATO's Partnership for Peace – which opened the way for it to participate fully in the Berlin+ initiative within the EU's European Security and Defence Policy (ESDP). Malta had aspired for the seat of the Euro-Mediterranean foundation for the dialogue of cultures which went to Alexandria in the form of the Anna Lindh Foundation, it lobbied for the FRONTEX head quarters which went to Poland and for the Secretariat of the Union for the Mediterranean which went to Spain. An EU-Arab League Liaison Office will however be established in Malta. Slovenia, a late vocation to the Mediterranean identity, obtained the seat of the Euro-Mediterranean University. Hence, despite its long-standing Mediterranean vocation, and Malta together with Cyprus are quintessentially "Mediterranean" since they enjoy no physical link with the European continent, its Mediterranean role does not seem to be appreciated.

Classical security concerns do not seem to feature highly in Malta's foreign policy. Illegal immigration is the major threat and public expectations run high that the EU can do more to stop the flows of illegal immigrants from North Africa by a more efficient operation of FRONTEX, particularly the Nautilus mission in the Central Mediterranean, more aid to developing countries from where they originate and "stabilisation policies" cum conflict resolution – but above all, by securing the co-operation of the North African countries, particularly Libya, in clamping down on this inhuman and illegal activity.

Malta also perceives the need of more "burden sharing" by the EU member states in resettling or repatriating illegal immigrants. With a population density of 1,272 persons per km², Malta is the eight most densely populated territory in the world and this impacts on public perceptions of immigration. Public opinion has moved to the right as a result of this phenomenon and the annual arrival of hundreds of 'boat people' from North Africa particularly during the summer months, when the sea crossing becomes more feasible, leads to louder public protests. In such circumstances, the public tends not to differentiate between refugees, legal and illegal immigrants. Humanitarian considerations are tossed aside in opinions expressed in the media and internet blogs, where Malta's obligations under various international treaties and conventions also pale into insignificance. The authorities still uphold these obligations despite the intense public pressure mounted on them.

As has been argued, the solution to this problem hinges mainly, though not exclusively, on securing Libya's co-operation. However, Libya lacks the incentive to cooperate largely because it is a transit country for illegal immigration, i.e. it is both a recipient and an exporter of illegal immigrants. In addition, Libya's relations with the EU are very ambivalent

on practically all fronts. It has not joined the Euro-Mediterranean Partnership and is dragging its feet on the conclusion of an agreement under the European Neighbourhood Policy (ENP). The EU does not have many means with which to influence Libya. Libyan oil is mostly exported to Europe notwithstanding the absence of an EU-Libya preferential agreement. Libyan finances are buoyant, largely as a result of the recent oil price hike and the technology-transfers it requires can be satisfied adequately from other sources outside Europe should the latter threaten to withhold them.

The perception in Malta is that unless the EU can reach some kind of accord with Tripoli and implement it, there is little it can do to influence the situation on its own. Italy is a key player in the region and the Treaty of Friendship, Co-operation and Partnership it signed with Libya last August provides hope that co-operation in the central Mediterranean might improve across the board particularly on immigration and the vexed question of oil and gas prospecting in disputed waters. So far on the control of illegal immigration, EU membership has fallen short of public expectations notwithstanding that the help which Malta receives from the EU budget and from fellow member states does not compare with the more limited resources which would have been available to it in the non-membership scenario. Concern about illegal immigration ranks second after inflation amongst the "important issues facing the county" identified by the Maltese in recent Eurobarometer reports (See Table Four).

Illegal immigration is not exclusively related to EU membership. Although the immigrants have the EU as their ultimate destination, those arriving in Malta do not wish to stay there if given the choice. Migratory flows to Malta started before membership and increased with the phenomenal expansion of migratory flows in the whole of the Mediterranean region.

Governance

EU membership has led to a general improvement in governance particularly where the strengthening of the regulatory framework is concerned (health & safety, environmental rules, consumer rights, fair competition, gender rights, non-discrimination, subsidies). It has also led to modernisation of laws in various sectors, to improvements in the collection and collation of statistics and to other improvements in the administration of the country. Some of these changes have given rise to public disgruntlement but after the initial murmuring, people seem to accept them.

The most negative opposition to these changes comes tend to come from the fringes of the political spectrum.

Organizations of civil society and NGOs are more aware of their new-found rights under EU law and are becoming increasingly bolder in their actions often linking their activities with those of their European counterparts or Europe-wide organizations. Under such conditions the political environment is bound to change: alas politicians are not sovereign any more, but they have to share their space with a number of new actors. NGOs with very sharp and focused objectives, such as those in the environmental field, lobby the EU institutions such as the European Parliament and the Commission when they see

that their own Government is not implementing properly some directive which is essential to the well-functioning of their sector. Gradually, the level of implementation of EU norms is improving – though the fundamental changes which such improvements bring to the quality of life of the citizens are not always immediately apparent. In the midst of all this the national debate remains stunted in the sense that the EU is rarely debated except where matters of public concern are involved such as in the case of immigration. The Constitutional Treaty and the Lisbon Treaty were both ratified unanimously by the Maltese House of Representatives without much controversy. It was only within the Malta Labour Party that a debate on the Constitutional Treaty was provoked.

Independent authorities, established as watchdogs for compliance with EU law or to regulate important sectors (competition, telecoms, health and safety etc) represent a novel tradition in Malta not because such authorities are completely new but because the country has never had so many of them. Many of these authorities are still trying to find their way: some are undermanned and this negatively impinges on their effectiveness; others like the Malta Environmental Protection Agency (MEPA), are too big and constitute a 'state within a state'. The importance of parliamentary oversight of their work has never been greater but the working structures of the House of Representatives canter along slowly as they have always done. The idea of parliamentary committees is picking up and a few ones have been established, but their work and purview must be extended in future if Parliament is to maintain democratic control of the various authorities and bodies which wield some kind of power.⁵⁸ European Affairs and Foreign Affairs are still 'lumped together' in a single committee.

Public Opinion

Before membership, Malta was the most Eurosceptical amongst the applicant countries but public opinion has turned more and more in favour of EU membership. Indeed, Maltese society was extremely polarised on the membership issue but following the 2003 referendum and election, the Malta Labour Party switched its policy on membership, thus producing a situation in which both main political parties [the only ones represented in the House of Representatives] support EU membership.⁵⁹ Support for EU membership in Malta, according to the latest Eurobarometer Survey, is well above the EU average while opposition to the EU is below the EU average as well (Table Three).

When we come to public perceptions of the most important issues facing the country, the results of the Eurobarometer Surveys confirm most of the analysis presented here and significant differences from the rest of EU-27 public opinion: in common with the

(58) *The following Parliamentary committees have been established: Select Committee; the House Business Committee; Consideration of Bills Committee; Foreign and European Affairs Committee; Social Affairs Committee; the Public Accounts Committee; and the National Audit Office Accounts Committee.*

(59) *For an analysis of the domestic politics of the EU prior to and after membership see: Cini Michelle (2002), "A Divided Nation: Polarisation and the Two party System in Malta"; South European Society and Politics, Volume 7, 1, Summer, pp. 6-23; Pace R. (2004) "Malta's EU Membership: Chapter 1 Concluded, Chapter 2 Just Started"; Mediterranean Politics, Volume 9, 1, Spring, pp.114-121; Pace R. (2005) "South European Integration Watch: The Maltese Electorate Turns a New Leaf? The First European Parliament Election in Malta"; South European Society and Politics, Volume 10, 1, April, pp. 121-136; Pace R. (2008), "Malta's 2008 Election: A Vote for Continuity and Change"; South European Society and Politics, Volume 13, No 3 pp 377-390.*

Table Three – The Evolution of Public Opinion in Malta on the EU

Malta, Public Opinion Eurobarometer Surveys		Spr	Aut	Spr	Aut	Spr	Aut	Spt	Aut	Spr	Aut	Spr
		2003	2003	2004	2004	2005	2005	2006	2006	2007	2007	2008
The EU is a good thing	EU	54	48	48	56	54	50	55	53	57	58	52
	MALTA	51	55	50	45	40	43	44	45	51	54	60
Neither Good nor Bad	EU	27	31	29	28	27	30	28	27	25	25	29
	MALTA	24	22	26	30	36	35	36	36	30	28	26
EU is a bad thing	EU	11	15	17	13	15	16	13	16	15	13	14
	MALTA	19	17	16	17	19	18	18	15	17	15	12

Source: Eurobarometer

rest of the EU, inflation tops the league as the main preoccupation, but unlike them foreign and security policy rank last. The other issues that worry most the Maltese (besides inflation) are immigration and environmental protection. For the EU it is unemployment and the economic situation. Public opinion is therefore very supportive of the EU and the Maltese have more confidence in the EU institutions than in their own government. This needs to be analysed carefully and the reasons for it need to be better understood.

Challenges Ahead – By Way of conclusion

The goals which Malta needs to attain over the next decade and more are all in one way or another intertwined with the EU, either because they arise out of the membership obligations or because they can only be realised with the help of the EU, or both. Given Malta's external dependence on external energy the foremost challenge at the moment is how to manage the switch to alternative energy resources (wind and sun) which require a two-pronged movement: switching to alternative energy sources and increased energy efficiency. The success of this policy will also enhance the islands' resilience to external shock and help them meet their carbon dioxide emission targets. In this case, NGOs criticise government for aiming too low in its CO2 reduction targets.

Achieving the environmental challenges requires Malta to maintain the momentum of urban waste recycling which has come a long way as a result of membership and with EU funding.

Another important goal is for Malta to achieve the objectives of the "Lisbon Strategy" for growth and jobs. Malta is bottom of the league in the EU-27.⁶⁰ Linked to this strategy we find other requirements such as reducing state aid, removing bureaucratic bottlenecks, tackling gender inequality, pension reform in response to aging population and developing human resources. Cohesion funding must be used in the most efficient manner

(60) Katinka Barysch, Simon Tilford and Philip Whyte (2008), "The Lisbon scorecard VIII: Is Europe ready for an economic storm?" the Centre for European Reform, London.

Table Four - MOST IMPORTANT ISSUES FACING THE COUNTRY AT THE MOMENT						
Eurobarometer Surveys	SPRING 2008				AUTUMN 2008	
	MALTA RANKING	MALTA (%)	EU-27 (%)	EU-27 RANKING	MALTA RANKING	MALTA (%)
Rising prices	1	40	37	1	1	41
Immigration	2	29	11	7	2	40
Envir. Protection	3	21	5	12	6	11
Energy Issues	4	18	5	11	11	5
Housing	5	12	9	8	7	11
Crime	6	11	20	4	5	14
Economic situation	7	10	20	3	4	15
Health care	8	10	19	5	8	7
Unemployment	9	9	24	2	3	17
Pensions	10	7	12	6	9	9
Taxation	11	7	10	8	8	10
Educational system	12	4	8	9	12	4
Other issues	13	4	2	13	10	6
terrorism	14	2	7	10	13	1
Defence/ Foreign Affairs	15	1	2	14	14	1

since most of the challenges just outlined require the diversion of a substantial amount of economic resources to them. An important start has already been made in most of the goals of the Lisbon Strategy, though this is clearly insufficient.

EU membership has strengthened the prospects of a successful transition. However, reforms must be pursued relentlessly, and the domestic political environment and the state of the world economy, do not always provide the best conditions for achieving them. All states, no matter their size are vulnerable in many ways but small states tend to be more vulnerable because they depend more on the external environment as has been argued in this chapter. But one way in which they can strengthen their resilience to exogenous shock is precisely by building their strengths, their international competitiveness in order to be able to withstand the turbulence when it strikes and by storing up reserves to be used in time of need. Such reserves must not be equated solely with

financial ones. It is superfluous to point out that a country with an inflexible and uneducated workforce, that has dropped back in the technological field, that disregards R&D, that neglects social disequilibria developing inside it, that is running a high public debt and persistent fiscal deficits, that cannot control inflation and is misgoverned, is not only a worse case scenario but also one that is likely to collapse in crisis when exogenous shock strikes. For small countries like Malta, EU membership provides the opportunities for strengthening resilience all round. Malta's membership experience shows so far, that Malta has made the first steps forward and has started moving up the learning curve, but it is far from being a case of "Game Won".

Table Five - WORLD BANK 2006 GOVERNANCE INDICATORS FOR THE MEDITERRANEAN PARTNERS AND THE NEW EU MEMBER STATES

Year: 2006	Voice and Accountability		Political Stability		Government Effectiveness		Regulatory Quality		Rule of Law		Control of Corruption	
	Percentile Rank (0-100)	Governance Score (-2.5 to +2.5)	Percentile Rank (0-100)	Governance Score (-2.5 to +2.5)	Percentile Rank (0-100)	Governance Score (-2.5 to +2.5)	Percentile Rank (0-100)	Governance Score (-2.5 to +2.5)	Percentile Rank (0-100)	Governance Score (-2.5 to +2.5)	Percentile Rank (0-100)	Governance Score (-2.5 to +2.5)
NEW EU MEMBER STATES – 2004/2007 ENLARGEMENTS												
BULGARIA	65.4	+0.56	57.2	+0.29	60.2	+0.14	66.3	+0.54	50.0	-0.17	57.3	-0.05
CZECH REPUBLIC	77.4	+0.96	70.2	+0.75	80.1	+1.01	79.5	+0.95	73.3	+0.73	66.0	+0.36
ESTONIA	78.8	+1.01	71.2	+0.78	85.3	+1.17	92.2	+1.42	80.5	+0.91	80.1	+0.87
HUNGARY	87.0	+1.14	66.8	+0.73	72.5	+0.71	85.9	+1.10	73.8	+0.73	69.9	+0.51
LATVIA	72.6	+0.83	73.6	+0.81	73.5	+0.73	82.4	+1.06	63.8	+0.52	68.4	+0.38
LITHUANIA	76.0	+0.93	78.4	+0.89	77.3	+0.82	81.5	+1.02	61.9	+0.45	59.7	+0.11
POLAND	76.9	+0.95	54.3	+0.22	69.2	+0.49	69.3	+0.64	59.0	+0.25	60.2	+0.14
ROMANIA	61.5	+0.43	50.0	+0.12	53.6	-0.05	62.0	+0.37	50.5	-0.16	53.4	-0.18
SLOVAKIA	78.4	+0.99	76.4	+0.85	78.2	+0.91	83.4	+1.08	61.4	+0.43	65.5	+0.35
SLOVENIA	84.6	+1.10	82.7	+1.05	84.4	+1.11	72.7	+0.78	75.2	+0.79	81.1	+0.92
CYPRUS	86.1	+1.14	60.6	+0.44	60.6	+0.44	86.8	+1.24	81.9	+0.93	79.1	+0.83
MALTA	89.9	+1.24	92.3	+1.21	92.3	+1.21	86.3	+1.22	91.4	+1.47	84.5	+1.19

SOURCE: WORLD BANK, D. Kaufmann, A. Kraay and M. Mastruzzi, "Governance Matters VI: Governance Indicators for 1996-2006"

The Effect of EU accession on Bulgaria

By Krassimir Y. NIKOLOV/Kaloyan D. SIMEONOV

1. Background

Bulgaria and Romania entered the European Union (EU) almost three years later than the other ten new EU member states, which provides for only modest membership experience. It is still too early to conclude about stable behavioural patterns or trends of performance inside the Union, or to map the establishment of possible (functional) coalitions on a variety of issues within the broad spectrum of EU policies. The impact of Bulgaria's accession to the EU on the internal political and economic situation and performance of the country can be traced and analysed more in terms of considering the accession process as a whole, rather than specific post-accession empirical data.

The background of Bulgarian membership in the EU during the first two years after accession includes a generally positive trend of steady economic growth that has started well before accession and continued in 2007-2008. On the other hand, the EU's labours in overcoming its institutional reform impasse, after the failure of the Constitutional Treaty in 2005 and the Lisbon Treaty ratification difficulties in 2008, which are coupled with a visible "enlargement fatigue" among citizens of "old" member states, renders Bulgaria's smooth integration into the EU system more problematic.

In terms of external policy, EU actions in the Western Balkans and the development of the Eastern segment of the European Neighbourhood Policy (ENP) offer the most important setting of Bulgaria's involvement in EU foreign policy making.

2. Macroeconomic effects⁶¹

There are different economic effects of the EU accession process in Bulgaria. This analysis illustrates only part of them, related to some of the main economic indicators, namely: growth of the Gross Domestic Product (GDP), level of Foreign Direct Investments (FDI), current account deficit, external debt and inflation.⁶²

Gross Domestic Product

Some of the most important indicators that demonstrate the effects of accession are those related to the GDP, i.e. the total market value of all goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports. The table below presents the GDP in million BGN as well as the GDP growth rates.

(61) This section is written by Kaloyan Simeonov.

(62) A detailed analysis of the effects of Bulgaria's EU accession is provided in: SIMEONOV, Kaloyan (2005): *Costs and Benefits for Bulgaria from EU Membership*, Institute for Public Administration and European Integration, Sofia, p. 175.

Table 1: GDP indicators of Bulgaria						
	2003	2004	2005	2006	2007	Q1 2008
GDP (million BGN)	34 628	38 823	42 797	49 361	56 520	13 484
GDP growth*	5,0	6,6	6,2	6,3	6,2	7,0

* Annual real growth rate (%); Source: Bulgarian National Bank: www.bnb.bg

The figures for the period from 2003 to the first quarter of 2008 clearly show that the GDP has grown constantly over the years. At the same time, the GDP growth in the EU, the main trade and economic partner of Bulgaria, is substantially lower than the GDP growth in Bulgaria.

The main reason for the high GDP growth in Bulgaria during that period is related to the effects of accession preparations and the gradual integration of the Bulgarian economy into the EU economy. The effects of EU accession are consumed to some extent even before the actual joining of Bulgaria. Some of the reasons for the positive impact of accession preparations for GDP growth are:

- Internal market legislation as well as legislation on the EU common policies (including common competition policy, common transport policy, etc.) was introduced in Bulgarian legislation well before the date of accession. This legislation was transposed in time because it was necessary for national companies to prepare in advance for participation in the EU internal market and common policies. The introduction of the majority of EU rules and standards some time prior to accession allowed the increase of trade between Bulgaria and EU member states, which had a very positive effect on GDP growth.
- The introduction of EU rules stimulated also the increase of FDI (as shown below) that has further positive influence over GDP growth.
- GDP per capita in Bulgaria is the lowest among the 27 EU member states. It is considered to be roughly 38-40% of the EU-27 average (EU27=100%). The low starting level plus the EU integration process and its positive effects facilitated to a great extent a higher GDP growth rate in the country. In this sense, the Bulgarian economy has been "catching up" with the level of economic development in the EU-27.

Although EU accession has a very positive impact over GDP growth in Bulgaria, it is expected that the current financial crisis will also influence that indicator, slowing down economic growth. One of the reasons for that will be the strong trade and economic integration of the Bulgarian economy with the EU economy. The problems of the latter also influence economic growth in Bulgaria.

Foreign Direct Investments

The level of FDI is one of the most important indicators showing the positive effects of EU accession. The figures for Bulgaria of the total FDI in million euro and the FDI as a percentage of the GDP are listed in the following table.

Table 2: Foreign Direct Investment indicators

	2000	2001	2002	2003	2004	2005	2006	2007	3Q 2007	3Q 2008
FDI (million euro)	1103,3	903,4	980,0	1850,5	2735,9	3152,1	6005,6	6516,9	4715,2	3659,8
FDI (% of GDP)	8,1	5,9	5,9	10,5	13,8	14,4	23,8	22,6	16,3	10,8

Source: Bulgarian National Bank: www.bnb.bg

On the basis of the above data on FDI, one may distinguish two periods over the last eight years. The first period is 2000-2002, when FDI were to some extent constant but on a relatively low level of around 1 billion euro. Once the perspectives of EU accession became much clearer, this was a major incentive for potential investors to take decisions to realise their investments in the country. After 2003, FDI in the country increased steadily reaching more than 6 billion euro a year. There is a slow decrease in the level of investments (third quarter of 2008 compared to third quarter of 2007) but this is due mainly to the financial crisis as well as to some other reasons.

The substantial increase of FDI is related to a great extent to the EU accession process. The reasons for that are very similar to those related to GDP growth, namely the adoption of EU internal market legislation and common European rules and standards for operating business. It is true that FDI growth is also due to other factors such as the introduction of some reforms in the country, the establishment of the currency board after 1997 with a fixed exchange rate to the euro (before 1999 with a fixed exchange rate to the Deutsche Mark), etc. Nevertheless, the main factor behind the very positive FDI developments is the EU accession and integration process.

The other indicator – Foreign Direct Investments as a percentage of GDP - improved substantially, taking into consideration also that not only there is a FDI growth but GDP growth as well. This indicator developed from 5,9 in 2001-2002 to 23,8 and 22,6 for 2006 and 2007 respectively.

As it was stated, FDI increase in Bulgaria is mainly due to EU accession. On the other hand, the increase of those investments is one of the main prerequisite for the modernisation of the country and for the gradual integration of the economy into the EU economy.

Current Account Deficit

EU accession does not have only positive effects on the developments in the country. Economic development coupled with the substantial increase of FDI and consumption in Bulgaria had a negative impact on the Current Account (CA) deficit. The table below shows data for the CA deficit as a percentage of GDP and the ratio FDI related to CA deficit.

Table 3: Current Account Related Indicators										
	2000	2001	2002	2003	2004	2005	2006	2007	3Q 2007	3Q 2008
CA (% of GDP)	-5,6	-5,6	-2,4	-5,5	-6,6	-12,4	-17,8	-21,8	-13,5	-15,8
FDI/CA deficit (%)	144,9	105,6	243,5	190,3	209,3	116,5	133,4	103,4	120,9	68,0

Source: Bulgarian National Bank: www.bnb.bg

The CA deficit widened constantly and substantially after 2002. It is true again that this is due to a variety of reasons such as the increase of income and consumption of foreign products and services in the country, the introduction of a currency board with fixed exchange rate to the euro that does not stimulate export but has a positive impact on the imports, etc. The main reason behind the increase of the CA deficit is EU accession and the fact that Bulgaria is at the same time a small and open economy. The CA deficit for 2006 and 2007 of 17,8% and 21,8% of GDP respectively is less and less sustainable, and, therefore, appropriate corrective measures should be taken at macroeconomic level in order to remedy this situation.

On the other hand, there is another indicator that also has a great influence over the sustainability of the CA deficit – the ratio between FDI and the CA deficit as a percentage, i.e. the FDI coverage of the CA deficit. For the whole period 2000-2007, the latter is positive and very high, reaching 200% in some years. The only exception is the beginning of 2008 when the financial crisis and the decrease of FDI had negative impact over the FDI coverage of the CA deficit.

Gross External Debt

Data on the gross external debt (ED) and its dynamics, presented in the table below, show relatively mixed results over the period from 2000 to the third quarter of 2008, with a focus on the public sector and private sector ED developments.

Table 4: Gross External Debt										
	2000	2001	2002	2003	2004	2005	2006	2007	3Q 2007	3Q 2008
Gross External Debt*	86,9	78,6	65,0	60,1	63,8	70,9	81,7	99,8	90,0	104,6
Public Sector ED*	72,2	63,8	48,1	39,8	33,2	23,8	18,0	14,2	14,2	11,7
Private Sector ED*	14,7	14,7	17,0	20,3	30,6	47,1	63,7	85,7	75,8	92,9

* as % of GDP; Source: Bulgarian National Bank: www.bnb.bg

For the period between 2000 and the third quarter of 2008 there is initially a decrease of the gross ED and afterwards a gradual increase of this indicator.

The picture is quite mixed if the comparison is carried out between the public sector and the private sector ED. The public sector ED decreased dramatically over the last years from 72,2% of GDP to only 11,7% of GDP in the third quarter of 2008. The picture is absolutely the opposite in the private sector ED dynamics. Private sector ED increased substantially from 14,7% of GDP in 2000 to 92,9% of GDP in the third quarter 2008. Taking into consideration also the financial crisis, the high increase of private sector ED may have a negative impact on financial and economic stability in the country. This increase is again due to a great extent to EU accession, economic growth and integration to the EU internal market that facilitated borrowing money abroad.

Inflation

EU accession has also a very distinctive influence on inflation in Bulgaria. As demonstrated by the table below, the Consumer Price Index increased steadily over the last years.

	2003	2004	2005	2006	2007
Consumer price index (annual change, %)	5,6	4,0	6,5	6,5	12,5

Source: Bulgarian National Bank: www.bnb.bg

The Consumer Price Index as annual percentage change is one of the main indicators that present inflation dynamics. This indicator has grown from 5,6 in 2003 to 12,5 in 2007, which is also far above the Maastricht convergence criterion for entry into the eurozone. Both public opinion and economic analyses demonstrate that one of the clear effects of EU accession not only in Bulgaria but also in the other countries from Central and Eastern Europe is the increase of inflation. It is true that at the same time there is an increase in personal income but the problem is that there is no equal distribution of this income among different groups in society.

Summary of Economic Effects

In conclusion, with regard to economic effects one could emphasize that EU accession has had many positive impacts on the economic development of Bulgaria. This is the case, for example, for GDP growth, the increase of FDI and the decrease of public sector ED. On the other hand, EU accession is linked to higher inflation, increase in the CA deficit and private sector ED. The effects of EU accession for Bulgaria are quite similar to those effects in the other countries from Central and Eastern Europe that have joined the EU earlier. It should be stressed, however, that the first couple of years after EU accession clearly show that the positive economic effects prevail over the negative ones.

3. Domestic changes in Bulgaria's EU politics

Like all other new EU member states, the two 2007 entrants Bulgaria and Romania had to comply with safeguard clauses – the possibility to suspend full membership rights in specific policy areas – which still places them in a “quarantine period” during the first three years of membership. While by the end of 2008 these safeguards are long since forgotten in the other new EU members, they stand firmly on the European agenda in Bulgaria. Within the so-called “partnership and monitoring mechanism”, reports of the European Commission written twice a year are placed into the limelight of public attention and transformed into a tool of influencing domestic politics and policy. These tools represent a visible “bridge” between the pre-accession and post-accession stages of internal political and economic reforms.

Bulgaria's EU accession has started with an unfinished reform agenda. The most important policy field where domestic transformation has remained incomplete is justice and home affairs. Until the last progress reports of the Commission on the eve of accession, Bulgaria had remained the only Central European (then) candidate where the reform of the police and the judiciary was indicated as problematic. In addition, reforms were pending in such important and socially sensitive sectors as health care and education. A related field demanding a continuous effort was reform of the army necessitated by NATO membership since 2004. The situation was exacerbated by a long-term demographic downturn coupled with a massive drain of relatively younger and better educated workers westwards. These challenges were combined with the need to maintain strict financial discipline and to outline a liberal economic policy with the objective of attracting foreign investments.

Despite unfinished business, strenuous pre-accession efforts resulted in a “reform fatigue”, whereby the day of accession (1 January 2007) was met with relief by the political class (by the governing coalition in particular) and the (central) administration. Instead of stepping-up mobilization, reform efforts were considerably relaxed and the implementation of reform programmes resulting from pre-accession commitments slowed down. On the contrary, public debates reflected wide-spread preparation for reaping short-term benefits from accession – additional financial resources that would come from EU funds in much greater amounts than the pre-accession assistance programmes. Policy makers who had been involved in the negotiation process adopted a new stature and a new attitude (displayed in 2007 and early 2008) towards EU institutions (mostly the Commission) and EU legislation and rules of behaviour. They shared the understanding that the “teacher-and-pupil” relationship with the EU, which had been characteristic of the pre-accession phase, was over and in a moment when Bulgaria was already a full-fledged EU member, they were “masters of the game.” Therefore, in many cases they adopted a complacent and condescending mode of behaviour vis-à-vis their former “teacher”, the European Commission, and neglected the maintenance of proper inter-institutional communication between Brussels and Sofia. The drain of competent administrators away from civil service towards private business, consultancy firms and abroad additionally aggravated the state's policy making capacity. This all resulted in a serious crisis in mid-2008.

Public debate on Bulgaria's performance in the field of internal EU policies in 2007-2008 was overshadowed by and focussed on the publication of regular Commission reports, which were supposed to assess the appropriateness of introducing safeguard clauses in a number of fields.

Traditionally, the most critical field that has risked the application of such a clause is Justice and Home Affairs. Reports in 2006 (pre-accession) and 2007 have been critical to the performance of the Bulgarian police and judiciary, but have stopped short of imposing a safeguard clause. This instrument had never been used in the case of other former candidates. Prudence on the part of the EU reflected assessments about the limited effectiveness of this instrument, which would prevent Bulgaria from fully participating in the area of freedom, security and justice. However, despite the lack of an official sanction, the Bulgarian police and judicial system seem to have been sidelined in terms of practical cooperation with their EU counterparts⁶³, and the risk of long-term isolation should not be neglected.

Mismanagement in the implementation of the pre-accession assistance programmes PHARE, ISPA, SAPARD became the most scandalous cases testifying Bulgaria's inadequate preparation for adopting EU structural funds. Misuse of funds in projects of road infrastructure (assignment of projects despite conflict of interests), food processing (purchase of second-hand instead of new machines) and others led to a series of audit inquiries by independent auditors and by the staff of the EU Anti-Fraud Office (OLAF). The Commission prepared an additional report that had not been envisaged under the partnership and monitoring mechanism and that was very critical and used a very un-diplomatic language. The slow and inadequate reaction of the government and the unwillingness to demonstrate determination in its willingness to curb down practices of maladministration led to the Commission's decision to temporarily withdraw its accreditation for two implementation agencies and to freeze over 50.000 € pre-accession funding. By the end of 2008, almost half of this amount was definitively lost, as was the accreditation of one of the payment agencies. The negative impact of these failures was magnified as the implementation of the operational programmes under the structural funds was also threatened. Moreover, all government-run programmes under the EEA financial mechanism were also frozen. The only one that is being carried out is the NGO fund, which is operated independently from the government.

The problems of managing pre-accession funding can have a negative impact on Bulgaria's EU membership in several respects:

- There is a clear risk of losing substantive amounts of pre-accession money, which will make Bulgaria a net donor in the EU budget in the first years of membership. In a country with a relatively limited investment potential this can have substantive further implications in terms of growth.

(63) In the summer and autumn of 2008, the "Kotse-Matsa" case provided an example of Bulgarian authorities having been bypassed and left uninformed about the issue of a European arrest warrant by a German court against a Bulgarian municipal councillor in a small town, who was arrested on Greek territory on charges of cigarette smuggling and extradited to Germany, where he was tried and sentenced within three months.

- Bulgarian negotiating positions in the framework of the mid-term budget review will be seriously undermined.
- More generally, Bulgarian reputation in the EU will be weakened, which might have an impact on the country's participation in other EU policies that are high on the national agenda (e.g. the ENP).

The damage limitation strategies adopted by the government followed two parallel paths. First, a lot of effort and public funding was invested in improving communication with "Brussels": High level contacts with representatives of the respective Commission services, including OLAF, were substantively intensified. More importantly, several consultancy firms specialised in high-profile lobbying and public relations were employed with the goal of reaching out to key policy makers in the Commission and in the most critical "old" EU member states, as well as to broader audiences by means of increased visibility in electronic and paper media. The government's most ambitious step was the appointment of a special "advisory board" consisting of high-ranking European personalities.⁶⁴

The second path of action was meant to rectify failures in implementing pre-accession funding programmes. Both "positive" and "negative" measures were adopted. "Positive" steps included mostly structural changes necessitated by the criticisms contained in the Commission reports. The re-organisation of implementing agencies, including the appointment of new directors at key positions, was coupled with the establishment of a special vice-prime ministerial post (with administrative back-up) who would be responsible for supervising future absorption of EU funds. These measures marked a trend of centralising the management of EU money during the last months before the parliamentary elections (due in mid-2009), in contrast to the dominant (so far) fragmented pattern of governance that characterised the practice of the three-party governing coalition in all policy fields.⁶⁵ To demonstrate heightened scrutiny and vigilance, the government took several pre-emptive actions, on its own initiative, whereby EU-funded projects were cancelled if they had been endorsed as a result of compromised procedures. Such self-restrictive measures were meant to restore trust in the capacity of Bulgarian policy makers and the state administration to implement EU programmes. The whole package of emergency measures suffers at least one serious shortcoming – lack of sustainability. The real (supposedly positive) impact of all changes introduced in the course of 2008 will require time to take effect, due to the slow programme cycle, while the pre-electoral clock has started ticking and makes time the scarcest resource the current government possesses. The fact that the structural changes are temporary (e.g. the administrative back-up of the new vice-premier) and will last no longer than until the parliamentary elections in mid-2009 makes them look like a "fire brigade" mode. This approach means that another such

(64) The board was formed in November 2008 with a six-month mandate and was composed of Dominique de Villepin, former French prime minister (chair), Josep Pique, former Spanish foreign minister, Antonio Vitorino, former EU JHA commissioner, Aunus Salmi, former member of the European Court of Auditors, Paul Demaret, rector of the College of Europe – Bruges, and Casimir de Dalmau, legal advisor.

(65) Following the June 2005 elections, the coalition government between the Bulgarian Socialist Party (BSP), the National Movement for Stability and Progress (NDSV) of former king Simeon Saxe-Koburg-Gotta, and the Movement for rights and Freedoms (DPS/Turkish party), was formed according to the formula 8:5:3, which was applied at the distribution of posts at political and senior administrative levels and resulted in a "feudalisation" of government.

structure might be needed soon after the elections.

The “negative” steps to be taken comprised political action by the government, as well as judicial action. The resignations of people directly responsible for mismanagement of EU funds were demanded and obtained slowly and reluctantly. Success was minimal also with regard to bringing the cases of supposed abuse to court. By the end of 2008, none of the much debated examples of fraud was solved by the judicial system with a valid sentence.

The top-down pressure exerted on the Bulgarian government by EU institutions was only partially successful. In structural terms, the temporary character of structural changes, although capable of producing some short-term results, leaves a lot of uncertainty about their sustainability in the mid-term perspective. At sub-political/agency level, the most scandalous civil servants were fired but have not yet been brought to trial. At ministerial level, the changes of government ministers carried out in April 2008 were unrelated to criticisms coming from “Brussels”. The ministers who resigned were the victims of internal wrangling in the governing coalition, while those whose names were associated with maladministration kept their posts. Yet the judicial system, although strongly criticised for its ineffectiveness in combating crime, remained almost out of reach of EU influence, and continues to represent a problematic area. This leaves open the question of a possible imposition of a safeguard clause in the JHA field – a risk that is still pending until the end of 2009 and will have to pass the tests of the Commission’s progress reports of February and July 2009.

Bulgaria’s capacity to “turn the tide” of maladministration in the management of EU funds and to improve its image of an EU member state on the basis of sound performance in the implementation of internal EU policies will be a major determinant for the Commission’s further steps in the framework of the monitoring and partnership mechanism. It will not be an easy task for the policy makers and top administrators in Brussels, because after the financial sanction and criticisms in the reports they are left with a limited instrumentarium at their disposal – the safeguard clause is probably the only effective negative tool that has remained unused. The combination of both negative and positive instruments of influence on domestic politics and policy making is essential if one thinks strategically about the development of increased state capacities in Bulgaria. On the other hand, the broader context of the current EU enlargement towards the Western Balkan countries should not be forgotten as a factor strengthening the Commission’s motivation to act as a strict and uncompromising “watch-dog” for the implementation of European law throughout the EU.

4. Performance in the field of external EU policies

Bulgaria’s gradual involvement in the making of EU external policies started much earlier than accession and included several stages of rapprochement – association with EU documents, consultations on specific policy options (esp. after the end of accession negotiations) and fully-fledged participation in policy making. The nature of such participation can be explained if some fundamental characteristics of Bulgarian foreign policy

are understood – mainly its *suivism*, in the words of the late French President François Mitterrand. Bulgarian foreign policy has traditionally been perceived as tending to follow already established agendas rather than contributing to the design and formulation of new ones. The pattern of foreign policy making, based on both geopolitical and historic premises, can be characterized as re-active rather than pro-active. The Bulgarian “political horizon” is quite low and dictates the predominance of short-term preoccupations. It is connected with spending political resources and capital on immediate achievements, sometimes to the detriment of strategic interests or visions. Even in cases where long-term political vision is displayed, it normally has two features. First, such vision is careful not to deviate too much from the “mainstream”, and second, in many cases it is limited to declaratory activism, which stops short of producing concrete foreign policy deliverables. The above features can be explained also by a relatively modest institutional and expert capacity in the country’s foreign policy making field that are difficult to overcome in a short-term perspective. In terms of geopolitical orientation, Bulgarian foreign policy positions have always departed from the strategic commitments and obligations of the country as member of the EU and NATO. In practical terms, specific policy options espoused by Bulgaria have always sought to ensure that they are, first of all, European, and second, Atlantic. Other considerations – regional or “traditional” (an euphemism for the sympathies of part of the political class to Russia) – stand lower on the priority lists.

The above basic features have facilitated the Europeanisation of Bulgarian foreign policy and the participation of Bulgarian diplomacy in the complex process of coordination with the other EU partners. The shift of the locus of policy making from Sofia to Brussels on a broad spectrum of issues has been, on the whole, smooth and productive, in situations where a European consensus was easy to achieve. On the other hand, Bulgaria has enjoyed an augmentation of external action capacity and international prestige as a result of EU membership. However, Bulgarian choices have been rendered difficult on controversial issues where (bigger) EU member states remained split and a European position was problematic – such as in the cases of Iraq (2003) or energy security. On this background, three specific foreign policy cases deserve attention, in order to illustrate the involvement of the country in EU foreign policy making in the first two years of EU membership:

1. The recognition of the break-away Serbian province of Kosovo, and
2. Bulgaria’s participation in the Eastern dimension of the ENP and in the EU’s “Black Sea Synergy”.

The case with the recognition of Kosovo is an example of the need for taking a stance in a situation where an EU-wide consensus was missing. In addition to disagreements between other EU member states, Bulgaria’s choices were complicated by two more factors. First, the socialist party, which is the leading partner in Bulgaria’s governing coalition, had traditionally been quite close to Serbia’s ruling elite in the 1990s, and the acquiescence to NATO strikes on Serbia in 1999, was probably the most difficult catharsis the party had to go through. Second, Bulgarian business kept bitter memories from its physical isolation from major European partners during the Yugoslav wars and feared a retaliation from Serbia (e.g. closing the borders for transit transportation to Western Europe) in case of

Bulgaria's recognition of Kosovo. Both these factors prompted rather low-profile behaviour during the last months of decision-taking on this issue. The least damaging choice was finally considered to be a joint decision in favour of recognition, which was taken together and announced on the same day (on 20 March 2008, i.e. over a month after the proclamation of independence) by Bulgaria, Hungary and Croatia.

Bulgaria's involvement in the implementation of the ENP's Eastern dimension and the "Black Sea Synergy" in particular took place in a much more favourable setting, which allowed not only for the integration of national views into the formulation of general European standpoints, but also provided an opportunity for developing a leadership profile. Bulgarian positions were listened to, national written contributions were incorporated in EU documents, Bulgaria was encouraged to develop a pro-active stance in the elaboration of the EU's policy vis-à-vis countries in the Black Sea region. The policy model proposed by Bulgaria in designing the EU's involvement around Black Sea was based on a "network-of-networks" approach.⁶⁶ It was closest to the "synergy" philosophy, proved to be functional (and functionalist), "European" and equi-distanced from the policy models advocated by other EU member states (Greece, Romania), which had been perceived as promoting the interests of other global players in the region (Russia and the USA respectively). The country proved its capacity to be a respectable contributor to the Union's policy towards its Eastern neighbourhood.

The third specific case – the liberation of Bulgarian medics from Libyan prison – tested the capacity of the country to "upload" its own vested interest on a concrete foreign policy issue into EU decisions and actions. While previous Bulgarian governments had tried bilateral or international approaches, it was the decision of the current government to fully europeanise the case that involved coordinated work with several EU Council presidencies and the RELEX Commissioner and that finally led to a successful resolution. The medics' case was incorporated in the overall EU policy towards Libya and became one of its essential facets. It is indicative that the medics, who had been arrested in March 1999, could freely travel back to Bulgaria only after the country's accession to the EU.

5. Public opinion after accession

Bulgarian public opinion on the EU remained steadily positive after accession. It was backed up by two kinds of positive associations of the general public with "Europe":

In 2007, the EU brought positive messages to Bulgaria on two occasions: From a symbolic perspective, it was important for identity building that the EU agreed to allow Bulgaria to use the denomination "evro" (and not "euro") when the single currency was to be written in the Cyrillic alphabet. This issue was one of the few active standpoints taken by Bulgarian policy makers during the last stages of negotiations on the Lisbon Treaty.

From a human/humanitarian perspective, the successful resolution of the trial against

(66) A comprehensive justification of Bulgaria's approach is given in: NIKOLOV, Krassimir Y. (2007): *Black Sea Regional Cooperation and Bulgaria: Context, Concepts and Actors*, pp. 37-84 in: NIKOLOV, Krassimir Y. (ed.), *Europe on the Black Sea Shore: Opportunities and Challenges for Bulgaria*, BECSA, Sofia, June-November 2007.

the Bulgarian medics in Libya and their safe arrival at home was associated with “Europe.” Despite the extravagant move of the French president (and first lady), it became clear for the Bulgarian public that success became possible thanks to the concerted efforts of several EU presidencies and member states and the External relations Commissioner.

In 2008, the Bulgarian public adopted a positive attitude to the efforts of EU institutions/ organs responsible for financial control to watch the actions of presumably corrupt politicians. The EU was seen as an alternative to the national government that proved incapable of governing in a transparent and lawful manner. Interference into domestic politics was, therefore, perceived positively by public opinion. Such a positive attitude is different from the general unease and criticism, with which “the interference of Brussels in domestic affairs” is more often than not perceived negatively by public opinion in most “old” EU member states. On the other hand, if interpreted in a domestic context, this positive perception of the Commission and OLAF as “watchdogs” of the rule of law risks falling into the trap of the search for a “saviour from abroad/above” that is a recurring psychological pattern in Bulgarian social behaviour. A word of warning is in order here. Although capable of constructing a positive image of the EU as a whole in the short-term, it risks turning unsustainable in the long term, in view of the limited effectiveness of instruments of influence referred to earlier, thus leading to disillusionment.

Assessment of the effects following Romania's accession to the EU

By Daniela FILIPESCU

Political, Social and Public Image Issues

According to the provisions of the Nice Treaty and Romania's Accession Treaty, the country's joining the EU on the 1st of January 2007 brought a pre-determined number of Romanian officials into the EU institutions and bodies. Civil society also reacted fast to accession, the Romanian media became much more interested in covering EU affairs, and a host of other effects were immediately felt: NGOs started to work on EU and international issues in close cooperation with EU structures or European counterparts; some NGOs started putting pressure on the authorities, requiring them to work for the fulfilment of the outstanding criteria on justice and anti-corruption, as formulated by the European Commission; students and professors were offered European scholarships and given the opportunity to study and train in various EU Member States. Since education and research were in a chronic shortage of investments in Romania, any such opportunity for study and training was more than welcome. New mechanisms for institutional cooperation were put into place, and the effect of Europeanization could be felt not only in the speeches, but also in the actions of Romanian policy makers. In the spring of 2008, public opinion analyses indicated a 66% confidence level in the EU among Romanians, and a similar share of respondents⁶⁷ had a positive perception about the benefits of EU membership. However, these data were the first indication that Romanians no longer had the same high expectations from the accession process and the EU structures that they had demonstrated before accession. In the autumn of 2004⁶⁸, the confidence level among Romanians was 74%, the highest level among EU Member States at the time.

However, the major issue lies in the fact that Romania's accession failed to bring along the major social effects Romanians had expected to see. Romania is well represented in all the important EU structures, such as the Council of Ministers, or the European Economic and Social Committee, Romanian MEPs are members in parliamentary committees on gender equality, labour market, public health, consumer protection etc. And yet, this widespread political representation does not seem to have translated into any significant advances on the social front: there seems to have been no progress in finding solutions to major problems for Romanians, such as social inclusion or the free movement of Romanian workers in the EU Member States, not even two years after accession. The tough restrictions generally imposed by the EU-15⁶⁹ on the citizens of the new Member

(67) Standard Eurobarometer 69 of the European Commission, published in Spring 2008: http://ec.europa.eu/public_opinion/archives/eb/eb69/eb69_ro_exe.pdf

(68) Standard Eurobarometer 64, of the European Commission, published in December 2005: http://ec.europa.eu/public_opinion/archives/eb/eb64/eb64_en.htm

(69) With certain exceptions such as, for example, Denmark, Italy and Spain, or a more permissive movement of highly skilled workers in the UK.

States⁷⁰ have made the latter feel “second-rank citizens,” and the effects of these restrictions on those economies and societies are more dramatic than it is generally realized by politicians or the public.

To illustrate what working abroad can mean for Romanian citizens, let us take the example of remittances. The money sent home by Romanian citizens who were allowed to work abroad amounted to the fabulous sum of USD 9 billion (around EUR 7 billion), which represents almost 5% of Romania’s GNP⁷¹. The irony of the situation is that, if we look at the Romanian workers’ remittances in terms of direct capital injections in the country’s economy², we find that they exceed by far the total amount of EU funds injected and absorbed by Romania over 8 years, between 2000 and 2007, i.e. EUR 4.45 billion. Therefore, having the freedom to work in the EU-15 Member States is not only a social target for Romanians, it also has an important economic significance. Moreover, according to reports published by the European Commission, the Member States that have allowed free movement of workers did obtain important benefits for their own economies as well. In this context, it should also be noted that Romania has consistently scored better than the EU over the years, both before and after accession, in terms of unemployed people as a percentage of total labour force. This is illustrated in the table of economic and social indicators below.

It is also true to say that neither the Romanian authorities, nor Romanian citizens have acquired yet the necessary expertise to develop appropriate projects with which to absorb EU funds. The absorption capacity of European funds by Romania is one of the lowest in the EU. Let’s just take one example in point: Romania was projected to spend EUR 5.5 billion on building motorways since the 1st of January 2007⁷² to date; by the end of 2008, however, Romania has managed to absorb the amazing amount of EUR 0 (zero), although in the infrastructure sector Romania lags much behind most European countries. However, there are some sectors financed by the EU or from other foreign funds that function much better: “The Knowledge Economy Project” is a project financed by the World Bank with USD 60 million and has been developed by the Romanian Ministry of Communications. The project has been selected by the European Commission as one of the five medal winners of the e-Inclusion Awards 2008⁷³ in the Geographic Inclusion category that recognizes contributions for overcoming the disadvantages of living in remote areas and bringing together communities of interest over a very large region.

Therefore, the key to Romania’s fund absorption problem might lie mainly in the competence, training and know-how of project developers, but there may be something to do also in relation to the tough conditionality and the large number of criteria to be fulfilled in order to obtain EU funds.

(70) Cyprus and Malta were excluded due to the small size of their population, which could not raise any problems to other states due to migration.

(71) World Bank Report, *Migration and Remittances Brief No.8*, published on 11th of November, 2008 http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD_Brief8.pdf

(72) Data from an official speech of the President of Romania delivered to Romanian Diplomats on 2nd of September 2008, Cotroceni Palace:

(73) <http://ec.europa.eu/einclusion>

Evolution in terms of Good Governance

Since 2000, independently of its accession date, Romania has consistently scored very well on some dimensions of good governance, such as political stability and the absence of violence, and has recorded a positive trend and met European standards for others, such as regulatory quality and effectiveness of government. However, there are sectors where the Romanian authorities have failed and have had to face the blame of both the Romanian public, and the European Commission: the rule of law and the control of corruption. According to the latest European Commission Report, “delays have occurred in implementing a coherent recruitment strategy for the judiciary (benchmark 1), in the establishment of a National Integrity Agency (benchmark 2), and in developing an overall strategy and implementing flagship projects to fight local corruption (benchmark 4).”⁷⁴ Both before and after accession, the most serious problems perceived by the European Commission and the Romanian public at large remained the inconsistent results scored in the fight against high-level corruption. According to public opinion analyses, the Romanians’ level of confidence in their justice system has not changed much since early 2006, remaining in the 26-28% bracket.⁷⁵ The only increase in confidence levels was recorded for the media, that have scored the highest confidence levels among Romanian institutions. As for political institutions, confidence levels have started to increase only during the last semester, from 17% to 22% for the Parliament, from 11% to 18% for political parties, and from 21% to 25% for the Government. However, these figures fall short of the levels recorded in 2006, one of the most likely causes being the repeated harsh criticism of the European Commission, despite the important progress achieved in the economy and in harmonising the national legislation with the community acquis.

Evolution of the Economy

Economic performance is one of the most positive aspects of Romania’s accession to the EU. However, it was not only accession itself that helped, but rather the prospect of accession, both to the EU and to NATO, and these prospects already became apparent in 2000-2001. Foreign investors, rating agencies, international media paid much more attention to Romania due to the perspective of more political stability, financial aid and security and defence cover offered by EU and NATO accession, respectively.

Due to space constraints, the major economic indicators for Romania are presented in synthetic form in a table below, by comparison with corresponding indicators for the EU, and they cover the period since 2004. Data used in the table are official data extracted from statistics published by Eurostat and by the Directorate General for Economy and Financial Affairs (DG EcFin) of the European Commission.⁷⁶ In addition, for 2008, forecasts are included from statistical data published in the autumn 2008 Forecast of DG Ecfin. Romania has had a very good economic growth every year since 2004, in fact some of

(74) *Interim Report on Progress in Romania with Judiciary Reform and the Fight against Corruption*, European Commission, Reference: MEMO/08/72, Date: 04/02/2008.

(75) *Op. cit. 1 - Standard Eurobarometer 69 of the European Commission*, published in Spring 2008.

(76) *European Economy n° 6*, published on 3rd of November 2008 – http://ec.europa.eu/economy_finance/publications/publication_summary13277_en.htm

the best in the EU. However, it is still far from being able to reach the average EU GDP per capita: the forecast for Romania is 42.8 as against 100 for the EU in terms of GDP/capita in pps. Romania has also recorded a (-2.6%) government deficit as a percentage of GDP in 2007, one of the highest, along with several new Member States, but also with some old ones, which proves yet again that EU membership helps, but is not a universal solution for the economy: Hungary (-5.0%), Greece (-3.5%), the United Kingdom (-2.8%), France (-2.7%), Portugal (-2.6%).

The table below shows how all major economic indicators improved for Romania during the last 5 years, while their variations for 2006-2007-2008 proves that the date of Romania's accession, the 1st of January 2007, did not have a dramatic influence on economic trends. A major shift occurred in the years 2000-2001, when foreign politicians, businesspersons, decision makers, and media acknowledged and acquired the certainty that Romania would join the EU and NATO, while not necessarily being able to tell when, and while inside the country policy makers mobilised all the national resources to make sure the EU accession criteria were fulfilled. It is interesting to note the variations in total investments and import of goods, which decreased at the end of 2007 and 2008 in percentage points, while they had increased in 2006.

There is another important indicator that is worth noting, one that is difficult to keep low for any country, i.e. the ratio of government debt to GDP, which was however one of the lowest for Romania at the end of 2007. By comparison, Luxembourg, one of the most solid economies in the EU, scored 7.0%. Again, the internal economic policies of the country seem to be at least as important a factor as being part of the EU economy, if not the most decisive factor.

Economic Indicators for Romania and for EU

Economic Indicators for Romania/EU	2004	2005	2006	2007	2008
Real Gross Domestic Product Rate (as percentage of preceding year)					
Romania	8.5	4.2	8.2	6.0	8.5(f)
EU	2.5	2.0	3.1	2.9	1.4(f)
GDP per Capita in Purchasing Power Standards*					
Romania	34.0	35.3	38.7	40.5	42.8 (f)
EU	100	100	100	100	100
General Government Deficit(-)/Surplus(+)**					
Romania	-1.2	-1.2	-2.2	-2.6	-
EU	-2.9	-2.4	-1.4	-0.9	-
Gross Debt, general government (as a percentage of GDP)					
Romania	18.8	15.8	12.4	12.9	13.4 (f)
EU	62.2	62.7	61.3	58.7	59.8 (f)
Total Investment (volume, percentage change of preceding year)					
Romania	11.1	12.7	23.5	28.9	21.3 (f)
EU	3	3.6	6.1	5.4	1.2 (f)
Exports of goods and services, volume (percentage change on preceding year)					
Romania	13.9	7.7	10.4	8.7	9.2 (f)
EU	7.5	5.9	9.2	5.0	3.4 (f)
Imports of goods and services, volume (percentage change on preceding year)					
Romania	22.1	16.0	22.6	26.1	17.7 (f)
EU	7.6	6.2	9.2	5.2	3.0 (f)
Inflation rate***					
Romania	11.9	9.1	6.6	4.9	7.8 (f)
EU	2.3	2.3	2.3	2.4	3.9 (f)
Number of unemployed (as a percentage of total labour force)					
Romania	8.1	7.2	7.3	6.4	6.1 (f)
EU	9.0	8.9	8.2	7.1	7.0 (f)
Labour productivity (real GDP per occupied person)					
Romania	10.3	5.8	7.4	5.5	7.2 (f)
EU	2.6	1.6	2.2	13	1.0 (f)

(f) : forecast

*Gross domestic product (GDP) is a measure for the economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU-27) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa.

**Public deficit/surplus is defined in the Maastricht Treaty as general government net borrowing/lending according to the European System of Accounts (ESA95). The general government sector comprises central government, state government, local government, and social security funds. The relevant definitions are provided in Council Regulation 3605/93, as amended. Data for the general government sector are consolidated between sub-sectors at the national level. The series are measured in euro and presented as a percentage of GDP.

***Annual average rate of change in Harmonized Indices of Consumer Prices (HICPs).

Conclusion

After 2001, Romania was influenced much more by its clear perspectives of accession to the EU and NATO than by EU accession itself on 1st January 2007. The country underwent profound transformations and evolutions before accession, the decisive factor being domestic economic and political decisions. Setting the 1st January 2007 as an ambitious target date for accession was very important in mobilising politicians, the economy and the civil society.

Two years after accession, the Romanian citizens' confidence in the EU and their perception of benefits from EU membership are on a downward trend, while the economy is flourishing, political institutions are stable and EU-Romania inter-institutional cooperation is very good. The fight against high-level corruption is progressing at a slow pace, but due to the strong pressure exerted over the years both by the European Commission and the Romanian public, there is reason to hope that the situation will improve.

Despite the steady positive trend seen in the Gross Domestic Product per capita before and after accession, Romanians still live on only 42.8% GDP per capita of the EU average. They have one of the most important deficits of satisfaction in the EU, but one of the highest levels of optimism, 44%⁷⁷ of them considering that *"their lives will be better in 12 months' time"*.⁷⁸

(77) Only Swedes are more optimistic than Romanians. The leading optimists are citizens from Sweden, Denmark, the UK and Romania.

(78) Op. cit. 1 - Standard Eurobarometer 69 of the European Commission, published in Spring 2008.

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IV SYNTHESISING EFFECTS OF ACCESSION ON THE NEW MEMBER STATES – A COMPARATIVE APPROACH

Effects of Accession on the New Member Countries: The Economic Dimension

By András INOTAI

After four-and-a-half-years of membership of ten new member states (NMS) and almost with a two-year experience of another two acceding countries to the European Union (EU), a first approach can and should be undertaken in order to evaluate the short-term balance of the historic enlargement of the European integration. Obviously, this survey remains partial and half-hearted, due to several reasons. First, it is one-sided, for the impact of the NMS on the EU-15 in general, and on key EU policies in particular, falls beyond the article. Second, NMS did not only experience the impact of membership but that of global challenges and of domestic economic policies. These three levels (global, EU, national) can hardly be separated, so that the membership record includes several overlappings and interdependences. Third, benefits and costs, advantages and disadvantages, “pluses” and “minuses” in different policy areas reveal different time horizon. While the impact of accession became manifest almost immediately (or in the first years) of membership, the evaluation of the adjustment process in some other policy areas requires more time. Fourth, Accession and post-accession adjustment have an interdisciplinary character. Thus, in many cases, economic impacts can hardly be strictly decoupled from political, social, psychological or even historical components. Still, some general assessment can be made, with relevant (although not definite) results in general, and for cross-country comparison, in particular.

1. The NMS became full-fledged members in May 2004 and in January 2007, respectively. However, in several areas, they had to accept a several year embracing phasing-in process before enjoying the full-fledged status. The phasing-in process has a double character.

On the one hand, several chapters had been negotiated (and closed) with transitional measures – on both sides. The NMS had to accept three important restrictions with vital impact on the speed and quality of the adjustment process. Direct payments for farmers started at a fraction of the amount provided to EU-15 farmers and started to close the gap in an annual process lasting until 2013. Full-fledged participation in the EU budget became a reality as of January 2007, when the new seven-year financial framework of the European integration entered into force. During the first 32 months of membership all NMS had access to the pre-accession fund, a fraction of the money they became entitled to as of 2007. Last but not least, free circulation of labour, one of the four key freedoms of the EU has only been granted by some countries at the moment of accession and by some others during the first years of membership, without having created a free labour market up to the current moment.

On the other hand, the development of the integration process (deepening) has prescribed some rules of the game that have to be fulfilled by new entrants, even if they are already “full-fledged” members of the EU. First, the Schengen requirements had to be fulfilled (it was achieved in a three-and-a-half-year process of adjustment). Second, membership in the European Monetary Union and the introduction of the common currency formulate serious conditions to be observed.

2. High growth was continued after accession, although not as a direct impact of membership. Economic actors had anticipated membership well before the political decision has been taken. Also, free trade between the EU-15 and the would-be new members contributed to higher growth well before 2004. In addition, foreign direct investments, a basic factor of the high growth pattern, fostered sustainable and high growth rates. It is another question to what extent the pattern of growth was based on investments and exports or was mainly supported by (artificially created) domestic demand. The answer lies in the development of the next months, not a topic of the current analysis. However, it has to be noted that accession seems to have dampened the speed of structural change and the political willingness to undertake fundamental reforms practically in all NMS. The knowledge, and maybe, even more, the feeling that a safe harbour has been reached, did not maintain the quality and speed of adjustment that characterized the pre-accession period. (Some experts try to identify a certain “accession fatigue” in several NMS.)

More importantly, the first years of membership made clear that although the EU is a rightly considered as the basic economic anchor of all NMS, it is not an automatic growth-driver. Even less, it serves as an actor compensating for or remedying serious policy failures committed by national decision-makers.

3. Trade developments became the most relevant and unprecedented success story of the enlargement. At the moment of accession, all NMS had to take on the EU's external economic policy, including the immediate elimination of intra-EU trade barriers and the introduction of the common external tariff of the integration. The first led to huge trade creation among the NMS, mainly to the “detriment” of the EU-15. The EU's share in total exports and imports did not change significantly, since trade creation impacts with the EU-15 could largely be exploited in the proceeding years of tariff reduction and free trade by 2002 (excepting some agricultural commodities). However, intra-EU trade orientation reveals a rapidly growing importance of intra-NMS trade. In addition, some traditional bilateral trade balances reveal dramatic changes (from deficit to surplus and vice versa). Interestingly, some member countries used their membership position to increase their extra-EU trade above average. Some efforts are closely linked to the geographic neighbourhood (Russia, Ukraine, Western Balkans), while others started to focus on rapidly growing global markets, with EU membership in the background. In most countries, transnational companies (and their subcontracting networks) can be identified as the main winners of accession, while small- and medium-sized domestic firms could only partially exploit the opening up of a huge market (mainly remaining concentrated on cross-border trade with clear geographic, financial and logistic constraints).

4. Similar to growth rates, neither the inflow of foreign direct investment (FDI) can be directly linked to the moment of accession. Some spectacular (annual) increases of inflow of foreign capital were more connected with a new (or delayed) stage of privatization, the “discovery” of new industrial locations and better legal and institutional background, more a result of domestic development than of adjustment to EU rules. However, the growing confidence into the region composed of NMS has certainly had a positive impact on the decision-making process of large international firms. At the same time, the basic market-orientation of FDI did not change (either it developed an export-oriented structure before accession or remained largely domestic market-oriented). Neither the decision on reinvestment or repatriation of profits was substantially influenced by accession. Finally, only modest shifts can be observed in the geographic location of international production and service centres (or subsidiaries), mostly due to the “maturing” of the host country and not as an immediate result of membership. Such fears and expectations did not become reality after 2004/2007. Western European companies did not massively re-locate their production sites to the NMS. Similarly, FDI in the NMS of 2004 indicated strong insistence on already established and profitable location despite the accession of two new member countries with clear comparative wage advantages in January 2007.
5. Fears of enhanced inflation were among the outstanding concerns of the NMS before accession. However, they did not materialize, at least not as a direct outcome of membership. Most price (and tax) adjustments had to be introduced by the new members before their accession. In fact, accession had two price-reducing effects, even if they were not (fully) transferred by importers, wholesale or retail traders to the consumers. First, the introduction of the common external tariff of the EU reduced the price of imported goods, since, excepting a very narrow range of commodities, national external tariffs were higher (sometimes substantially higher) than the EU common tariff. Second, competition on the “full-fledged” markets became stronger and had to result in lowering consumer prices (provided that retail trade became fully or largely liberalized, without keeping a quasi-monopolistic or oligopolistic structure). To some extent, also appreciating national currencies have contained imported inflation (and, at least statistically, supported the catching-up process of the NMS).

If some countries still had to face growing inflationary pressure, they can be traced back either to global developments (higher energy and food prices) and/or mistaken domestic economic policies (starting from huge budget deficits to unfulfilled structural changes and “bubble” phenomena).

6. Another positive development in most NMS was the declining unemployment rate. This was partly due to high growth and the job creating effects of sustainable modernization. However, it should not be ignored that the sometimes surprisingly positive trends in some NMS have to be attributed to massive migration immediately upon accession. Although the dimension of migration did not reach the levels predicted before 2004, but it was substantial in some countries, particularly if the rate is measured as a share of young, skilled, mobile population. At the same time, some other new members reported very low figures of migration, either as a result of rela-

tively high activity rates in the domestic economy or other forms of “job finding” in the grey economic zone (unregistered employment). In fact, very different migration patterns started to develop in the first years following accession. Some new members turned to be substantial sources of emigration, while others were increasingly considered as potential new host countries. In countries characterized by low level of emigration, migration balance was kept in equilibrium or even indicating a small surplus (as in most EU-15 countries).

What is, however, striking is the fact that in the period preceding May 2004, Western European public opinion considered the “Polish plumber” as the most relevant factor threatening jobs. Instead, the really massive migration happened several years before accession and originated in the two Southeastern European members that joined the EU in 2007 only.

While the opening of some of the EU-15 markets from 2004 on moderated labour market pressures in several NMS, it led in some areas to serious labour shortage, rapidly increasing real wages and, consequently, eroding wage-related competitiveness. It has to be noted that there is an abundant (although not always convincing) literature on the impact of migration on the host countries. In turn, in the last years very little attention has been devoted to the impact of migration on the sending countries. Here, one positive, although not necessarily sustainable trend has to be underlined. Countries with massive emigration started to register yearly increasing amount of remittances that became not only an important source of additional income and domestic demand-creating factor (although mainly for imported commodities), but also the main driver of the construction industry. Not less importantly, remittances became more and more important as a factor of covering huge and ever wider trade deficits (together with the inflow of FDI).

7. In GDP per capita terms all NMS could continue the pre-accession process of narrowing the development gap between the EU-15 and the NMS. Looking, however, at reviving inflation, erosion of competitiveness and growing pressure on the national currencies (even if linked or fixed to the euro), the sustainability of this process may be questioned at least for some countries (mostly those with the highest catching up speed in the last years). Similar to the experience of some EU-15 countries over decades, catching up on national economic level was not always accompanied by narrowing the gap among different regions of the same country. In fact, such a process requires more time and definitely turns attention to the best possible utilization of EU transfers. A more balanced assessment will only be possible after some more years, probably by the end of the current financial framework period.
8. From the very beginning of membership, all NMS considered the access to EU funds as a historical and unprecedented chance of socio-economic modernization. Expectations were particularly high from 2007 on, when the NMS became full-fledged members also from the point of view of EU transfers. Institutional, legal and financial preparation for successful application started everywhere, although at different speed (and quality). Due to the shortness of time, it would be premature to draw any

longer-term conclusion concerning the efficiency of using such resources. However, some remarks can be made. First, several countries (both politicians and societies), particularly in pre-election periods, seemed to mix up goals and instruments. Obviously, EU transfers represent (one of) the most important element of catching up but should never be considered as the most important goal explaining accession. Successful membership in the EU depends on a number of other factors as well, even if the efficient use of EU resources can evidently enhance the degree of success (in more than one way). Second, more analysis is needed in order to correctly measure the absorption capacity of a country (or region). It is a two-way street, in which not only the beneficiary has to be assessed but also the conditions of acceding and using such resources. Third, one of the fundamental dilemmas of the national development plans consists in identifying the priority areas of investing EU (and national co-financing) funds. There is no common rule and experience, whether less developed regions should be supported more than more developed ones, or the latter should get priority with the expectation of creating spillover effects for less developed areas in a relatively short time. Fourth, the deficiency of a regional approach for all NMS is already felt, since much more coordinated developments in cross-country physical infrastructure and environmental protection could have been launched in the first years of membership. Such an approach would not have needed any additional money, but just the restructuring of the “national envelopes” towards a “regional envelope”. Geographic unity, the level of development and the underdevelopment of physical infrastructure, a main problem of national integration and regional cooperation, including higher level of global and European competitiveness could have been powerful arguments, in contrast to the “geographically scattered” previous enlargements by less developed countries. Fifth, countries with substantial amount of remittances from migrant workers face the challenge of channeling at least part of this money into national development plans (instead of generating additional private consumption with growing trade imbalances). Finally, despite the limited experience available at the moment, it has to be clear to each NMS that they do not have 15 years to start the catching up process based (partially) on EU funds, as it happened with some less developed old members. Neither the politicians, nor the public opinion in the net contributing countries as well as in the net beneficiary ones are ready to guarantee such a long period of adjustment.

9. Although starting at a low level (25 per cent of the EU-15), the application of the direct payment system to the NMS has generated quick and partly dramatic changes. However, the efficiency of the support very much depended on the quality of preparation of the respective national authorities, the mentality of the farmers and, not least, the legal environment of land ownership. Few or no ownership restrictions (just for farmers of the given NMS) stimulated the agricultural land market, increased concentration and productivity and let land prices grow (although still far behind those in the EU-15). In turn, fragmentation of ownership, the predominance of very small, therefore uncompetitive farms (and farmers) did not lead to substantial improvements. Or, the annual direct support has not been used for agricultural modernization but for financing private consumption, mostly without any linkage to agriculture. Some countries have already liberalized their agricultural land market for EU citizens, some

others are facing the deadline of 2011. Any argument about prolonging this date (until 2014) would be extremely counterproductive, without any meaningful support to the necessary modernization (breaking up) of the outdated ownership structure

10. Concerning the Lisbon Strategy, in the pre-accession years, NMS performed on the average of even better than in comparison to their relative level of economic development. Excepting few cases, unfortunately, this process did not continue in the first years of membership. It can, of course, be added, that neither the EU-15 devoted the adequate attention to this vital strategic objective of the European integration.
11. In the first years of membership, energy became a major factor of EU-level policy making. Beyond developments on the global energy market, stubbornly high prices, the increasingly important question of long-term and “guaranteed” availability of oil and gas, also the EU’s environmental agenda emphasized the energy issue. In addition, NMS increased the EU’s dependence on imported energy in three different forms. First, the share of imports in total energy consumption grew. Second, the structure of energy consumption and imports shifted towards oil and natural gas (the latter also predicted in the long-term EU energy strategy until 2020). Third, and maybe most importantly, the unilateral character of dependence on Russian sources has to be highlighted. Based on the above features, the NMS are closely interested in shaping a common European energy policy. This is expected to provide not only higher level of supply security but is likely to generate additional revenue for some NMS affected by the geographic layout of the pipeline(s). There is, however less consensus on which (planned) pipeline should be given priority (or whether both would be needed). At present, neither Nabucco nor Blue Stream is likely to start operation before 2015. While there is widespread agreement on lessening unilateral dependence on Russia, it is by far not guaranteed that any pipeline crossing non-Russian territory only would not be under the control of Russian oil and gas monopolies. Moreover, diversification of supply channels is most welcome but it must not question supply security. High level of supply security, even if combined with substantial unilateral dependence should be given priority against risky and nebulous “adventures”. Finally, wide consensus on a common energy policy has certainly not been supported by long-term bilateral agreements between some EU-15 countries and Russia. Just the opposite, it may have generated mistrust and lack of confidence, particularly on the side of the small(er) NMS.
12. Membership of the NMS in the economic and monetary union and the introduction of the common currency proved to be a real watershed in the last years. It has to be added that the individual NMS represented very different starting positions concerning the volume of external debt, accumulated budget deficit or exchange rate policies. Newly independent states did not carry with them the “financial burden of the past” or the burden was shared between new nation-states. In turn, old nation-states had been rolling domestic and external debt from the very beginning of transformation, well into the first years of full membership. It is not accidental that the larger NMS economies are years away from taking over the euro, and they are, at the same time, those who are sometimes hesitating concerning the best strategy of

adjustment to the Maastricht requirements. No doubt, mistaken economic policies of some NMS, in the last decade, have exacerbated the problems and shifted potential EMU membership into the next decade. There has been a professional debate on to what extent the Maastricht criteria elaborated for highly developed market economies can be applied to the NMS (particularly inflation rate, but also budgetary deficit if it finances future-oriented investments and not social and state-level subsidies).

- 13.** The two-stage historic enlargement of the EU towards the Eastern (Northeastern and Southeastern) part of Europe broke with one golden rule of previous enlargements. From the very beginning (1973, 1981, 1986, 1995), the widening process was always accompanied, and in most cases, preceded by ongoing deepening. Such was the common trade policy in the first half of the seventies, the Delors plan of creating the internal market at the mid-80s and the acceptance of the EMU project years before the 1995 enlargement. The by far largest enlargement of the EU was, unfortunately, not accompanied or preceded by such a process of deepening. Although several promises were made in the late nineties on reforming the common agricultural policy, restructuring the budget and remodeling the institutional and decision-making structure, efforts remained either fragmented or failed. The enlargement of 2004 and 2007 badly misses the deepening of integration. Some NMS are in favour of deepening but without giving up any part of their “national sovereignty.” Others prefer “shared sovereignty,” for they consider their interest better protected and implementable in a supranational rather than in an inter-governmental pattern of decision-making.

Geographic neighbourhood can be identified as the most important motive of further widening of the EU. In this context, interests differ, as neighbours do differ as well (Eastern neighbourhood vs. Western Balkans, let alone Turkey). In the last years, NMS did not develop a clear strategy on future enlargement, although, based on their own experience, they would hardly raise any insurmountable barrier to such a move any time in the (not very near) future.

- 14.** To be honest, it has to be stressed that the arguments of “enlargement fatigue” do not apply to the NMS. No NMS has behaved in a way of blocking or breaking the integration process following membership in 2004 and 2007 or to weaken the Union. In turn, it were three “old” members, two of them founding countries of the European integration that seriously jeopardized the European project and caused substantial delays or even a nearly derailment of the process. More arguments seem to be justified in supporting the phenomenon of “accession fatigue” in various NMS.

Nevertheless, the real test of the accession but also that of the half-a-century integration project will be coming in the next months and years. The macroeconomic slowdown following the global financial crises and accompanied by huge conflictive potential in different policy areas (from the labour market through the budget up to the monetary union) will be the evident proof of the current state of affairs of the EU. Several EU policies require relevant reforms, while outdated structures in the national (domestic) economic field will also be relentlessly defied. In addition,

global challenges are expected to exert huge pressure on shaping community-level policies (from the internal market over migration, energy to common foreign and security policy). Finally, some NMS have reached a turning point in their two-decades of transformation process, “enriched” with almost five years of EU experience. Therefore, a more balanced (but certainly not final) evaluation of the enlargement from the point of view of the NMS can be carried out in the next months (or one year). It should not forget about the presence or absence of longer-term EU strategies of the individual countries that should (have already) outline(d) the criteria of successful membership. The lack of this effort cannot be explained just by “accession fatigue”. The more the crisis widens, the more urgent and imperative such a strategy will be – not only on the level of the NMS (and the EU-15), but, not less importantly, also on the level of the European integration. Here success or failure of all member countries is enshrined for the next decade(s).

Accession Effects on cohesion in the new member states

By Maurice GUYADER

It has been repeatedly underlined how complicated it is to draw a stringent line between the effects of transition and the impact of accession. This contribution will try to examine the effects of accession on cohesion in the new member states. We shall start with a description of the context, in macro-economic terms and analyse the demographic constraints. We shall proceed by examining the consequences, mentioning the national characteristics in the new member states and lessons we should draw from this exercise.

The macro-economic context lays emphasis on the diminishing gap between certain regions with a high GDP per capita and other regions with a lower rate on the EU scale. The global rate of growth was higher in the new member states than in the older ones. This applies for the per capita rate of growth as well, at least until the recent financial turmoil. Foreign direct investment increased very strongly in GDP percentage in all of the new member states, even if the threshold from the old member states was not attained.

Some local firms suffered from a spill over effect, when foreign direct investment went to the new member states, but it was much more the case when there were greenfield investments than takeovers. However, national economies need greenfield investments which create jobs. Industrial employment grew in certain sectors in the new member states (for instance in textile and clothing industries). However, employment in agriculture remained high in a majority of these countries (Poland, Romania). Road transport is increasing very rapidly everywhere (in particular in the Baltic States). Unemployment was also reduced at a very high rate in several new member states, mainly due to parallel job creation (Poland, Slovakia).

However, this positive macro-economic framework was handicapped by serious demographic constraints. Several Nuts II regions in the new member states are already experiencing declining populations. The number of elderly people is increasing virtually everywhere. Bulgaria's population is declining extremely quickly and Slovenia counts as one of the countries with the oldest population in the world. A few years from now we are going to witness a dramatic demographic decline in the new member states, even worse than in most of the old member states. This trend originates both with migration of young people and a decline in births following the end of Communism.

Within this context we can understand the consequences of accession on cohesion in the new member states. There are tough characteristics which could explain certain lessons that we could also envisage.

If the macro-economic context was globally better than in the older member states recently, certain social difficulties exist in any event. Strong inequalities are a characteristic of the Baltic States to a certain extent. They remain relatively lower elsewhere (for instance in the Czech Republic). Poverty also represents a high risk in these same Baltic

States. If unemployment is diminishing globally, a high level of long-term unemployment still remains. The unemployment level for young people is still rather high in Poland and Slovakia. Life expectancy for both men and women is lower than in the average Union Member State and health forecasts are not as good as in the 15 old member states.

However, general education indicators in the New member states are generally far superior to those in the old member states, for instance with regard to secondary school education. Overall, regional gaps are also smaller than in the EU-15, but these gaps are increasing in most cases, at the difference of the total EU. One major difficulty focused on the existence of vulnerable population groups, for example children, migrants and particularly Roma people, who are present in most of the new member states.

However, certain interesting lessons can be retained from this situation. If the level of poverty is not very high (there is no real total exclusion in the Czech Republic), economic transformation has produced a rather rapid increase in this characteristic. Liberalisation has been done somehow by “fits and starts”. There is not enough flexibility in many of the new member states and there are sometimes big discrepancies in the social security protection system. The situation is rather different in the Czech Republic from that in the Baltic States.

In fact, it is the social model development which is important to observe. Again, the Czech Republic presents a different picture when compared with Slovakia. Wages in the Baltic States were increasing recently, but we have also seen strikes for salary increases in Dacia factories in Romania.

Regarding migration, enlargement had a positive impact. The most open western economies attracted the most educated people. There was no negative effect on their labour market or on their wages. The effect was positive for growth, due to better allocation of human capital. Brain circulation had a positive impact, even for the new member states, with better competitiveness for the EU as a whole. Following recent salary changes and a shortage of manpower, it is possible to see migration flow-backs. It would appear that many Poles are returning home from Western Europe.

The question of minorities is a very sensitive one everywhere (Latvia and Estonia). This is even more marked in the Western Balkans. Lessons must be learned from existing examples to improve the situations of Roma people as well as other minorities in the new member states. This also applies to candidate or potential candidate countries. The Social Fund action and other structural funds relative to social inclusion are very important factors in this context.

For this purpose, it is very useful to develop NGOs participation and various activities aimed at building up and strengthening civil society. Action should be undertaken to eradicate poverty. This is especially pertinent for children in families with unemployed parents. Assistance for farmers in Poland is an example of action which has been undertaken, with both good and negative consequences.

Within this framework, there are important differences between centralised and de-centralised countries, where action could be conducted more easily on the spot. Implementation of the *acquis* must be now seen in the context of the Welfare State as we know it in Western Europe.

To sum up, we can envisage a long-term convergence for the main orientations resulting from the European social model with its two aspects: its social role and its fiscal dimension and implications. Competitiveness through wages should not be seen as an objective, but instead as a provisional tool. Amongst all the new member states from Central and Eastern Europe, the Czech Republic represents a certain model which should be extended to other countries.

Effects of EU Enlargement on foreign policy attitudes

By Henriette RIEGLER

In May 2009 it will be five years that the so called Eastern enlargement was concluded incorporating 10 new member states, eight of which were post-communist and with the exception of Slovenia, formerly part of the Soviet-Union into the European Union.

This contribution aims at assessing the effects enlargement has had on the foreign policy attitudes of the new member states. At the beginning I shortly want to address the methodological issue Tamas Szemler has also raised: it is indeed difficult to tell which of the effects are due to enlargement and which have other reasons (globalization, domestic politics), which effects are membership-induced and which would have happened even if membership had not been fulfilled. Assessment is and will be a raw guess: this should, however, not hold us back from trying to evaluate.

The paper is divided in three sections: firstly, the general impact on foreign policy attitudes is analysed, in the second part the foreign policy of the new member states is illustrated by looking at currently important foreign policy issues like the European recognition of Kosovo and in a closing section future foreign policy perspectives including further enlargement of the Union are discussed.

The general impact on foreign policy

The wave of so-called Eastern enlargement invited and finally included a decade-long politically and socio-economically isolated part of Europe into the European Union. Most of these states have been part of the Eastern bloc, and are currently experiencing post-communist transformation processes. They all put a special emphasis on their national sovereignty and their new-won independence from Soviet domination. In this context, the prospects of eventual membership in the European Union had an ambivalent tone to it right from the start: whereas the historic dimension of re-integrating Europe was supported wholeheartedly, any limitation of the newly gained sovereignty was seen with suspicion (Agh 1999). This is all the more so in the case of foreign policy which formulates the national interest. In foreign policy matters to limit the national interest may take on various forms e.g. pressure to come to a European consensus on various policy issues or the drive towards the formulation and institutionalization of a Common European Foreign and Security Policy. This is greeted with a growing wave of Euro-scepticism in the whole of Europe but has a special meaning for the new member states. In their case it also activates the collective memory of domination by the Soviet Union and by authoritarian-totalitarian Communism causing a specific *Unbehagen* (Rupnik 2000).

Another dimension that has to be mentioned when it comes to the latest enlargement round(s) is the fact that many of the new members are in an earlier stage of nation building than the well-established old EU member states. The Baltic states are successor states (of the Soviet Union) as are the Czech Republic, Slovakia (of Czechoslovakia) and Slovenia

(of Former Yugoslavia). The small island states Malta and Cyprus are of a different nature compared to the average European nation state, too. From this we must not prematurely conclude, though, that this contributes to a sense of national pride and prerogative of the new members that is above the European average. It might well be the other way round, and in fact be the established nation states that cherish and safeguard their deeply rooted national institutions and interests much more. What we might conclude, though, is that transforming from a nation state to an EU member state is an especially demanding and long term process for the new members (Serfaty 2000; Glenn 2004).

In general, only recently established membership has resulted in orientating ones own foreign policy towards the European Union as a new political or even geo-political arena. There is also a renewed emphasis on bilateral grievances and problems since the Union's boundary now divides new members and candidate countries but via membership also brings into closer even communitarian contact old foes divided by the Cold War and/or the European Union. Moreover, some bilateral grievances could not be voiced before membership was finally completed as one of the conditions for gaining membership was establishing good neighbourly relations. Compliance in the enlargement process may thus lead to unexpected results post enlargement and conditionality has its limits also in the field of foreign policy attitudes (Steunenberg/Dimitrova, 2007; Engelbrekt, 2002). An illustration for this pattern of stimulation of bilateral conflict post enlargement is Slovenia's foreign policy with regard to the candidate country Croatia, but also with regard to the elder member Austria: It is much more outspoken and resolute than it has been before membership was acquired. Another example might be the nature of the strained Hungarian-Slovakian bilateral relations that had been appeased during and because of accession but comes anew to the fore now. The use of veto power when it comes to another candidate country plea for membership is an even more aggressive foreign policy behaviour and exclusively an option of acquired membership. Again Slovenia literally acts as a case in point: it tried several times to obstruct Croatia's EU aspirations and did so even during its EU Presidency. This is all the more intriguing as new EU members are generally in favour of future enlargement as this is enhancing their own position at the margins of the Union.

The case of Kosovo – National Interest, Geopolitics vs. Europeanization

If the pursuit of the national interest is still the dominating force behind the formulation of foreign policy nation states are not eager to give up their supremacy. If a choice has to be made between following the national interest and joining in a European compromise, EU members - old and new - tend to prefer the former. Geopolitics might play the crucial role and EU membership might not be an independent variable in foreign policy decisions. The new member states are more vulnerable and in search for security guarantees than the established member states due to their historical experience and their geopolitical position as they are mostly situated at the fringes of the Union.

Their preoccupation with security is illustrated by European foreign policy issues that the new members have a special interest in (see e.g. the new Eastern and North-Eastern European members' position towards Russia). Their fear of an expansionist Russia is much

higher than in the rest of the European Union and thus the newcomers try to convince the European Union of a more prudent European-wide approach. Other cases in point are the conflict in the Middle East or immigration (which Malta is most affected from). But it is the recognition of Kosovo that might serve as the paradigmatic example for the nexus between enlargement and foreign policy attitudes.

The conflict zone Serbia-Kosovo is in the vicinity of some of the new member states. Unimpressed by the fact that the EU was struggling hard to form a common position on Kosovo, individual (new) member states acted according to their national interest. National interest does not always have to take on the form of security concerns, it can also be an expression of allegiance with one of the conflicting partners or a decision based on fears about setting a precedent. The anti-recognition stance of Slovakia, Cyprus and Romania had thus various motives as probably had the pro-recognition orientation of new members like Slovenia, Hungary and Bulgaria. But is there than any change from Westphalianism to Europeanization in the foreign policy of European Union member states at all? I will argue here that the pro-independence move of most European Union member states besides national interest included a certain amount of Europeanization, too. What Europeanization is and to what extent it really takes place is an as fascinating as still under-explored topic (Featherstone/Radaelli 2003; Schimmelfennig/Sedelmeier 2005; Sedelmeier 2006; Börzel/Risse 2007). Despite this lack of clarity Europeanization is a useful concept. Europeanization might take root in the foreign policy field, too. The European recognition of Kosovo could be conceptualized as such an event and the Hungarian recognition of Kosovo seems to be proving it. Coming back to the methodological reasoning at the beginning of the paper, “testing” Europeanization might exactly be to ask in which cases states acted against or at least went beyond a pure national agenda.

Serbia openly warned all European countries to acknowledge Kosovo but for the neighbouring countries this “warning” should have had an effect of deterrence. Hungary is not only directly bordering Serbia but there is also a Hungarian minority living in the Serbian Vojvodina province that has already been targeted at earlier occasions. Hungary has neither a direct border with Kosovo nor any other national interest it could realize with recognizing it as an independent state. So the only explanation why Hungary quite quickly, only one month after Kosovo’s declaration of independence recognized Kosovo, might be exactly Europeanization. My guess is that a Hungary outside the European Union would not have acted accordingly.

Future foreign policy effects, future enlargement rounds

The European Union is often seen as something far away whose effects are being felt locally, but may not be approached or influenced easily. With new enlargement rounds this is all the more felt as the Union is steadily and in a historical perspective also quite rapidly growing, adding the national interests of the new members. This nation-state based interpretation leads to a defensive reaction in the member states both when it comes to the topic of further enlargement and an intensification of a truly European Foreign Policy. The overall advantage of enlargement as a common foreign policy – Europe becoming a more powerful political and economic actor – is thus often perceived

in a negative way. The challenge the European Union faces is to see whether this trend to re-nationalise the foreign policy arena of the European Union will be balanced with an ongoing Europeanization process. Only then the Union can become a political actor in its own right.

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V THE HORIZONTAL DIMENSION: EFFECTS OF EU ENLARGEMENT ON THE EU

Effects of enlargement on the EU's policies

By Margus RAHUOJA

Enlargement has been one of the most successful foreign policy initiatives the European Union has undertaken to export its values. The areas of freedom, prosperity, stability and also security have been expanding for almost five decades. With the recent enlargements of 2004 and 2007, that was unprecedented in size and ambition, we have welcomed many new members into the family who no doubt have affected the Union and have been deeply affected themselves.

In this regard TEPSA has taken an important initiative to take stock and contribute to a discussion on what the effects of the 5th enlargement on the Union and its partners are. I think now is the right time to begin the analysis since the Union of 27 is already starting to show its new face.

My presentation is based on my observations as policy adviser during the accession negotiations for Estonia, as a representative during Estonia's observer status and up to the start of Jose Manuel Barroso's Commission. I am not going to give you an academic analysis of the topic or cover all the areas where the European Commission is doing policy. Rather, I will try to highlight my points by giving you some concrete examples from decisions prior to enlargement and also look at how enlargement has put its mark on the Commission's policy initiatives.

I would like to start by saying that the biggest influence on the European Union's policies to address enlargement challenges happened before the 2004 enlargement itself. "Barbarians are coming so we need to prepare" was whispered in corridors of the Ministries of the Member States. "Do not be afraid of Barbarians" said the Estonian president Mr. Toomas Hendrik Ilves during one of his lectures at the Humboldt University in Berlin in 2001, pointing out that things one might not know so well do not have to be bad. However, the general line was that we need to do everything before the enlargement and then digest it and have a cooling off period up to the end of 2013.

This fear transformed into policy reforms. To give you some examples: Reform of the common agricultural policy (to phase out direct payments and instead support rural development), cohesion and regional policy (not to leave these policies solely for the "new and poor"), transport policy (*Eurovignette* and unfinished business from Austrian accession). These were well established policies that had served their purpose and would have been financially/or politically unsustainable after the enlargement.

Another far reaching policy decision taken by the EU 15 was not to extend the internal

market immediately to the enlarged Union. This was said to be necessary because the public opinion in the EU 15 was far less convinced of the necessity of the enlargement than their respective governments. Just remember the poster on the streets of Paris: 'We need protection from the Polish plumber'.

Transitional periods were decided and new members blocked for many years from three of the four basic freedoms of the internal market: the freedom of movement of workers, of services and of capital. Energy market liberalisation was even postponed until 2013.

There was also the question of institutional reform, on which it was said that the Union of 27 could not function with the rules made for six. Not much has happened since the failure of the French, Dutch and Irish referendums.

When the Commission started in November 2004, President Barroso announced the policy of "no new policies but rather cutting red tape and concentrating on implementing the pre-enlargement agreed reforms". As said, there were also many long transitional periods in the EU's "common policies" areas so it made no sense for the Commission to propose new steps that would have deepened these policies. Spending on agriculture and cohesion launched a discussion on the need for more accountability and transparency concerning spending of EU funds. Thus, if anything was re-vitalized after enlargement, it was the EU's cohesion and structural policy. One could argue that during the Barroso Commission most of the enlargement-related initiatives came from the need to adjust EU policies to the enlarged size of the Union and to new disparities after the accession of relatively poor countries.

The new Commission had to implement the new staff regulations that were meant to modernise and adjust the working conditions of the Commission staff mainly in anticipation of enlargement.

Enlargement has probably had the biggest effect on the European Union's external policies. There has been a general shift to the East of the centre of the Union's gravity in this respect. The new European Eastern Partnership has been added to the freshly established Union for the Mediterranean. Our relations with Russia have new sensitivities and modified priorities. New members have brought in a more transatlantic feeling, too. Enlargement policy has undergone a major transformation and become more conditional and cautious.

Meanwhile the world has moved on and also expects different policies from the new, bigger European Union. Consequently, influence from outside has triggered many of the Commission's new policy developments since 2004. To point out some of the factors of change: new alliances at the WTO, a more confident and assertive Russia (and China), effects of globalisation of economy, global warming, and the current financial crisis.

It could be said that many of the Commission's reforms were triggered by enlargement and decided prior to it. Many things are still on hold because of institutional uncertainty and long transitional periods in some policy areas. Therefore the Barroso Commission

has been implementing rather than developing new policy initiatives. Of course there have been new policy developments, but their main catalyst was not really enlargement of the EU but rather new global challenges.

Once all the transitional periods have ended, we need to come back and see where this new European Union will go and what kind of policies it will develop to be relevant for its members and citizens.

Effects of enlargement on the EU's institutions & decision-making - The EU Institutions after Enlargement: Not quite Business as Usual⁷⁹

By Edward BEST, Thomas CHRISTIANSEN and Pierpaolo SETTEMBRI

The 'big bang' enlargement of the European Union (EU) in 2004, with two further member states joining in 2007, had been long anticipated and there had been many concerns about the possible impact this would have on the EU, notably on its institutions. At least three intergovernmental conferences had been convened to prepare the Union for it, resulting in the Amsterdam Treaty, the Nice Treaty and the abortive Constitutional Treaty. And yet, when the new members joined there was still a sense that the institutional structure of the EU might prove to be ill equipped to deal with the much larger numbers of players and the more diverse range of interests.

A first wave of publications on the institutional impact of the 2004 enlargement began to circulate quite quickly (Dehousse et al. 2006; Hagemann and De Clerck-Sachsse 2007; Hix and Noury 2006; Kurpas and Schönlaue 2006; Sedelmeier and Young 2006). Regardless of their methodology and focus, there were two common denominators: they all came to the overall conclusion that, *prima facie*, decision-making with 25 member states could be safely described as 'business as usual'; and they all warned, prudently, that it was too soon to tell about wider and longer-term implications. The possible conclusions were indeed significant. Did the EU really need a new constitutional settlement or would its institutions be able to cope within existing rules? Would the EU be prepared to welcome new Member States or had its 'integration capacity' already reached its limits?

The view from the institutions themselves was mixed. The European Commission, for example, found a delicate balance in submitting that in the two years after enlargement the '[i]nstitutions have continued to function and to take decisions' but stressing that it would watch to check that the EU's 'institutions and decision-making processes remain effective and accountable' in the future (EC 2006). The European Parliament even established an explicit link between the notion of 'integration capacity' and the constitutional debate, arguing that, with the accession of Romania and Bulgaria in 2007, the Treaty of Nice had reached its limits and that the proper functioning of the EU in the future would be conditional on a number of further institutional reforms (EP 2006).

The research project on which the present contribution is based (E. Best, T. Christiansen & P. Settembri, 2008) had a dual mission: on the one hand, to expand earlier academic contributions with regard to a time frame which allows more solid conclusions and an approach that charts change beyond and across individual EU institutions; and on the

(79) This contribution is an edited version of the Introduction and Conclusions to E. Best, T. Christiansen & P. Settembri, 2008). This volume publishes the results of the Work Package devoted to the evolution of the EU's institutional system in the context of enlargement., which is coordinated at the European Institute of Public Administration (EIPA) in Maastricht, within the EU-CONSENT 'Network of Excellence', funded under the European Union's 6th Framework Programme for Research and Development and led by Wolfgang Wessels at the University of Cologne. We are grateful for useful comments received from Sonia Piedrafitra.

other hand, to complement rushed ex-post assessment performed by the EU institutions themselves. The analysis of the impact that EU enlargement has had on institutions and institutional mechanisms was conducted on the basis of the following set of explicit assumptions and common questions.

First, it may be impossible to identify factors affecting the evolution of EU policies which are specifically and uniquely caused by enlargement. There have been broader changes in the international political and policy environment. There have also been other endogenous changes building up over the years, more or less perceptibly, which may be caught up in – and catalyzed by – the specific elements introduced by enlargement.

Second, enlargement has not been a single event, but a process which including long periods of preparation on both sides. The incoming Member States have been obliged to adopt the ‘acquis’ and to prove that they have consolidated the necessary administrative capacities, and their representatives participated for some time as observers in the Institutions, permitting a certain degree of preparatory socialization. On the EU side, there was prolonged discussion about how to prepare for enlargement, most notably about decision-making rules and organizational practices, and considerable investment in new capacities to deal with the new demands.

Third, what is it that actually is expected to change? Change can be either intra- or inter-organisational. It can be more or less formal, ranging from changes in the (informal) patterns of behaviour and practice within and among the institutions (e.g. in the management of schedules) at one end to much more far-reaching and formal changes at the highest level (i.e. treaty changes) at the other end. Changes vary in their intensity. And a temporal distinction can be added, separating cases according to the timing of any change. In particular, changes might occur before their possible cause (e.g. intended institutional reforms that were agreed in preparation for the arrival of new member states) or afterwards (e.g. changes in the interinstitutional dynamics of the EU as a consequence of the arrival of the new member states).

Against this background, individual evaluations were carried out of the evolution in the context of enlargement of the EU’s main institutional actors (European Council, Council of Ministers, European Commission, European Parliament, European Court of Justice, European Central Bank, European Economic and Social Committee, Committee of the Regions), as well as an assessment of trends in the rules and practices governing the interaction between these EU public bodies, as well as between them and national and private actors (legislative output, implementing committees, non-legislative approaches).

The first part of this contribution summarizes the results of the individual evaluations. The second part proposes some preliminary conclusions of a more general nature which may be drawn as to the relationship between enlargement and institutional change, and the consequences for the evolution of EU governance.

The EU Institutions after Enlargement

Starting with an analysis of the European Council, Wolfgang Wessels (2008) found that enlargement has not blocked the activities of this body at the political apex of the EU institutional system. Major decisions continue to be adopted relatively smoothly and the overall quantity (and substance) of output has not changed significantly: even in a Union of 27, it continues to insert vital national issues into the EU arena, without altering its internal dynamics. In the light of the ongoing constitutional debate, the future European Council will undergo some organisational changes: as a notable example, the Lisbon Treaty will provide it with a full-time president, an innovation partly motivated by the recent enlargement. Nevertheless, if one takes on board lessons from the past, as well as initial experiences following the latest round of accessions, no major changes in the substantive role of the European Council are to be expected in a Union of 27 based on the Lisbon Treaty.

With regard to the Council of Ministers Edward Best and Pierpaolo Settembri (2008a) reached similar conclusions. The Council seems to have successfully assimilated the new members into its decision-making dynamics, and has adapted its internal working methods to the new conditions. There is no major change in the time required or the degree of political contestation. Yet beyond obvious changes such as the number of languages or the number of people round the table, or the need to deal with new substantive issues which have been specifically imported together with the newer countries, it is not easy to pin down the specific role of enlargement as an explanatory factor for these changes. There are very rarely coalitions of 'new' versus 'old' Member States and acceding countries usually join existing issue-based coalitions in which larger Member States continue to play the leading role. Nevertheless, they find that the enlarged Council has become more 'bureaucratised': ministers, for example, become more and more 'excluded' from the decision-making process, to the benefit of diplomats.

The role of the Commission has not been fundamentally altered by enlargement, according to the findings of John Peterson and Andrea Birdsall (2008). Enlargement has only reinforced the impact of other secular changes that are not exclusively or specifically linked to enlargement. They include the emergence of a younger and more flexible Commission, which has become more Presidential and can no longer rely on its traditional monopoly right to initiate formal legislation to influence EU policy debates. The most important difference might lie in the strategy pursued by the enlarged Commission to introduce less legislation to dedicate more attention to key proposals ('do less but better'). Moreover, on the basis of a round of interviews with Commission officials they submit that, in the view of most interlocutors, enlargement has brought new blood, energy, enthusiasm and youth to the Commission, whereas only the third most frequent answer suggests that the Commission has become less cosy and that enlargement has brought more diverse perspectives to it. In short, they conclude that enlargement was only one amongst multiple rationales being used to try to reinvent the Commission.

With regard to the EP, the specific impact of enlargement has been limited, as Brendan Donnelly and Milena Bigatto (2008) found. This is due to both the modest number of

Parliamentarians involved and due to their dispersal among and behaviour within the political groups. In more specific terms, other than on institutional questions, where the role of the European Parliament is any case restricted, MEPs from the newest member states of the Union have followed the example of their predecessors and voted in a manner more easily explicable by their political rather than their national affiliations. To a limited extent, the prevalence of certain political views within the Parliament has been reinforced by the influx of new members (as in the Council and the Commission) and some marginal political views have become slightly less marginal. Prospectively, enlargement has crystallised differing views about the Union's future, which are likely to bear on the development and future role of the Parliament. The process of ratification of the Lisbon Treaty and the capacity or otherwise of the Parliament to take advantage of the new possibilities given to it by the Treaty, particularly in the election of the President of the Commission, will provide important clues about the future likely evolution of the (enlarged) European Parliament.

Like the Commission, also the European Court of Justice – analysed by Caroline Naomé (2008) – took the 2004 enlargement as an opportunity to address with some determination already pre-existing problems, particularly with respect to the reduction of backlog before new cases would come from the new Member States. On all accounts, the integration of the new judges has been smooth: they immediately received cases to prepare as rapporteurs, had an equal right of decision in the general meeting, sat in the cases coming before the ECJ for a hearing and participated in deliberations when they were members of the composition in charge of the case. Some changes in the working methods did occur because of enlargement, but most of them are interlinked with changes aiming at improving the overall efficiency of the Court. The near future will bring an increase in the number of cases, with the arrival of more cases connected to the new Member States. But it will also, possibly, bring the adoption of measures extending the jurisdiction of the Court. The Court takes advantage of enlargement to prepare itself for the increasing role it is ready to play.

In his study of the European Central Bank, Kenneth Dyson (2008) argued that its *sui generis* institutional character has narrowly circumscribed the direction, scope, intensity and timing of institutional change consequent on enlargement (confining formal Treaty change to voting modalities agreed prior to EU enlargement). Its uniqueness – particularly its 'extreme' independence, missionary role and technocratic character – coupled with the context of temporal uncertainty about Euro Area enlargement have conditioned the ECB strategy towards institutional change. This strategy combines a tough, disciplined approach to Euro Area enlargement with a model of reform that internalises differentiation in voting rules and keeps more fundamental intra- and inter-institutional reforms off the EU agenda. In sum, enlargement itself has not proved to be a catalyst for transformative institutional change. Crisis will offer future opportunities for radical reforms, but its nature, timing and effects cannot be predicted. Moreover, it is unclear whether it will derive from new member states or from 'older' member states or whether it will involve contagion from an extra-EU crisis.

Looking at the European Economic and Social Committee, enlargement did not alter the functioning and role of this advisory body, according to the research conducted by

Nieves Pérez-Solórzano Borragán and Stijn Smismans (2008). Formally, hardly any legal provisions have been changed to adapt it to enlargement, except for increasing the number of its members. Neither did enlargement substantially change its representative nature nor its internal dynamics of decision-making. The increase in members and working languages has put additional pressure to solve well-known weaknesses such as the loosely structured debate in the plenary, the timely delivery of documents or the development of expertise. Decision-making is still very consensual at least in its outcome. However, enlargement has been influencing policy priorities within the EESC since quite some time. While the EESC has limited control over its own agenda, enlargement has contributed to the EESC being pro-active in some specific policy fields.

As for the Committee of the Regions, Simona Piattoni (2008) concluded that it has experienced some changes because of enlargement, but not of such magnitude as to fundamentally alter its functioning or to derail it from its institutionalization course. In addition to the changes that took place directly at the institutional level, as a consequence of the increase in members and representatives, other changes took place because the environment in which these institutions work changed and prompted adaptation in the inter-institutional dynamic. Enlargement, together with other developments, caused in other institutions - particularly the Commission - the need to seek allies among actors who may be considered legitimate channels of communication with the European citizenship. The CoR has seized this opportunity and offered its assistance by making cross-border cooperation and dialogue with the enlargement countries into one of its primary commitments. Its current stature is both the result of the direct impact of enlargement as well as the reflection of its new role within a Union in which inter-institutional relations have changed, also because of enlargement.

In evaluating the EU's production of legislation before and after enlargement, Edward Best and Pierpaolo Settembri (2008b) found that the Union has proven to be a flexible system, showing an extraordinary capacity of adapting to a new environment with increased membership and, arguably, increased political diversity. After enlargement, the system delivers a comparable amount of acts; on average, it does so faster and without greater political contestation. A closer look at what the EU produces and the way it operates, however, shows that EU25 is somewhat different from EU15. For example, legislation is shaped by an increased variety of interests and its content is fundamentally altered: diversity is accommodated through significantly longer acts. In addition, the decision-making process enjoys less political input from the key institutions. The main driver behind these changes is the codecision procedure: all the trends detected in EU25 are magnified when Council and Parliament are required to act together.

Another arena to be investigated were the relations between the European and the national levels of administration in the context of implementation of EU legislation – the system of implementing committees that has come to be called 'comitology'. Here, Manuela Alfé, Thomas Christiansen and Sonia Piedrafitra (2008) reported that the arrival of the new member states has made little difference to the way in which decisions are taken or the ability to achieve outcomes. Generally speaking, enlargement has not affected the quality and quantity of implementing measures produced by the commit-

tees. The increased formalisation of procedures, the limitations imposed on debates, the minimisation of the time before putting a measure to vote and the stronger discipline in meetings contributed to guarantee the level of delivery also after enlargement. Through selected interviews, they find that the increased number of actors, the changing influence capacity of the member states and the tendency to short-term coalitions have strengthened the role of the Commission. In general, the larger countries have lost some of their traditional power to broker agreements whereas enlargement has made easier, for small countries, to build up a coalition and influence the process. In this scenario, the reinforcement of the Commission's coordination role and determination to achieve its goals has been amply justified in order to provide the process with some sense of direction and common purpose and ensure its effectiveness. The comitology system is likely to experience further changes in the near future as the Lisbon Treaty contains significant provisions concerning the delegation of powers to the Commission.

Finally, analysing forms of policy-coordination and alternative methods of regulation that involve both public and private actors, Edward Best (2008), suggested that the adoption of such non-legislative approaches in the 1990s was not caused by enlargement but rather that such new approaches were emerging as a result of the evolving policy context and the nature of the substantive issues. Nevertheless, the increase in underlying diversity within the Union as a result of enlargement is reported as a relevant factor in this overall process of change, and enlargement did bring about some changes in the balance of forces within the Union regarding the design of specific forms of cooperation. At the same time, it is inappropriate to talk of a specific impact of enlargement on the development and perspectives of OMC. The new Member States were introduced gradually into the process in advance of accession, while OMC is in part conceived precisely as a means to manage diversity with flexibility. Enlargement has not been a factor in the proliferation of new forms of public-private interaction. It could, however, have an impact on the further evolution of such methods as a result of its impact on the credibility of legislative alternatives, the effectiveness of private commitments or the provision of necessary framework conditions.

General Conclusions

As noted above, several early studies indicated that the impact of enlargement on the institutions of the EU was more limited than initial expectations had suggested. In the light of the detailed, empirical studies of the key institutions of the European Union we can talk with greater confidence about the remarkable continuity the institutional architecture of the EU has been demonstrating. The – sometimes apocalyptic – pronouncements of a 'break-down', 'blocage' or 'collapse' of the enlarged EU have clearly turned out to be wide off the mark. Instead, the overwhelming evidence points to a conclusion of a Union doing 'business as usual', albeit with some variation across different institutions.

Some caution is obviously called for. There could be a delayed impact of enlargement. It is still early days for the enlarged EU, and pressure for change may build for quite some time before becoming visible. In some cases, early signs are already visible for such future pressures – the language issue in the comitology system being one such example – but

on the whole even the sensitivity to future developments does not change the verdict about the way in which EU enlargement has not fundamentally altered the functioning of the EU's institutions.

We must therefore conclude that enlargement is best characterised as a combination of assimilation (of the new member states into the EU system) and adaptation (of the EU system for its operation with/for 27 member states). While there is no evidence of any fundamental transformation of the EU's institutions, the EU has adapted many of its working practices, internal rules of procedure and informal arrangements to the presence of new members and a greater number of actors.

There have been certain changes, but the overall trend has been towards continuity, both with respect to the Union's architecture and with regard to the functioning of individual institutions. Given the considerable shock the system received through the momentous growth to, first, 25 and, now, 27 members, the resilience of the institutional structure is noteworthy. After all, not only has membership nearly doubled over the past few years, but also diversity has increased exponentially – diversity of different political and administrative cultures, of economic and social systems, of languages and world-views, and thus the diversity of the preferences that are being communicated to the European level and need to be integrated in the decision-making processes of the Union.

In the light of this challenge, the ability of the system not only to cope, but to continue to function in a largely unchanged manner, is remarkable. But perhaps it should not come as a surprise – the very purpose of *institutionalising* cooperation among states in the way practiced by the EU is to create a decision-making system that is flexible enough to respond to change, while being stable enough to persist in face of 'external shocks'. By this standard, not only is it evident that enlargement is one of the most successful experiences of the EU, but indeed so is the institutional adaptation that has occurred alongside it.

Looking at the long and at times torturous path of accession negotiations between the EU and its new members, one might therefore be tempted to conclude that "All's well that ends well". The long period of preparation – both in the institutions and in the new member states – seems to have contributed to an outcome which meant that, once the date of accession was reached, the system would continue to work. 'Breakdown' has been avoided, the activities of the institutions of the EU continue pretty much as before, and the result is 'business as usual' in the enlarged EU.

Such a conclusion would, however, be both simplistic and premature. Four important dynamics have been observed across the studies that require a more detailed treatment at this point: first, the way in which the interaction between formal and informal arrangements has been affected by enlargement; second, the impact that enlargement has had on the relative weight of decisions taken in the political and administrative spheres of the EU's institutions; third, a growing trend of 'presidentialisation' which sees those chairing meetings and heading institutions assuming greater power; and, fourth, a pattern of enlargement turning out to be the catalyst in the search for greater efficiency.

An important distinction has to be made in the analysis of institutional politics of the

Union between their formal and informal aspects. What has happened in the context of EU institutions preparing their operation for the arrival of further member states has been the ‘tightening’ of internal procedures, involving revisions to rules of procedure. Existing formal arrangements have been made more explicit and specific, and in some cases unwritten rules have become codified. For example, in the Council, the procedures for discussions in the ministerial meetings have become more specific as to who can speak for how long, and there also a detailed interpretation and translation regime has been developed. Similar processes of increasing formalisation have also been reported from the other institutions, though it is not clear whether enlargement has been the only or even the main driver in such internal reforms.

Alongside the greater formalisation of procedures, however, a secular trend towards an increased use of informal practices can be observed. Indeed, informality is probably the only way in which the more formal processes of internal and inter-institutional decision-making processes can be made to work. If, for example, participation in Council debates is to rely on one member state speaking for a group of like-minded countries, then clearly this will need to lead to more intense consultations (and pre-agreements) in advance of the formal meeting.

Indeed, across the board of the institutional politics of the EU we see how the relative weight of formal meetings gives way to informal arrangements, as the constraints of time, space and language increasing limit opportunities for deliberation and decision-taking in such fora. ‘Pre-cooking’ of decisions had always been a feature of EU decision-making, but in the enlarged EU it is becoming more common-place. This is the case not only inside institutions like Council or European Parliament, but also with regard to the legislative procedure, where there is now a much higher incidence of agreement being reached at first reading. Here the informal tripartite meetings between representatives of the legislative institutions become even more important than they have already been in the past. In the case of the CoR, Simona Piattoni has charted the way in which the powerful players in the institution – the regions with legislative powers – have positioned themselves as an independent actor (‘REGLEG’) *outside* the formal institutional framework of CoR.

If key decisions are increasingly prepared outside the formal arenas, because these have become too crowded and too formalistic to allow for genuine debate and deliberation, then this has wider repercussions for European governance. There clearly is an issue about transparency that needs to be discussed: while we know ever more, and in all the official languages, about the formal proceedings, relatively less is known about the deliberations, consultations and pre-decisions which take place in the *coulours*. In other words, the *official* approach to transparency in the EU is progressively being hollowed out as the actual loci of power become less accessible. Clearly we have here a normative challenge for European governance in the years to come: while it might have been possible to preserve the efficiency of the system to take decisions, the legitimacy of such decision-making might be called into question.

Closely related to the issue of greater formalisation and rising informality in the EU’s in-

stitutional politics is the challenge for *political* decision-making and the greater prominence of *administrative* decision-making. As EU decision-making moves out formal, political arenas – whether it is the ministerial level in the Council, the College of Commissioners in the European Commission or the plenary in the European Parliament – the administrative domain becomes more influential. This means, for example, that in the Council structure Coreper as well as other committees, working groups and Secretariat officials are even more important than they already were in the past. In the European Commission, there is an increasing trend to delegate detailed decision-making to the administrative levels, and in the EP the aspiration to maintain the efficiency of internal procedures after enlargement has enhanced the responsibilities of the Secretariat staff.

Comitology - like ECJ and ECB - is also seen as the realm of technocracy, and here an increasing distance to political levels of decision-making discernible. With more and more decisions prepared in advance, deliberation in meetings becomes less important, or simply occurs less, which also means that fewer delegations arrive with specific mandates from their domestic hierarchies. The overall result here is a strengthening of the position of the Commission, and of the voices of the larger member states that the Commission is more systematically consulting in advance.

There is a pattern here that has been observed, also but not only in the area of comitology, of the system continuing to function well in part because the new members in committees (or representatives in Council working groups, or Ministers, or Commissioners in the College, or judges in the ECJ, or delegates in CoR and EESC) tend, on the whole, not to 'rock the boat'. The overall impression is that, rather than the character of meetings at the EU level changing, the pressures of socialisation are fairly strong, and new members are generally compliant with the established practices and 'rules of the game'. Indeed, as many of the new member state representatives first entered the institutions as observers, there may have been a socialisation effect of simply sitting quietly in the back, rather than actively participating in deliberations and decision-making.

Overall we therefore observe the gradual shift of EU decision-making taking place in the more administrative or diplomatic realm, away from the formal sites of political contestation. Increasingly, when elected politicians debate about and decide on matters in the institutions of the EU, this has a more symbolic character, whereas real power is exercised by bureaucrats, technocrats, diplomats, judges and central bankers meeting behind closed doors. And just as the drift towards informal governance has implications for normative values such as openness and transparency, the increasing de-politicisation of EU decision-making raises questions about accountability. It simply becomes more and more difficult to identify those involved in taken (or preparing) decisions, and thus to hold them to account. It may not be *impossible* to trace who has done what in the process of EU decision-making, but that in turn means that those with better informational and other resources – lobbyists – have the upper hand when it comes to trying to influence decision-making.

At the same time, there is a parallel process of what could be called increasing 'presidentialisation' of the system: in many institutional contexts, we see a stronger role now

being assumed by those who chair meetings and/or lead the debates: in the European Commission, the relative power of the Commission President vis-à-vis the Commissioners, and of the cabinets vis-à-vis the services, has increased, while in the Council, the Presidency and the Secretariat General are becoming more influential. We already noted above the stronger role of the Commission, as agenda-setter and chair, in the area of comitology. Such developments are a reflection of the greater numbers of participants in meetings, and the perceived need to strengthen the power of the chair in each of these contexts. It ties in with the above-mentioned dynamics of greater informality and technocratisation of EU decision-making, as such 'presidentialisation' allows those in the chair to seek solutions and prepare decisions in advance of formal meetings.

To be sure, EU enlargement neither caused these developments, nor is it alone responsible for maintaining them. But while these are long-term trends of European governance, it is evident from the contributions to the present volume that the impact of enlargement has been to interact with these dynamics, reinforcing trends that pre-existed before hand. The same can also be said with respect to the fourth pattern that we have observed – the way in which enlargement has neither caused nor impeded the search for greater efficiency in the running of the EU's institutions, but has in some ways acted as a catalyst or accelerator of internal reforms. The launch of major internal reforms that have been undertaken by the Commission and by the Council pre-date enlargement, but the prospect enlargement has become intertwined with these. The same is true for comitology, while in the case of the ECJ it was only after enlargement that – in any case needed – internal reforms were undertaken once these added had arrived. Enlargement, in such cases, is probably best seen as the 'last straw that breaks the camel's back': inefficiencies in the running of the institutions, and in their relations with one another, might have been bearable until then, but were not acceptable any more afterwards.

In the same vein, we can see how the arrival of the new member states, rather than being the cause of change, has served as the *justification* for change – it was the convincing argument, when previous arguments had failed, in the attempt to address some of the problems that have persisted in the institutional structure of the EU. In that sense, it would be appropriate to credit the process of EU enlargement with the positive effect of forcing through efficiency reforms that were long overdue but that would not have been undertaken for years to come.

At this point we can summarise the key findings that cut across practically all of the studies carried out: first, that the direct impact of enlargement on the institutions of the EU has been limited, and that no transformative changes have been identified; second, that enlargement has interacted with existing trends already present in the EU, in particular with the gradual drift of important decisions being taken not in the formal arenas, but through informal channels in the administrative and diplomatic domains; and, third, that enlargement increased the pressures for reforms aimed at increasing the efficiency of the EU institutions, acting as a catalyst for quicker change.

Based on these observations, we can also re-assess the normative dimension of enlargement. What is surprising in this regard is that the greatest normative concern that had

been debated prior to enlargement – the negative impact that this process might have on the efficient functioning of the institutions of the EU and its decision-making procedures – has, by and large, not materialised. Instead, it is in fact possible to argue that the efficiency of the system has in some ways even increased.

There are, of course, numerous instances in which the taking of specific decisions has become more difficult, but the capacity of the Union to function and take decisions remains unchanged, both with regard to legislation, implementation or adjudication. However, the normative evaluation would be incomplete if it were reduced to just looking at institutional efficiency and decision-making capacity. We have also observed that decision-making increasingly takes place through informal channels and is more and more dominated by administrative elites, at the expense of the formal arenas of political deliberation and public scrutiny. The accountability of EU decision-making is becoming more fragile, and this can be in part related to the impact that enlargement has had on the functioning of the institutions of the Union.

The saga of the Constitutional Treaty, first adopted with great political fanfare, only to be rejected in popular votes, and then being resuscitated in only moderately changed form through one of the most secretive IGCs of recent times, perfectly matches this trend we have observed here. While this treaty reform may be justified in terms of maintaining and enhancing the efficiency of the enlarged Union, it is also a prime example of key decisions being taken outside the accountable fora of the EU, with the bulk of the detailed provisions of the Lisbon Treaty negotiated by lawyers, diplomats and administrators.

What appears to be under threat, then, in the institutional life of the enlarged European Union is not so much the efficiency of the system as the ability of citizens in the member states, and in particular in the new member states, to hold decision-makers to account. In this respect, the enlarged European Parliament has not become more ‘efficient’ as the guardian of accountability, even though its powers have increased with the reform of comitology and are expanding further when the provisions of the Lisbon Treaty come into force. The EP’s larger numbers do not make the formation of majorities easier, and enlargement has also contributed to a trend of increasing internal differentiation among the political views in the Parliament.

Thus the normative balance-sheet of the institutional impact of EU enlargement is mixed. The EU has managed to protect the administrative efficiency of the system rather well, but democratic accountability is further challenged by the greater resort to informal arrangements in order to make the Union work post-enlargement. Given that it is still early days for the enlarged Union, much will hinge on future developments before a definite verdict is possible in this regard. Several studies have indicated that while institutional adaptation to enlargement has been relatively smooth, there are signs that problems may only come to the fore in the future. The difficulty of squaring the increase in the number of official languages with the need for more accountability is one such issue. For the time being, the language issue has been ‘managed’, but it is likely to come up again to disturb the peace.

the EU is that enlargement is not the single cause of any change, whether positive or negative, but that it must be seen in the context of existing developments. It is the intertwining between these secular trends and the additional and new demands coming from a greater and more diverse membership of the Union that constitutes the impact of enlargement.

Enlargement has not fundamentally altered the functioning and performance of the EU institutions. It has, however, interacted with existing developments and reinforced some of the problems that had already been present in the institutional politics of the EU. What this shows is that 'widening' and 'deepening' are not opposites, but indeed go together: 'widening' (enlargement) has not prevented a deepening of the integration process (be it through legislation or treaty reform), but it has also deepened the normative concerns about accountability and democratic legitimacy that are increasingly associated with European integration.

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VI CONCLUSION

By Graham AVERY

The contributions to TEPSA's conference on the effects of EU enlargement published in this volume are wide-ranging and diverse, and it is not easy to summarise them or to draw definitive conclusions. The authors of many of the contributions characterise them as 'first results' and in discussion at the conference there was frequent mention of the methodological problem of distinguishing the effects of EU enlargement from many other factors, global and domestic. The need for further research was also highlighted. Nevertheless I try in this concluding contribution to bring together some of the main ideas and arguments concerning the consequences of the EU's enlargement from 15 to 27 members.

First I address the question of the effects of accession on the new member states, which is the focus of the contributions by the first group of authors coming from 8 of the 12 new members. Are the results positive or negative? Do they confirm the forecasts and expectations made before accession? Then I turn to the effects on the EU, and address the question of the impact of enlargement on its policies and its functioning. In view of the many concerns expressed in advance, one of the key questions for analysis is whether the addition of 12 new members has been prejudicial to the process of European integration. Has the 'widening' stopped the 'deepening'?

As Anne Faber argues in her introduction, enlargement is a phenomenon which justifies a more systematic and comparative analysis than it has hitherto received, and her review of the theoretical approaches to the description and explanation of its effects is a valuable contribution.

Effects on the new member states

For the new member states the analysis of the consequences of joining the EU cannot be limited to the period since the date of their accession: some of the adjustments associated with EU membership began already when they applied for membership, or even before. Participants in the conference agreed that from this point of view enlargement should be considered as a process rather than a single event.

Concerning the economic dimension, the different contributions present a largely positive picture for the new member states, and Andras Inotai in his excellent synthesis of the various factors shows how the high rates of economic growth which continued after accession, and the development of trade between the new member states, were among the success stories of enlargement. A new challenge for the EU since 2008 is the handling of the economic and financial crisis which is likely to cause severe problems particularly for some of the new member states; we do not yet know how far the enlarged Union is capable of overcoming these problems in a cooperative way.

In the social field, an important phenomenon was the movement of workers from the new member states to those old member states which allowed them to exercise this basic right immediately on accession; and this movement took place with greater numbers than was generally forecast. In her contribution Maria Karasinska-Fendler illustrates how this movement had negative as well as positive effects for Poland.

Several authors show how the new member states adjusted to EU membership in the field of foreign policy. Tamas Szemler considers that the decision of Hungary to recognise the independence of Kosovo was made easier by its membership of the EU, while Roderick Pace argues that "Malta's international standing has been enhanced" by EU membership. However, Henriette Riegler points out that in the field of foreign policy "if a choice has to be made between following the national interest and joining in a European compromise, EU members – old and new- tend to prefer the former; the recognition of Kosovo serves as a paradigmatic example".

The successful pursuit of reforms by the applicant countries in the pre-accession period, when EU membership was their main strategic objective, seems to have been followed in some cases by an absence of post-accession strategies. Sabine Kajnc refers to 'accession-effort fatigue' in Slovenia, observing that "with the accession criteria fulfilled, the motivation to adjust and adapt, not surprisingly, faded".

In the field of politics, Vit Benes makes an interesting analysis of the development of Euroscepticism, arguing that in the Czech Republic "even the Eurosceptic government is committed to a competitive and strong Europe".

The case of Cyprus is particular, for despite the hope that the prospect of accession would help to reconcile the Greek and Turkish communities, the enlargement of 2004 brought a divided island into the EU. The Greek Cypriot point of view on EU affairs, as Costas Melakopides and Costas Sazmatzoglou show in their contribution, is still largely dominated by the fact that the state is 'semi-occupied'; unless this specific heritage of the past can be overcome, there is no good perspective for the future.

What lessons can be drawn from these analyses of the last rounds of enlargement for the conduct of enlargement policy in future? A message that emerges clearly is that in the case of the two countries which acceded in 2007 insufficient improvements had been made in the field of governance in conformity with the criteria for EU membership. Krassimir Nikolov comments that "Bulgaria's accession started with an unfinished reform agenda. The most important field where domestic transformation remained incomplete is justice and home affairs". Daniela Filipescu writes that "sectors where the Romanian authorities have failed, and have had to face the blame of both the Romanian public and the European Commission, are the rule of law and the control of corruption". These observations justify the more rigorous approach which the EU is now following in these areas with prospective members aiming at strict compliance with the Copenhagen criteria.

Effects on the European Union

I turn now to the impact of enlargement on the EU's policies and its functioning, and

here I emphasise the importance of both ‘policies’ and ‘functioning’. The debate on ‘widening’ versus ‘deepening’ is often conducted in the context of the EU’s institutional and constitutional development, which is the kind of deepening on which many analysts of European integration tend to focus. But there is another kind of deepening which surely needs to be taken more into account: the deepening of European policies in the sense of extending the policies and making them more effective. This is not an academic question, since the general public, unlike the political class, is generally more interested in the results of policies than in the functioning of the political system. Many voters do not understand the workings of their national government, or the details of their national constitution, and even less the workings of Brussels and Strasbourg. What concerns them is whether the policies pursued at national and European levels succeed in delivering the goods which they expect: prosperity, employment, stability, security, and so on.

In my analysis, successive waves of enlargement have led to a deepening of European policies in one way or another. The first enlargement in 1973, which brought in the British, the Danes and the Irish, led not only to the creation of a European Regional Fund but to an improvement of the common agricultural policy through the introduction of direct subsidies to farmers in ‘mountain and less-favoured areas’ which was the precursor of the development of a more socially just and environment-friendly agricultural policy. The arrival of Greece in 1981 and of Spain and Portugal in 1986 led to the demand for a more serious and substantial ‘cohesion’ policy as a condition of realising the Single Market. Before the enlargement of 1995 which brought in Austria, Sweden and Finland there were fears that as neutral or ex-neutral countries they would halt the development of the new common foreign and security policy, but in fact they have been more enthusiastic for it than some of the older member states such as France and the United Kingdom.

EU policies

So what has been the experience with the enlargement of 2004 and 2007? Has the last enlargement of the EU led to a strengthening or weakening of its policies? Has expansion stopped or advanced their development?

These questions pose a methodological problem. It is not possible to apply to them the kind of quantitative approach that contributors to this volume have employed for the analysis of institutional developments or economic performance; it is extremely difficult to distinguish the ‘enlargement factor’ or even the ‘EU factor’ from all the other factors which contribute to the development of public policies. Indeed, the EU continues to suffer from an ‘evaluation-deficit’ due to the difficulty of measuring the extent to which its policies may be considered as effective or successful. Nevertheless, despite these qualifications, I think that it is possible to state some preliminary conclusions.

There is no evidence that the main policies of the EU have been significantly weakened or blocked by its enlargement from 15 to 27. It is true that in the field of environment policy, where the standards of many of the new members were at low levels before accession (and in consequence they obtained long transitional periods to complete their adjustment to EU rules) there has been a reluctance since 2004 to introduce Directives

prescribing higher standards. On the other hand there has been a continued 'deepening' of the EU's environment policy in the international context, with unanimity among policymakers that the challenges of climate change can only be handled through action at the European and supranational level.

Another example is agricultural policy. Before the enlargement there were fears that the new member states, with important agricultural sectors in terms of national employment and economic output, and the risk of their farmers becoming 'hooked' on EU subsidies, would block progress in improving the policy. But despite some resistance from Ministers of Agriculture (from the old as much as the new member states) there has been modest progress since 2004 in the development of the policy.

The expansion from 15 to 17 members has also led to – or at least been accompanied by – a new emphasis on what may be described as 'free movement of Europeans', that is the field covered by free movement of persons, security, freedom and justice, and the interchange of students through Erasmus and other European schemes, of which several contributors mentioned the importance.

However, it is not yet possible to identify an area of policy where the enlargement from 15 to 27 is leading to substantial new 'deepening'. In the field of external policy the arrival of new members has led to a strengthening of the EU's relations with its neighbours; in fact, enlargement was the direct cause of the creation of the European Neighbourhood Policy. The new members have also pressed for more coherence and common positions in the EU's dealings with Russia. In foreign policy, as Margus Rahuoja observes "there has been a general shift of the Union's centre of gravity to the East." Perhaps, if and when the Lisbon Treaty is ratified, and its new architecture for handling EU foreign policy comes into force, this may be the area where a 'leap forward' will take place, so that the quantitative extension of the EU resulting from its enlargement is matched by a qualitative improvement in its capacity to project its influence on the international stage.

One phenomenon that has been markedly absent from recent analyses of the consequences of enlargement is 'variable geometry' or 'inner and outer circles'. In the 1990s numerous academic commentators forecast that the result of enlargement – or the solution to the problems posed by it – would be an increase in the number of areas of policy where not all members would participate. In fact this has not been the case: since 2004 the euro zone and the Schengen zone have progressively been extended, and all new members (unlike certain old members) aspire to joining them.

EU decision-making

Concerning deepening in the sense of functioning of the EU's decision-making system, the contribution of Edward Best, Thomas Christiansen and Pierpaolo Settembri is of capital interest. They conclude that "the EU's institutional architecture has been demonstrating remarkable continuity. The – sometimes apocalyptic – pronouncements of a breakdown or collapse of the enlarged EU have clearly turned out to be wide of the mark. [...] It is possible to argue that the efficiency of the system has in some ways even increased".

They warn however that this has been achieved sometimes by an increase in 'informal' modes of decision-making which reduce the transparency and legitimacy of the EU's functioning.

My general conclusion from the contributions published in this volume is that the EU's enlargements of 2004 and 2007 have proved that widening and deepening are not opposites, but can be mutually supportive.

In the past, those who wished to pursue institutional and constitutional reform have often linked it to upcoming enlargement, trying to 'instrumentalise' widening in order to drive deepening. It was perhaps a good motive, but based on a false premise that enlargement necessarily weakens the functioning of the EU. One of the arguments deployed in support of the Constitutional Treaty and its successor the Lisbon Treaty - that they are essential because of enlargement - is now seen to be incorrect. Moreover the ratification of the Treaties was stopped not by new members, but by the people of France, the Netherlands and Ireland.

The lesson must surely be that the future development of the EU should not be based on the idea that widening is antithetical to deepening, but rather on the fact that the two processes go hand-in-hand.

