



TOWARDS AN EASTERN
ENLARGEMENT OF
THE EUROPEAN
UNION

Finn Laursen

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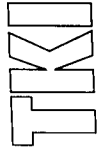


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Towards an Eastern Enlargement of the European Union

**Finn Laursen
The Thorkil Kristensen Institute
South Jutland University Centre**

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Introduction

The process of European integration can be said to have three dimensions which have changed over time, viz. functional scope, geographical domain and institutional capacity. In respect to scope the European Coal and Steel Community (1952) dealt, as the name suggests, with the coal and steel sectors. The European Economic Community (1958) expanded the scope of integration to include a number of economic policy areas, first of all commercial policy, agriculture, competition and transport policies. Later other policy areas were added including some which were not foreseen at the beginning, such as environmental policy. The Single European Act (1987) constituted a new effort to make sure that the internal market was completed by 1 January 1993 and the Maastricht Treaty (1993) have further expanded the scope to include education, culture, public health, industry and some other policy areas.

Geographical domain, i.e. the number of countries involved, has also grown over time. It started with six countries, France, the Federal Republic of Germany, Italy, Belgium, the Netherlands and Luxembourg in the early 1950s. Since then there have been four successive enlargements. In 1973 three countries joined: the United Kingdom, Denmark and Ireland. Greece joined in 1981 and Spain and Portugal in 1986. The latest enlargement brought three countries, namely Austria, Finland and Sweden, into what had now become the European Union (EU). Currently the EU has 15 members.

The third dimension, institutional capacity, is more difficult to measure. But the European Communities (EC) created the so-called "Community method" in order to be able to "upgrade the common interest" and avoid decisions based on the "lowest common denominator". Within the EC, which still exist as the first pillar of the EU, the European Commission is an independent body, which represents the Community interest. It has the exclusive right of initiative and can

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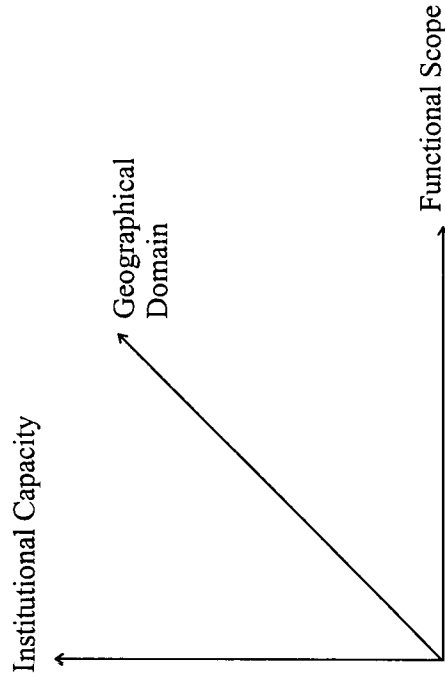
DK-6700 Esbjerg

Tel. +45 7914 1111

Fax +45 7914 1199

actively help build the coalitions it takes to get decisions through the system.

Figure 1: Dimensions of Integration



Source: Compiled by the author

In the Council of Ministers a number of decisions can be made by a qualified majority vote (QMV). Individual member states therefore do not have a right of veto. The third element of the Community method is Community law, which is real binding law. It has primacy over national law and direct effect. The European Court of Justice (ECJ) makes binding judgements. The Community method is quite different from the way decisions are made and implemented in classical intergovernmental organisations. The EC has some supranational powers or a certain autonomy of its own.

If we look at the EU created by the Maastricht Treaty in 1992 then the Community method is applied in the first pillar, where we have the European Communities, namely the ECSC, the European Atomic

Energy Community (EAEC) and the EEC. In the Maastricht Treaty, the latter was renamed the *European Community*. The two other pillars remain largely intergovernmental, namely the second pillar dealing with Common Foreign and Security Policy (CFSP) and the third pillar dealing with Co-operation in Justice and Home Affairs. These other two pillars have lower institutional capacity. There is normally no majority voting, the Commission plays a lesser role and the common positions or joint actions adopted do not constitute Community law.

Historically seen, the question of institutional capacity has been controversial. Some countries are more willing to create strong common institutions than others. We have "federalist" oriented countries, such as Germany, Italy and the Benelux countries, that would like the EU to move in the direction of a federal state. Other member states, including the UK and Denmark, do not want the EU institutions to become too strong. General de Gaulle tried to limit the powers of the EEC institutions in the 1960s, and there is still some "gaulist" influence in France. It was the French who invented the pillar structure of the Maastricht Treaty, thus allowing CFSP to remain intergovernmental.

In this article we shall mainly take a look at the EU's current enlargement policy, which is of course to some extent linked with the dimensions of scope and capacity. In recent years we have seen a debate in Europe on "Deepening versus Widening" (Wallace, 1989; De la Serre, 1991; Wessels, 1996). In the past widening, i.e. enlargement, was often linked with deepening. For instance, the first enlargement agreed upon at the summit in The Hague in 1969 was linked with the creation of European Political Co-operation (EPC), the foreign policy co-operation among the member states, which started in 1970. Spanish and Portuguese membership came in parallel with the Single European Act (SEA), which was the first major reform of the EC. In order to complete the internal market qualified majority voting (QMV) was made the normal decision rule for adopting internal market legislation. Thereby

the SEA contributed to giving the process of European integration a new momentum in the mid-1980s. The last enlargement as of 1 January 1995 was made on the basis of the Maastricht Treaty, which has deepened integration in various ways, *inter alia* by outlining the phases towards the Economic and Monetary Union (EMU), by giving the European Parliament a right of co-decision in a number of areas, by adding a number of new policy chapters, even including education and culture, and by upgrading EPC to become CFSP, which also includes defence policy (Laursen and Vanhoonaeker, 1992).

The Maastricht Treaty foresees an intergovernmental conference (IGC) to review the treaty in 1996. This conference, which is currently taking place, is now seen as the conference which will make the next enlargement possible, namely with some Central and Eastern European Countries (CEECs) and possibly Cyprus and Malta (Ludlow et al., 1995). In 1990 the latter two countries applied for membership. At the moment 10 CEECs have applied for membership (see *table 1*)

Table 1: Applications for EU membership

1. Hungary, 31 March 1994	6. Estonia, 28 November 1995
2. Poland, 5 April 1994	7. Lithuania, 8 December 1995
3. Romania, 22 June 1995	8. Bulgaria, 16 December 1995
4. Slovakia, 27 June 1995	9. The Czech Republic, 22 January 1996
5. Latvia, 27 October 1995	10. Slovenia, 10 June 1996

Source: Hagn-Meincke and Hassø, 1996: 102, *Nyt fra Europa*, October 1996

Furthermore, Turkey applied for membership in 1987, but the Commission said in its opinion in 1989 that Turkey was not ready for membership (EC, 1989). The latest elections in Malta have brought a

new government to power which seems less interested in membership than the former government, and the continued division of Cyprus could still create problems for the membership of Cyprus. In this article we shall concentrate on the CEECs.

The Development of EC/EU Enlargement Policy

The Maastricht Treaty deals with enlargement in article O, which stipulates:

"Any European State may apply to become a Member of the Union. It shall address its application to the Council, which shall act unanimously after consulting the Commission and after receiving the assent of the European Parliament, which shall act by an absolute majority of its component members.

The conditions of admission and the adjustments to the Treaties on which the Union is founded which such admission entails shall be the subject of an agreement between the Member States and the applicant State. This agreement shall be submitted for ratification by all the contracting States in accordance with their respective constitutional requirements".

Clearly, this article is procedure oriented. We notice that the European Parliament must give its assent, which is a power it has had since the SEA. Given the fact that unanimity is required in the Council, each member state, as well as the European Parliament, has a veto. Apart from saying that a member state must be European the article does not state the conditions of membership. Morocco, which applied in 1987, was told that it could not join because it was not European. Although the Commission's opinion on Turkish membership was negative, the

question of eligibility was answered in the affirmative. So Turkey can hope to join eventually, once certain political and economic obstacles have been removed.

The European Council meeting in Maastricht in December 1991 also issued a short statement on enlargement, saying "that any European State whose system of Government is founded on the principle of democracy may apply to become a member of the Union". So democracy is a condition. Furthermore, it was now a question of membership of the new EU, which included the provisions on the EMU and CFSP. Negotiations on accession of the applicants from European Free Trade Association (EFTA) states "on the basis of the Treaty now agreed" could start as soon as the Community had terminated "its negotiations on Own Resources and related issues in 1992". The last point meant that an agreement on the future budget of the EU (known as the Delors II plan) had to be found. The European Council in Maastricht also invited the Commission to prepare a report on enlargement for the Lisbon summit in June 1992 (*Agence Europe*, 12 December 1991).

The Commission presented this report on "Europe and the challenge of enlargement" at the meeting of the European Council in Lisbon in June 1992. It referred to a new context, partly because of the completion of the internal market and creation of the EU, partly because of the end of the Cold War. The integration of the CEECs was now seen as "a historic opportunity". It could contribute to the "unification of the whole of Europe" (EC, 1992). The Lisbon Report set the following conditions of membership:

- democracy and the respect of fundamental human rights
- acceptance of the Community system and capacity to implement it, including a functioning and competitive market economy, and an adequate legal and administrative framework

- acceptance and capacity to implement the Common Foreign and Security Policy "as it evolves over the coming years"

The report mainly dealt with the EFTA applicants, whose membership "should not pose insuperable problems of an economic nature". However, the question of neutrality (of Austria, Sweden and Finland) was seen with "a particular concern". Cyprus and Malta did not pose insuperable problems for the Community's *acquis communautaire*, i.e. current rules and regulations, but the de facto separation of Cyprus into two entities was seen as a problem. In the case of Turkey the report referred to the Commission's opinion of 1989. Short of membership, Turkey's association with the EC should be "more actively and effectively applied".

The Edinburgh summit in December 1992 solved the financial issues by adopting the Delors II plan and decided that membership negotiations could start with Austria, Sweden and Finland early in 1993 before the full ratification of the Maastricht Treaty. Negotiations could start with Norway as soon as the Commission issued its opinion on Norwegian membership. Accession, however, could only take place after the entry into force of the Maastricht Treaty (Laursen and Vanhoonacker, 1994: 413).

At the time of the Lisbon summit none of the CEECs had applied for membership. Association agreements, known as Europe Agreements had been negotiated with Poland, Hungary and Czechoslovakia, and negotiations on similar agreements were taking place with Bulgaria and Romania. Trade and Co-operation Agreements had been signed with the three Baltic states and Albania.

The Europe Agreements acknowledged that membership was the goal of the CEECs, but the EC side did not offer such membership at the time. The subtle language used, for instance, in the Hungarian agreement, was: "HAVING IN MIND that the final objective of Hungary is to become a member of the Community and that this

association, in the view of the Parties, will help to achieve this objective..." (OJ L 347, 31 December 1993).

Concerning membership for the CEECs a break-through came at the Copenhagen meeting of the European Council, 21-22 June 1993, where the heads of state and government agreed, that "the associated countries in Central and Eastern Europe that so desire shall become members of the European Union". The economic and political conditions were listed in the following way:

"Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union" (quoted from Laursen and Vanhoonaeker, 1994: 458).

The Presidency conclusions then went on to say:

"The Union's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries".

Put differently, both the EU and the candidate countries have to be ready. Widening was linked to the EU's capacity to continue the process of integration, although different members had different perspectives on what this meant.

The Madrid summit, 15-16 December 1995, dealt with the issue of CEEC membership of the EU once more. The European Council now said that "Enlargement is both a political necessity and a historic opportunity for Europe". It reiterated that accession negotiations with Malta and Cyprus will start six months after the conclusion of the 1996 Intergovernmental Conference (IGC), as promised at the Corfu meeting of the European Council in June 1994. Concerning the CEECs the European Council confirmed in Madrid "the need to make sound preparation for enlargement on the basis of the criteria established in Copenhagen and in the context of the pre-accession strategy defined in Essen" in December 1994. The pre-accession strategy would have to be intensified. The Madrid conclusions continued:

"[The European Council] asks the Commission to expedite preparation of its opinions on the applications made so that they can be forwarded to the Council as soon as possible after the conclusion of the Intergovernmental Conference, and to embark upon preparation of a composite paper on enlargement. This procedure will ensure that the applicant countries are treated on an equal basis.(...)

Following the Conclusion of the Intergovernmental Conference and in light of its outcome and of all the opinions and reports from the Commission referred to above, the Council will, at the earliest opportunity, take the necessary decisions for launching the accession negotiations.

The European Council hopes that the preliminary stage of negotiations will coincide with the start of negotiations with Cyprus and Malta" (EU, 1995).

The debate concerning the question whether some CEECs would join sooner than others was left unanswered. For the moment the official

policy is that the applicants will be treated on an equal basis and the European Council hopes that accession negotiations can start six months after the IGC. It may be worth noting in this connection, however, that the EC/EU has never taken in more than three new members at the same time. Moreover, the transition process proceeds with different speeds in the CEECs.

Finally, the Florence summit of the EU in June 1996 stressed "the importance of the strategy for preparing for accession, which now incorporates Slovenia" and went on:

"Recalling its Madrid conclusions, it reiterates the need for the Commission's opinions and reports on enlargement as called for at Madrid to be available as soon as possible after the completion of the Intergovernmental Conference so that the initial phase of negotiations with countries of Central and Eastern Europe can coincide with the beginning of negotiations with Cyprus and Malta six months after the end of the ICG, taking its results into account" (*Agence Europe*, 23 June 1996).

At Madrid the heads of state and government "hoped", now they said that negotiations "can" start six months after the IGC. Under pressure from the CEECs the language was slowly and subtly changing. However, difficult decisions about who will be admitted and when still have to be faced.

Profile of applicants

In an internal Commission paper on enlargement prepared in 1991 (i.e. during the Maastricht Treaty negotiations), the applicants at the time as well as potential applicants, were divided into three groups, viz. the EFTA countries, the CEECs and the Mediterranean countries. At the

time EFTA countries were seen as the front runners partly for economic, partly for political reasons. The EFTA candidates were relatively small, relatively rich, trade-wise already very integrated into the EC through Free Trade Agreements (FTAs) from 1973/74, and employment in agriculture was relatively low. If we look at the CEECs some are slightly bigger, Poland with about 39 million inhabitants, and Romania with about 24 million. The GDP per capita is relatively low. In 1991 the Commission gave figures varying between 4,500 and 7,000 ECU per capita (compared with 15-25,000 in EFTA countries). The share of employment in agriculture remained high, up to about 26-27% in Poland and Romania. Among the Mediterranean applicants Turkey is a big country (about 55 mill. inhabitants), poor (a GDP per capita of about 1,309 ECU in 1989) and about 50% of the population employed in agriculture (EC, 1991). For an overview of the CEECs, see *table 2*, which singles out the Czech Republic, Hungary, Slovakia and Poland as the Visegrad 4 (because of regional co-operation started in the Hungarian town Visegrad). These countries have some times been considered the front runners among the CEECs, although lately there has been some doubts about the respect for democratic rules in Bratislava.

Figures for GDP vary quite a lot. *The Economist* gave the following 1994 GDP, at purchasing-power parity exchange rates: The Czech Republic \$7,910, Slovenia \$7,020, Slovakia \$6,660, Hungary \$6,310, Poland \$5,380, Latvia \$5,170, Estonia \$4,519, Bulgaria \$4,230, Lithuania \$3,240, and Romania \$2,920. This should be compared with an average of \$18,170 for the fifteen EU members. The figures given for the Mediterranean applicants were: Cyprus \$10,260, Malta \$7,460, and Turkey \$4,610 (*The Economist*, August 3rd, 1996). Very roughly we can say that the average GDP of the CEECs is about a third of the average GDP of current EU members.

Table 2: CEEC Income, Population and Agricultural Shares, 1991

	Population	GDP per capita	Agriculture
Czech Republic	10.4	7,570	8
Hungary	10.3	6,080	10
Slovakia	5.2	3,790	8
Poland	38.2	4,720	7
Visegrad 4	64.1	5,325	8
Slovenia	2.0	10,800	5
Estonia	1.6	8,090	15
Latvia	2.6	7,540	20
Lithuania	3.7	5,410	20
Bulgaria	9.0	4,980	13
Romania	23.0	6,900	19
EU-12	346.0	16,800	3

Source: Baldwin, 1994: 166-67

Whatever the exactness of the figures they give rough indications of the costs of enlargement of the EC/EU. While it was expected in 1991 that EFTA countries would become net contributors to the EC budget, it is clear that membership of the CEECs will have budget costs because of financial transfers from the EU's structural funds and Common Agricultural Policy (CAP). The latter includes expensive price support for producers. In the 1991 report the Commission estimated that Poland, Hungary and Czechoslovakia would be entitled to receive 6.5 billion ECU and Turkey 5.4 billion ECU through structural fund transfers. The 1991 EC budget for the poorer EC regions was 7.4 billion ECU. The Commission report in 1991 did not try to put figures on the costs in the agricultural sector, but expected great problems.

More recently an independent study by Baldwin has estimated that the costs of admitting the four Visegrad countries, Poland, the Czech

Republic, Slovakia and Hungary, would increase annual EU spending by 63.6 billion ECU on the basis of existing policies (Baldwin, 1994). The implication of this is that there will be pressures for reform of the most costly policies prior to an eastern enlargement. In particular the CAP, which was already reformed in 1992, largely because of GATT's Uruguay Round, will need further reform. Reform of the CAP may be combined with rather long transition periods.

It should be added, however, that estimates of costs do vary a lot, between 12 and 60 billion ECU by the end of the century (Kierzkowski, 1996: 39).

If we look at the political side of the profile of the applicants the EFTA countries were again in the best position in 1991. They had established democratic regimes with functioning multi-party systems. The CEECs were only just embarking on a process of political and economic reforms. Democracy is not easy to establish from one day to the next. It depends on a certain political culture that takes time to develop. In the 1991 report the Commission officials suggested that the democratic tradition was weak in Poland, Czechoslovakia and Hungary and practically "non-existent" in Romania and Bulgaria. How quickly could one expect democracy, including the rule of law and respect of human rights and ethnic minorities to take roots in these countries?

A further dimension is of course that the administrations in these countries at the time of accession will have to be able to implement Community law. Since this is already creating problems for some of the current members of the EU it is clear that preparation, including training of officials, is necessary.

Table 3 gives macro-economic figures for the CEECs. Poland and Slovenia reached a growth rate of 5% in 1994. But growth remained very low in Bulgaria and Romania. Unemployment was above 10% for all countries except the Czech Republic which had low unemployment at 3.3%. The Czech Republic was also the only CEEC with one digit inflation.

Table 3: CEEC Growth, Unemployment and Inflation, 1994

	Growth (%GDP)	Unemployment	Inflation
Bulgaria	0.2	12.7	120.0
Poland	5.0	0.2	32.7
Romania	1.0	10.6	61.9
Slovakia	4.0	14.8	11.8
Slovenia	5.0	14.3	18.3
Czech Republic	2.5	3.3	9.1
Hungary	2.8	11.5	2.8

Source: *Business Central Europe*, April 1995

Table 4: Agricultural Production, Employment and Acreage, 1993

	PRODUCTION		EMPLOYMENT		ACREAGE	
	Millions ECU	Shares in %	Thousands	Shares in %	Millions ha	
Poland	4,648	6,3	3,661	25,6	18,6	
Hungary	2,068	6,4	392	10,1	6,1	
Czech Republic	871	3,3	271	5,6	4,3	
Slovakia	512	5,8	178	8,4	2,4	
Bulgaria	1,131	10,0	694	21,2	6,2	
Romania	4,500	20,2	3,537	35,2	14,7	
Slovenia	250	4,9	90	10,7	0,9	
Estonia	266	10,4	89	8,2	1,4	
Latvia	232	10,6	229	18,4	2,5	
Lithuania	259	11,0	399	22,4	3,5	
CEECs	14,700	7,8	9,540	26,7	60,6	
EU-15	208,800	2,5	8,190	5,7	138,1	

Source: Danish Ministry of Economics, 1996

Table 4 gives more specific figures for agriculture. In 1993 agriculture employed about 26% of the labour force in the CEECs compared with 5.7% in the EU. This relatively high employment in agriculture in most CEECs is one of the reasons why the integration of the CEECs into the CAP will be costly. This will especially be the case for Poland and Romania.

Table 5 gives an overview of economic reforms in the CEECs. It is based on estimates from the European Bank of Reconstruction and Development (EBRD), the IMF and OECD. It suggests that Poland, Hungary, the Czech Republic and Estonia have gone furthest in the process of economic transition, followed by Slovakia and Slovenia.

Table 5: The Most Important Structural Reforms in the CEECs, 1989 to mid-1995

	REFORMS				LIBERALIZATION				PRIVATIZATION AND RESTRUCTURING					
	Pension/ Social	Tax System	Financial System	Trade & Competition	Prices & Wages	Restructuring of companies	Privatisation of large enterprises	Privatisation of small enterprises	Restructuring of companies	Prices & Wages	Trade & Competition	Financial System	Tax System	Pension/ Social
Poland	++	+++	++	+++	++	++	+++	+++	++	++	+++	++	+++	++
Hungary	+	+++	++	+++	++	++	+++	+++	++	++	+++	++	+++	++
Czech Rep.	+++	+++	++	+++	++	++	+++	+++	++	++	+++	++	+++	++
Slovakia	++	++	++	+++	++	++	+++	+++	++	++	+++	++	+++	++
Bulgaria	+	+	+	++	++	+	++	++	++	++	++	+	++	+
Romania	+	++	++	++	++	+	++	++	++	++	++	++	++	++
Bulgaria	++	++	++	++	++	++	++	++	++	++	++	++	++	++
Estonia	++	+++	++	+++	++	++	+++	+++	++	++	+++	++	+++	++
Latvia	++	++	++	++	++	+	++	++	++	++	++	++	++	++
Lithuania	+++	+++	++	+++	++	++	+++	+++	++	++	+++	++	+++	++
Slovenia	+++	+++	++	+++	++	++	+++	+++	++	++	+++	++	+++	++

Note: 0: none or few steps

+: ongoing/early stage

++: fast progress/approaching completion

+++ : nearly successful completion/full completion

½ indicates that the classification is probably underestimated in relation to other countries in the same group

Source: Danish Ministry of Economics, 1996

Table 6: Potential New Members and Observance of the EU's EMU Convergence Criteria

	Public debt/pct. of GDP		Long-term interest rate	Public budget/pct. of GDP		Inflation/pct. per year	
	1994	1995		1994	1996	1994	1996
Poland	70.4	63.5	27.0	-2.5	-2.8	29.0	20.0
Hungary	90.1*		26.0	-8.0	-4.0	19.0	20.0
Czech Republic	15.3	13.1	10.0	0.6	0.0	10.0	8.0
Slovakia	18.2			-4.0	-3.0	13.0	8.0
Bulgaria	83.0			-5.6	-6.0	125.0	30.0
Rumania				-4.0	-2.5	137.0	35.0
Estonia				0.9		48.0	21.0
Latvia				-1.7		36.0	11.0
Lithuania				-1.5		72.0	26.0
Slovenia				-0.2	-0.9	20.0	10.0
EU	68.1	70.0	8.6	-5.5	-3.9	3.2	3.2
Maastricht Criteria	60.0	60.0	8.9	-3.0	-3.0	2.9	3.6

Remarks: Bold figures meet the criteria. 1994 figures are estimates. Later figures are projections.

* 1993

Source: Danish Ministry of Economics, 1996

Table 6 compares the economic performance of the CEECs with the convergence criteria for the third phase of Economic and Monetary Union as laid out in the Maastricht Treaty. The table is rather incomplete, but notice that the Czech Republic meets all the criteria

except for inflation rate. Most of the other CEECs still have some way to go to meet these criteria. Meeting the criteria, however, is not a condition of membership, only the acceptance of the goal of the EMU. But the criteria give an indication of the macro-economic stabilisation achieved.

Institutional Issues on the EU Side

A central aspect of the EU's capacity to absorb the applicant countries is institutional. If the current candidates all join we will move from a Union of 15 to a Union of 27 or more states. Can such a Union function on the basis of the current institutions, originally designed for a Community of Six? Collective action considerations suggest that decision-making becomes more difficult as the number of members increases if decision-making procedures are not improved in parallel (Laursen, 1994).

The third enlargement (Spain and Portugal) took place on the basis of the SEA which had introduced more majority voting. The EFTA enlargement took place on the basis of the Maastricht Treaty which also constituted some deepening of integration. But a dispute erupted in the spring of 1994 about the necessary redefinition of a qualified majority vote (QMV) in the enlarged EU. Among the twelve EU member states at the time, 23 votes (of a total of 76) could form a blocking minority in the Council of Ministers. The UK and Spain wanted to keep the blocking minority at 23 even if the total number of votes by including Austria (4 votes), Sweden (4 votes), Finland (3 votes) and Norway (3 votes) would become 90. Eventually it was agreed at a meeting of the Ministers for Foreign Affairs in Ionnina, Greece, on 26 and 27 March 1994, to increase the blocking minority to 27, on the condition that the Council would try to reach a satisfactory solution if between 23 and 26 votes opposed a proposal. Since, in the end Norway did not join, the blocking minority among the Fifteen was set at 26 out of 87 votes (the QMV

being set at 62). Before the 1995 enlargement two big countries plus one small country could form a blocking minority. This is no longer the case. The current situation can be found in *Table 7*.

Table 7: EU Council Voting

	POPULATION (millions)	VOTES
Germany	81.2	10
France	57.6	10
Italy	58.1	10
United Kingdom	58.2	10
Spain	39.1	8
Belgium	10.1	5
Greece	10.4	5
Netherlands	15.3	5
Portugal	9.9	5
Sweden	8.8	4
Austria	8.0	4
Finland	5.1	3
Denmark	5.2	3
Ireland	3.6	3
Luxembourg	0.4	2
Total	371.0	87
Qualified majority		62 (71.26%)
Blocking minority		26 (29.88%)

Source: Commission Doc. SN 612/96 (C4)

If the same weights were to be used to the CEECs it has been estimated that a Union of 27 members will have a total of 131 votes. Projecting the

current weights, the new QMV would be 93 votes and a blocking minority vote would be 39. The 10 CEECs would have 40 votes and thus be able to constitute a blocking minority, which is not acceptable for the current members. See *Table 8*.

Table 8: Extrapolation of the Current Voting System to a Union of 27 Members

	POPULATION (millions)	VOTES
Union of 15 members	371.0	87
Poland	38.5	8
Romania	22.8	6
Czech Republic	10.3	5
Hungary	10.3	5
Bulgaria	8.5	4
Slovakia	5.3	3
Lithuania	3.7	3
Latvia	2.6	2
Slovenia	2.0	2
Estonia	1.5	2
Cyprus	0.7	2
Malta	0.4	2
Union of 27 members	477.6	131.0
Qualified majority		93 (70.99%)
Blocking minority		39 (29.77%)

Source: Commission Doc SN 612/96 (C 4)

The question of voting in the Council is on the agenda of the 1996 IGC. We can expect the bigger countries to try to get their number of votes

increased relative to the smaller countries. There are also suggestions for a double majority, where a majority of votes would also require a majority of populations for a measure to be adopted. Other institutional issues relating to the Council include the question of the Presidency, which rotates every six months. For the moment a system has been found where there is always a big country in the Troika, i.e. the current plus the former and following presidencies. The Troika plays an important role in CFSP, especially representing the EU externally.

In respect to the European Parliament (EP) the question of number of members per country will again come up. How big should the EP be allowed to become? Should the representation of bigger countries be increased relative to smaller countries? Here a mini-reform took place at the time of the Edinburgh summit in December 1992. The newly united Germany got 18 more seats, but the other big countries, Italy, the UK and France also got six more seats, and so did the Netherlands. Spain got four, Portugal, Greece and Belgium one. However, the discrepancy is still great between Luxembourg, where it takes 66,000 votes to elect a Member of the European Parliament (MEP) and Germany, where it takes 805,000 votes. The Edinburgh revision took the number of members of the EP to 567 (Laursen and Vanhoonaeker, 1994: 416). The 1995 enlargement added 22 seats to Sweden, 21 seats to Austria and 16 seats to Finland, thus increasing the total number of seats to 626. It has been suggested that a future Parliament should not be allowed to get bigger than 700 or 750 members (e. g. Trans European Policy Studies Association, 1992).

The composition of the Commission is also discussed in connection with enlargement. In the current EU the Commission has 20 members, two from Germany, France, Spain, Italy and the UK, and one from each of the remaining 10 members. Many reform proposals have suggested that the Commission is getting too big, and that a possible solution would be just one member per country. But is that fair, and will small

countries like Cyprus and Malta also each get one member? Or should we forget about nationality, and let the European Parliament appoint the Commission? Some districting, e.g. one Commissioner from the Benelux countries, one from the Nordic countries, etc., has also been mentioned as a possible solution, but such a solution would meet great difficulties in practice. A further possibility is a system with junior Commissioners.

The current IGC will have to make some difficult decisions about these and other institutional issues. Will it be possible to upgrade the institutions sufficiently to make further enlargements possible without paralysing the institutions? At the moment (end of 1996) the IGC is not really progressing on these issues. Hard bargaining still lies ahead, and there will be strong pressures on the minimalist countries, such as the United Kingdom and Denmark.

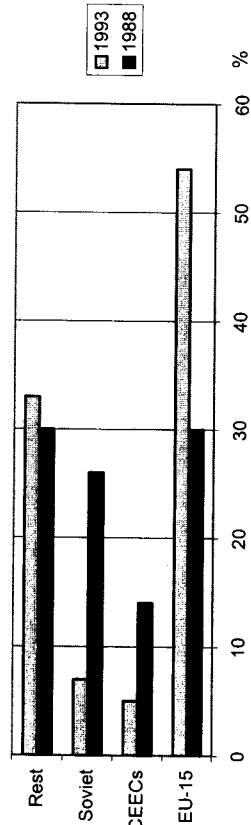
The Europe Agreements

Current relations between the EU and the CEECs are mainly based on the so-called Europe Agreements. They were first proposed by the Commission in August 1990. Negotiations with Poland, Czechoslovakia and Hungary took place during 1991 and later with the other CEECs. They include political dialogue, economic, cultural and financial co-operation and aim for free trade for industrial products as well as free movement of services and capital over a ten-year transition period. They do not include free movement of people, only some rights for legally established workers. The transition to free trade is asymmetrical, with the EU moving faster than the CEECs. Most EU customs duties should be abolished after five years. Liberalisation periods are longer for sensitive products, especially steel and textiles, where it takes 6-7 years. Because of the CAP there is no liberalisation of trade with agricultural products, only some improvements in market access (Maresceau, 1993; Laursen, 1996).

The Europe Agreements also established institutions of association, an Association Council, an Association Committee and a Parliamentary Committee. Through these institutions bilateral meetings between the EU and the respective CEEC take place.

Partly thanks to the Europe Agreements the EU has become the most important trading partner of the CEECs, increasing its share from about 30% in 1988 to about 55% in 1993. Trade with the former Soviet Union decreased drastically in the same period. There was also an important fall in intra-CEEC trade (Danish Ministry of Economics, 1996). See *figure 2*.

Figure 2: CEEC Export Divided on Groups of Countries



Source: Danish Ministry of Economics, 1996

EU imports from the CEECs increased from 16.2 billion ECU in 1991 to 41.7 billion ECU in 1995, an annual growth varying between 17 and 27 percent. EU exports to the CEECs increased from 17.7 billion ECU in 1991 to 49.3 billion ECU in 1995, an annual increase between 21 and 32 percent. During the whole period the EU's trade surplus kept increasing, reaching 7.6 billion ECU in 1995. Roughly half of this trade, however, is between Germany on the EU side and Poland and the Czech Republic on the CEEC side (EUROSTAT, 1996).

The Pre-Accession Strategy

The meeting of the European Council in Essen, December 1994, outlined a pre-accession strategy for the CEECs. It was to consist of the Europe Agreements as well as new multilateral "structured relations".

The Council of Ministers had prepared a report for the Essen meeting. It emphasised that an essential element of the pre-accession strategy would be "the phased adoption of the Union's internal market acquires". This involves a "complex process of approximation of legislation, norms and standards" (EC, 1994). Eventually a White Paper published in May 1995 would outline this process in detail.

The EU's PHARE-programme would assist the CEECs in preparing for accession. Among short-term measures we found a promise from the EU to inform any associated country before initiating anti-dumping proceedings, a promise to improve access to the EU's textiles market, and improvements in respect to rules of origin. On the CEEC side a "satisfactory implementation of competition policy and state aids control" was emphasised as being especially important. The CEECs were expected to draw up an inventory of their state aids. The Commission would provide guidance and set up a competition policy training programme (EC, 1994).

In respect to agriculture the EU promised to examine "the effects on agriculture in these countries of all subsidised exports". The Commission was asked to present a study during the second part of 1995 on the relations between the EU and the CEECs in the agricultural field.

The Council report also included rather general sections on promoting investments, and second and third pillar co-operation, including co-operation to prevent conflicts related to issues such as borders and frontiers and co-operation in combating all forms of organised crime. The convergence of environmental policies and approximation of environmental legislation were mentioned as priority

items. The CEECs would be integrated into the Trans-European Networks, including rail and road projects.

Co-operation in culture, education and training, as well as financial co-operation through PHARE and the European Investment Bank (EIB) were also mentioned.

The strategy finally encouraged intra-regional co-operation, "bon voisinage", and free trade among the CEECs.

These various more or less concrete measures, which had already to a certain extent been covered by the Europe Agreements, were linked with a so-called structured relationship, which means a "multilateral framework for strengthened dialogue and consultation", i.e. regular meetings at all levels between the EU and all the CEECs. There was to be annual meetings of heads of state and government. Semi-annual meetings of foreign ministers. Annual meetings of agricultural ministers, transport, telecommunications, research, and environment ministers, semi-annual meetings of justice and/or home affairs ministers, and annual meetings of cultural affairs and education ministers (EC, 1994).

In May 1995 the Commission then published the White Paper on "Preparation of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the Union". The first part outlined the general philosophy of the White Paper. The Annex listed the EU legislation that the CEECs would have to adopt to prepare for participation in the Internal Market. It covered 23 areas (see *table 9*).

In reality, section 11 did not deal with free movement of persons as claimed in the list of contents, but "Free Movement of Goods in inharmonious or Part-Harmonised Sectors". Final editing seems to have been a little too fast - and some issues relating to free movement of persons postponed. In relation to the CEECs this is clearly the most difficult freedom. Each section listed the regulations, directives and decisions that the CEECs were advised to adopt and implement to