

# Conference Report



## EVER-EXPANDING UNION?

RE-THINKING ENLARGEMENT STRATEGY AND THE  
EUROPEAN NEIGHBORHOOD POLICY

CONFERENCE ORGANIZED BY  
THE CENTER FOR EU ENLARGEMENT STUDIES, CEU  
AND  
FRIEDRICH EBERT STIFTUNG, BUDAPEST

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CENTRAL EUROPEAN UNIVERSITY, BUDAPEST



**January 1, 2007** brought the accession of Romania and Bulgaria, increased the number of EU member states to 27 and meant the completion of the fifth round of EU enlargement. On this occasion, the conference 'Ever-Expanding Union?' dealt with a topic that featured high on the EU agenda throughout the year 2006 and will remain to dominate discussions in 2007 as well. Participants of the conference discussed the EU's integration capacity, political and economic aspects of enlargement and neighborhood policy and analyzed the geopolitical circumstances rendered by the newest enlargement. The purpose of the conference was to examine the question of the limits of Europe, and to assess the need for re-evaluating enlargement as well as neighborhood policy.

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February 23, 2007

#### WELCOME ADDRESSES

**Kinga Göncz**, Minister of Foreign Affairs of Hungary opened the two-day conference. Ms Göncz started with an interpretation of the conference title, which, in her reading refers to the basic dilemma of the European Union, the dichotomy inherent in the founding Treaty of Rome, namely that the Union would be “ever-closer,” but at the same time open to all European states. In the 21st century, Europe not only needs to deal with its internal problems calling for reform, but also to keep up with pressures resulting from global competition. According to the Minister, enlargement and the European Neighborhood Policy are tools that can be used for keeping up with the process of globalization and to overcome the historic divisions of Europe. A strong and effective neighborhood policy will result in a new vision for the future of Europe, emphasized Göncz, and called on conference participants to contribute to reconciling the debate on the future shape of a wider yet closer Europe.

**Michael Ehrke**, director of the Budapest office of the Friedrich Ebert Stiftung, and co-organizer of the conference, drew attention to the question that EU enlargements naturally raise, whether the expansion process of the EU will result in diminishing the political integration aspect of the Union? Whether the ever-closer Union may in the future be replaced by an ever-growing but politically empty Union? His answer to the dilemma was a clear no! Ehrke explained that all previous enlargements have been more of political decisions than economic ones, with the motivation of stabilizing the region. The discussions surrounding the final external borders of Europe are not easy to solve, just as the internal borders of the integration (that is, the optimal amount of deepening) are not quite easy to define. Certain is, however, that from the EU viewpoint, Europe is not geographically defined, but rather politically and culturally. That is why, the division between enlargement- and neighborhood policy cannot be sustained in the long-run. In the future, all European countries that are today neighbors of the EU, need to be integrated, he claimed.

**Péter Balázs**, director of Center for EU Enlargement Studies and convener of the conference in his introductory remarks compared the European Union integration project to the construction of Gothic cathedrals; generations contribute to their building without ever seeing them completed. He went on to point out that as a result of EU expansion, differences in development levels have been reached that never existed before. This affects not only the redistributive policies of the EU, but also decision-making processes through coalition-building capacities. At the same time, he emphasized the number of policy areas where enlarging dimensions increase the efficiency of common action (like transport, telecommunication and energy infrastructure, environment protection projects, internal security). For the most efficiency of these, the outcomes of past and future expansions need to be analyzed, which is also the aim of this conference, he added.

#### KEYNOTE SPEECH

**Angelika Schwall-Düren**, deputy faction leader of the Social Democratic Party of Germany started her intervention by identifying the goals of the current German EU presidency. Among these, the consolidation of the widening and deepening of the European integration is primary, for which the discussions on the occasion of the 50<sup>th</sup> anniversary of the founding Treaty of Rome provide a good starting point. With regards to deepening, Germany’s aims during its presidency are, to develop a roadmap for solving the Constitutional Treaty’s fate including a common approach of member states. This can be considered a precondition for the process of consolidation.

In relation to the widening, Germany places great emphasis on a renewed *Ostpolitik* of the EU, with the objectives of advancing stability, security, wellness, in all of Europe, and reducing the dividing lines between the EU and its neighbors. The EU’s goals in the post-Soviet region go well beyond the aspects of security and economic cooperation, and also contribute to civil society building and the development of democratic structures. As far as further enlargements are concerned an open-policy needs to be pursued, she argued. Therefore, reasonable cooperation should be proposed to those countries that cannot receive a membership perspective today. The new European Neighborhood Policy Instrument (ENPI) and custom-fit Action Plans geared towards individual neighbor countries on a bilateral basis should serve this purpose well.

Schwall-Düren argued that in the mid-term, the incorporation of neighboring states into a European Economic Area is very desirable. The concept could resemble a functional cooperation in the framework of which common decision-making and institutional structures could be developed. Eventually this could go beyond the concept of an economic cooperation and serve the foundations of a political union through the inclusion of humanitarian, security and scientific policies. In the long run, this economic, social and political integration needs to be achieved through bilateral agreements.

#### PANEL ONE

##### “All European States”

Chair: Tibor Palánkai, Professor, Corvinus University, Budapest

**Antonio Missiroli**, Chief Policy Analyst of the European Policy Center, Brussels assessed the division over the geographical scope of the European integration project. One side, he explained, claims that final borders of the EU should be set, because it serves as a prerequisite for the definition of a European identity and demos, and also for conducting foreign policy along well-defined lines. The other side, however underlines that ambiguity of border lines is essential for the effectiveness of conditionality and a successful transformation of the neighbors. In Missiroli’s view, there is a distinction between Europe at large, and EU-Europe, but this distinction is becoming increasingly blurred with continuous enlargements. In reality, however, successive political decisions will define the borders of Europe, rather than a previous strategy.

He moved on to argue, that the European Neighborhood Policy suffers from an in-built inconsistency, and in fact is a misnomer. The ENP pretends to be a single policy framework, while implementing Action Plans are mere bilateral agreements. Moreover, these Action Plans have no consistency and share very few priorities. This inconsistency can only be solved by breaking up the original design of the ENP, whereby, in the long-run, the current Eastern dimension will inevitably become a part of the enlargement policy, while the Southern dimension merges into the EU foreign policy.

**Michael Emerson**, senior research fellow of the Center for European Policy Studies, Brussels, approached the topic of enlargement from the perspective of the controversial term of absorption capacity. He argued that absorption/integration capacity needs to be deconstructed in order to use it in the debate on the capacity of the EU to accommodate further candidate countries. The term can be divided into the capacities of goods and service markets; the labor market; the common budget; institutions; society; and strategic security. Further expansion of the single market would not weaken, but strengthen the Union in the context of challenges raised by globalization, he claimed. The expansion of the labor market through further enlargement could ease the problems resulting from a decrease in the working age population of the EU, however, Turkey, the biggest candidate countries will also be facing diminishing growth of its labor market in some years time, which also means that fears from massive migration flows should not be exaggerated. As far as the common budget is concerned, Emerson's calculations showed that most of the countries benefiting from structural funds today, will in about 12 years time reach the level of 75% of the EU average per capita GDP, therefore graduating out of this program and giving way to new beneficiary countries. The size of the budget, therefore, will not prove to be an insuperable obstacle. Decision-making processes, based on experiences with the EU25 do not show a gridlock either, and institutions seem to be more intelligently flexible, than supposed. The capacity of society to adjust to new enlargements does however seem to show signs of problems. In Emerson's view this is due mainly to premature discussions in the press and the lack of information for the public. The only cure for this is a better informed public opinion with a more sophisticated view.

Emerson concluded that even if today the integration (absorption) capacity of the EU is stretched to its limit, politicians should not use institutional barriers as a pretext for escaping further enlargements, they should not force the debate into a straightjacket, and thereby closing the subject of ongoing expansion of the EU.

**Christoph Zöpel**, former minister of Germany in his contribution first laid down the conceptual basis according to which the ENP should be conducted, and then provided some policy recommendations. He underlined that the ENP has to keep in mind, that small states are conflict-ridden, while big states tend to be less so. A priority of the European neighborhood- and border policy therefore, should be to avoid being surrounded by small states. Instead, these small states should be included in greater regional integrations, so that they no longer serve as playgrounds for the great powers. Zöpel, however, reminded that when the borders of Europe are set, the surrounding greater powers should be consulted. The small states can be integrated into the EU if they wish to do so, or if they are offered a desirable 'carrot.' But all states who wish to join the EU, should be offered a membership perspective.

As for tangible recommendations, Zöpel advised that a priority at the moment should be the integration of the Western-Balkan countries. The EU will be able to better address the challenges of its internal security with the Balkan countries inside the EU and under the jurisdiction of its joint structures than outside of it. Moldova also needs to be integrated, but constant cooperation with Russia in this regard should be continued. Ukraine and Belarus need to decide whether they want closer ties with Russia or with the EU, but consultations and strategic cooperation should be kept up with them. As for Turkey, there is no reason to refuse their membership, apart from the problems raised by the Kurdish minority rights, which pose a security threat so long as they are not assured. As far as Morocco is concerned, the EU either accepts its application for membership, or opts to exercise its transformative power in the years to come, that may also spread throughout the region over time. Relations with Switzerland, Iceland and Norway need to be intensified.

**Pál Dunay**, director of the Hungarian Institute of International Affairs concluded the panel by offering his remarks on some of the points raised by the presentators. Dunay underlined that setting the final borders of Europe would be a self-defeating idea, since the EU cannot officially be honest about its borders. If it would set its borders, it would deprive itself of the means of its influence, which stem from being ambivalent on purpose about future expansion. Dunay also pointed out that policy analysts should be more agnostic concerning enlargement than they are today, as we cannot predict what the future brings for the EU and for current candidate or neighboring countries. He concluded by emphasizing that enlargement was the only efficient external policy of the EU, but in the future that will be neighborhood policy.

## PANEL TWO

### **Economic Aspects of EU Accession: Internal and External Peripheries**

Chair: Gábor Iván, State Secretary, Ministry of Foreign Affairs, Hungary

**Michael Landesmann**, director of research of the Vienna Institute for International Economic Studies started the afternoon panel by approaching the expansion of the EU from the perspective of costs and benefits. He identified the frameworks within which the notion of an "ever-expanding union" can be studied; the first of which is the public goods provision perspective. According to new economic theories, the more heterogeneous an entity becomes, the more difficult it is to provide public goods, as the possibility of conflicts can arise about who benefits and who pays more. The Europeanization of public goods provision therefore will imply even more bargaining and conflict-resolution as the EU grows. However, from the perspective of dynamic complementarities, empirical evidence shows that the catching-up process of new member states and candidates is uniform. There is an enormous drive for growth in these countries due to their closeness, and their easy potential for integration in comparison to other regions of the world. The third perspective he identified is what an efficient size of integration could be. From this point of view, in today's EU there is a large potential for policy cooperation failures which the fiscal policy cooperation demonstrates well. At the same time, no overstretching of the Union can be observed in financial terms, as the financial basis of the integration is rather small. Landesmann concluded that if there is at all an overstretch of the integration, then it is in the popular identification with the process of integration itself, which should be dealt with by the adjustment of existing policies to structural change. For instance, he argued, the development of a social security pillar of the EU is essential in the long run.

**Alexander Duleba**, director of the Research Center of the Slovak Foreign Policy Association underlined, that 'European neighbors' need a differentiated treatment and policies than 'neighbors of Europe.' He claimed that East-European countries (Russia, Ukraine, Belarus, Moldova) are part of the EU's domestic agenda. Only if successful policies show the EU's capability to act in Europe, will it be able to become an actor on the global stage. Duleba drew attention to the deficits that the existing ENP consists of: the discrepancy between foreign policy goals which evolved over the Treaties and the instruments that remained the same; inflexible policy planning; strategic and institutional inconsistency; and the conflict between the regional nature of the EU's and its bilateral instruments. The 'ENP+' proposal (or the enhanced ENP) of the German EU Presidency has some good elements that aim at addressing the current deficits, he argued. It differentiates between the various neighbors, calls for developing a regional strategy, and introduces the revolutionary initiative of sectoral agreements as a new instrument. In his view, however,

ideally a 2-level strategy of the EU should be developed toward its Eastern neighbors. In this, the first level of open door policy is of a bilateral nature; while the second, regional level serves the EU's foreign policy interests in the region through the development of sectoral issues, with the inclusion of neighbors as equal partners.

**Kai-Olaf Lang**, researcher of the German Institute for International and Security Studies agreed that the new contractual relations with neighbors in the framework of the enhanced ENP will have a chance for building and involving neighbors in the development of regional policies. Lang emphasized that neighborhood policy has a growing strategic component, and especially in the East, is becoming a geopolitical factor, which demands coherence in policies targeted toward the region. The growing politicization of the ENP sees new priorities in sectors such as energy, Justice and Home Affairs and CFSP, giving room for the development of potential regional approaches. However, he claimed that the basic dilemma of the ENP is unchanged: a successful ENP's goal is the creation of candidate countries and that is precisely what some member states try to avoid by strengthening ENP.

After an assessment of the ENP today, Lang then moved on to a general evaluation of the integration capacity of the EU. Today, there is a paradigm competition in the EU's approach to enlargement, he declared. While according to the old paradigm, the main driving force of enlargement has been securing stability, the new paradigm places the emphasis on internal functionality as a condition for enlargement. Even so, however, the new paradigm has not replaced the old one, they exist in parallel and the only effect of the new one is that no new membership promises have been given lately. According to Lang, the EU needs to do more than a mere verbal commitment to "conditionality, communication and consolidation" (referring to the slogan providing the backbone of the Commission enlargement strategy in 2005) in order to achieve a new consensus on enlargement.

**Pál Gáspár**, director of International Center for Economic Growth focused on the limits of integration from an economic perspective, and the tradeoffs rendered necessary by expansion. As greatest benefits he highlighted increased trade, productivity, and specialization through enlargement, while inappropriate public institutions governing the integration appear as the most significant costs. Facing global competition the EU is lagging behind in internal – and labor market liberalization. Some preconditions emerge in order to make further enlargements successful, most importantly internal structural reforms to boost EU competitiveness, and improvements in the capacity and quality of policy coordination.

**Etelka Barsi-Pataky**, member of the European Parliament, demonstrated the emergence of new internal economic peripheries within the EU by citing some examples where member states are lagging behind in fulfilling the Lisbon goals. The fact that in the European Parliament the atmosphere is as if there were only 15 member states, also proves that the needs of newly joined members are many times overlooked. In order to avoid this, however, better financial mechanisms are needed to fulfill the goals set forth by member states themselves, Barsi-Pataky argued.

### PANEL THREE

#### Political Aspects of Conditionality and EU Accession

Chair: László Csaba, Professor, CEU

**Ognyan Minchev**, director of the Institute for Regional and International Studies in Sofia stressed that the problem with further enlargements is not only the absorption capacity of the EU, but also that the adaptation of democratic values become more problematic the further east we go due to the differing civil

cultures. Moreover, enlargement has been a policy of economic expansion through development. However, at this point in time, the EU is not sure to have enough financial resources to invest in the development of candidate countries.

As far as the Western-Balkans is concerned, problems with civil culture are smaller than further east, but on the other hand the timeframe during which these countries should be integrated is much shorter. Without integration and the application of the "sticks and carrots" policy, the region will slip back into conflict. Normally, the real influence of the EU manifests itself after the start of the negotiations and during the adaptation of the *acquis*. In the Western-Balkans, however, the EU needs to start acting as a real power, and exercising its influence already before the negotiation period, added Minchev. In order to achieve this, an intermediate strategy needs to be developed with flexible and diversified attitude toward the different entities of the region.

**Andreas Herdina**, head of unit of the European Commission's European Neighborhood Policy argued that the power that the EU has over candidate countries during accession negotiations is incomparable to relations in the ENP framework. Power relations between the partners and the EU are more equal in the neighborhood context, whereas the accession process is less a negotiation than a one-sided dictate. Benchmarks under neighborhood relations are not laid down in the adoption of the *acquis* but in the Action Plans. After the start of entry negotiations, however there are political and technical pressures involved too, which may be conflicting with the Commission pushing progress of technical issues, and the Council voicing political arguments. Herdina stressed that conditionalities as incentives are difficult because the price has to be paid in short term, while the benefit comes in long term. Nevertheless, the EU remains to be attractive, mostly so, because it keeps on developing new best practices, new legislation and therefore new conditionalities. At the same time, newly joined member states also know that conditionality does not end with accession, but new tasks arise afterwards, such as the adoption of the euro or the Schengen requirements. Effects of accession also include a sharing of sovereignty, this however, only comes after having established a strong voice for the individual country inside the EU. Herdina shared the feeling of still being in an EU of 15 member states, as opposed to 27, but stressed that adoption to the expansion is a process for both old and new members.

**Zlatko Sabic** of the Ljubljana University in his contribution concentrated on a different type of conditionality, namely, the 'power of membership' concept. The power of membership, he explained, is the ability of member states for a certain control over aspirant countries beyond the open bilateral issues that the EU has with them. An example of the positive impact of the power of membership is the Greek – Turkish relationship. Greece after a long period of opposing Turkish membership went through an 'earthquake diplomacy,' turned into the greatest proponent of the countries membership, and is now using different forums for advocating it. Similarly, despite the recent quarrelsome history, Greece is today a promoter of Macedonian EU membership. On the other hand, the intention of France and Austria to hold referenda on accessions beyond Croatia demonstrates the negative impact of the power of membership. If this becomes reality, and a successful referendum qualifies as a condition for membership, then applicant countries find themselves in a situation in which regardless of resolving all bilateral issues, no guarantee can be given on whether they become members. The power of membership demonstrates that even though it is not related to the *acquis*, it can help or hinder the Europeanization process. Sabic argued that regardless of the pace and process of accession, no membership perspective should be denied from potential candidate countries in order to keep them motivated and on the European track.

**Markus Meckel**, Member of the German Bundestag pointed out the importance of conditionality as a political instrument, but insisted that it only yields the desired results when being used the right way. In his view, the full adaptation of the *acquis* as part of the accession process is not a process of conditionality, but simply submitting oneself to the existing legal framework of an organization. Conditionality is rather, or should be, a part of the stabilization process of surrounding countries, which should be ensured and enforced very strictly. He shared the view that the integration of the Western-Balkan countries is the highest priority of the EU as far as widening is concerned. Meckel pointed to democracy promotion as a vital tool in the stabilization process, he however, argued that the EU's leverage in this regard is lagging and would therefore promote the establishment of an independent agency promoting democracy in the neighboring countries.

**February 24, 2007**

#### PANEL FOUR

#### **Geopolitical Consequences of EU Enlargement**

Chair: Péter Balázs (CEU)

The session was devoted to analyzing the geopolitical situation rendered by the extension of the EU external borders to Romania and Bulgaria, the most important ramification of which is that Western-Balkan countries become an enclave surrounded by EU member states on the one hand, and the growing importance of the Black Sea region on the other hand.

**Atila Eralp**, director of the Center for European Studies in Ankara, argued that Turkey, in its current situation could contribute significantly to the revitalization of the enlargement policy as well as the neighborhood policy. This contribution, however is not yet seized because of the negative turn in Turkish – EU relations, which also slows down the Europeanization process of the country and results in the slipping popularity of the integration project. In this time-out phase Turkey should be using its leverage to positively contribute to the enlargement process, most of all by promoting the issue of Western-Balkan integration by soft and hard security measures as well. Without this, Eralp claimed, the enlargement policy is incomplete. As far as a potential contribution of Turkey to the ENP is concerned, Eralp argued that Turkey's role as an important regional player in the wider Black Sea region should be seized, primarily by concentrating on soft security measures, such as the promotion of regional economic cooperation. A revitalization of the Black Sea Economic Cooperation could be an important tool for this. Eralp pointed out that Turkey has good relations with all major actors in the region, through its NATO membership with the US, through the EU by its applicant status, and via good economic cooperation with Russia. He, however, went on to conclude that this positive role of Turkey in the enlargement and neighborhood policies of the EU can only be seized if a more inclusive approach is exercised toward the country by the EU.

**Dan Dungaciu**, researcher of the Romanian Security Studies Institute focused on the challenges facing the EU in the region of the Black Sea in his contribution. He underlined that even though the general interest toward the region rose considerably lately, a comprehensive strategy is still far from being formed. He justified the significance of addressing the region with a viable

strategy by pointing out that remaining neutral for these countries (Moldova, Ukraine, Azerbaijan, Armenia, Georgia) is simply not an option. Either they belong to the EU's Neighborhood Policy, or they shift to Russia's 'Near Abroad.' This is an important aspect that distinguishes the Southern dimension of the ENP from the Eastern one, and calls for strong incentives and rewards from the part of the EU directed toward these countries. NATO so far is more active in the region, both as far as hard and soft security measures are concerned. However, a coherent strategy for the region can only be reached through cooperation between NATO and the EU. But this is also dependent on the prevailing political vision of Brussels, which today is not quite favorable toward transatlantic cooperation and the NATO. The EU's Action Plans for instance contain no reference to hard-security measures such as the reform of the security structures, which could be a task for NATO to implement. Meanwhile, the EU can concentrate more on soft security measures and democratic transformation. NATO membership would also be essential as it can be considered a first step toward integration into the Western-European structures, just as in the cases of Central-European countries.

**András Inotai**, director of the Institute for World Economics concentrated on the future of enlargement policy and the future of the EU as such, and also highlighted some problems resulting from the EU's current approach toward the Western-Balkan countries. Inotai stated that the EU of today is overstretched and that the growing gap between widening and deepening is preventing it from further development and expansion. The latest, fifth round of enlargement was not accompanied by a deepening as in previous cases, and this deficit would not have been solved even by the Constitution. Serious deepening in such areas as the internal market, migration policies, foreign policy, energy policy need to be implemented to keep the cohesion of EU and to prepare it for the integration of new members. Moreover, he called for a redefinition of the EU, so as to make it compatible in the globalized world. In a positive scenario, a critical mass necessary for enforcing further deepening can be gathered from a successful stabilizing of the Western-Balkan region. He warned, however, that some of the current EU policies toward the region are misplaced. Financial assistance is a case in point, which according to Inotai is not sequenced adequately. The majority of financial backing from the EU is directed towards institution-building, when the sustainability of the economy is not provided for, which in the long run will result in distortions. The application of the 'regatta principle' [the theory that the region is a whole and needs to be integrated together] is another problematic issue, because it ultimately results in the integration of unprepared countries. He concluded by referring to Giuliano Amato's words that the "real referendum of the future of the EU will take place in the Balkans."

#### **Conclusions**

The conference raised several questions that can be further researched. These include conditionality, the *finalité* of conditionality; the effects of imposed conditionality after the pressure ceases, that is accession; and the possibility of maintaining conditionality afterwards.

The grouping of partners into European ones and partners of Europe has been clear. As regards European partners, the possibilities for sectoral cooperation and involvement in institutions on individual issues gained emphasis. While cooperation with partners of Europe seems to be challenged mostly from member states who continue to approach diplomacy in bilateral terms.