

# **Economics, institutional and security- related consequences of the Eastern enlargement of the European Union**

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The course of the Eastern enlargement of the European Union was set during the Essen Summit of the heads of governments in December 1994. Therefore, "only" the questions HOW and WHEN remain to be answered, a task which will occupy the EU institutions and the EU states as well as the Central and Eastern European states in the next decade. This important step for Europe's future entails a series of consequences which must be discussed before the enlargement. In the following the economic, institutional and security- related consequences of the Eastern enlargement of the European Union can only be roughly sketched.

## **1. Reasons for the necessity of the Eastern enlargement of the European Union**

Economic reasons- in times of globalization of markets, the EU economies are no longer competitive without an Eastern enlargement. In comparison with the USA and Japan, the EU needs- due to the division of labour- the Central and Eastern European states (CEE states) as cheap suppliers, just as much as the other leading industrial centers Mexico or the Asian states. With an increasing global competition, the economic subjects of the old continent must become more flexible. They also have to transfer the production of labour- intensive goods to low- wage countries.

Security- related reasons- in this respect, the Eastern enlargement will put an end to *Europe's separation*. Furthermore, the CEE states are well aware of the importance of their integration into the community of western democracies. (Taking the problems of the Eastern Enlargement of NATO into consideration, not only for the Baltic states does the EU become important in terms of security policy.) Due to its size and geographic dimensions, Russia can be integrated only as a partner, but not as a member.

Cultural reasons- with the Eastern enlargement of the EU a founding idea will come true, i.e. the integration of all free, democratic states of Europe. Cultural links, which have existed for centuries, will be renewed. In this case, the EU will become the largest union of democracies of western make- up. Five decades after World War II, the EU might become an anchor of democracy, stability and modernization.

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## **2. How to unite enlargement and deepening?**

Since the end of the 1980s (transformation process in Eastern Europe, political changes in EE, German reunification), the question has arisen whether prominence ought to be given to the EU enlargement or the deepening. The European *"interval"*, which started in 1989, runs out. The transformation will end with the presidential elections in Russia and the USA, and at the latest with the EU reform in the autumn of 1997. The strategic decision European politics has to take now is: will the time afterwards be characterized by the idea of European integration, or by a backslide into the balancing of national interests.

Thus the question arises whether deepening must be considered as a precondition for enlargement. Since the founding of the EEC, the leading actors in European politics have taken the bull by the horns in this question by declaring both being evidently parallel processes. It is certainly no secret that the leading EU states pursue different interests in this case.

With the intended Eastern enlargement, the EU could comprise up to 30 members. It would, however, have to find a new inner form and balance, which would be necessary in order to transfer stability and economic prosperity to the growing EU. Therefore, European integration requires a new model for future development. With 30 member states the range of economic and political interests is too wide to guarantee a continuity of the mechanism which was planned for six states in the 1950s. A concept of differentiated integration is needed, which enables the EU to enlarge and deepen at the same time.

European politics does not have a choice between enlargement and deepening. By contrast, ways to realize both the aims must be found. Up to now, there has been no concept for the integration of states with different levels of political and economic development. Thus the danger of renationalisation of European politics arises. Stagnation would simultaneously inhibit the integration process. Consequently, this would thwart the Economic and Monetary Union as well as the political development. In March 1996, the IGC started under Italian presidency.' Its task is to reform the EU until the summer of 1997.

## **3. Previous economic policy as obstacle to the Eastern enlargement**

**Due to its financial state and its economic policy, the Eu is at the present not capable of enlargement.**

This was indirectly confirmed by the European Council in Korfu in 1994, when it gave priority to the establishment of the EU's enlargement capacity over the enlargement as such. What is most important in order to deal with the

financial effects of the eastern enlargement of the EU, is the willingness to reform the cohesion policy and the Common Agricultural Policy (CAP). However it remains doubtful whether the IGC will be able to deal with this.

An inherent chance (and danger as well) of the intended Eastern enlargement is the development of the Central European region around Germany, Austria, Slovenia and the Visegrad states into a region experiencing economic boom. A comparable scenario with regard to the Baltic states is developing in Finland and Sweden. This would bring strategic disadvantages to the to the southern states, Italy, Greece, Spain, Portugal, but also to France. For this reason these states will probably strongly oppose the Eastern enlargement of the EU. An additional problem is the distribution of means of cohesion and regional funds, the profits of which go to the Southern states and Ireland. The Eastern enlargement of the EU will render a reorganization of the distribution necessary. Insofar a strong opposition of these states must be expected.

#### **4. Consequences related to foreign and security policy**

Up to now, the Common Foreign and Security Policy (CFSP) has not been working. In this field also, enlargement capacity does not exist. As long as no majority vote regulation is introduced, and as long as the structures of security and defence policy are not further developed, any enlargement is contraproductive. It is one of the main tasks of the IGC to make progress in this field.

Cooperation in the field of justice and home affairs is very poorly developed. For the border states of the EU this is an important reason to oppose the Eastern enlargement. Crime rates (murder, blackmailing of protection money), of which the "Eastern European or Russian mafia" is supposed to be guilty, are increasing while Europol has failed.

Another reason for which EU citizens do not accept the Eastern enlargement is the lack of an adequate asylum and immigration legislation. The majority of the population is afraid of an immigration wave coming from the CEE states. An immigration law must still be passed; it would, however, not at all regulate migration within today's and future EU member states, but merely the immigration into the member states.

#### **5. The institutions under the pressure of enlargement**

**At present, an Eastern enlargement would bring all EU institutions to a standstill.**

The member states would react to a lack in decision-making power on the union level by reorientating themselves towards nation-state functions. A fundamental institutional reform is of prior importance.

This concern the European Parliament as well as the Commission and the Council of Ministers. Up to now, the Council of Ministers as the body representing nation- state interests has dominated the decision- making procedure. However, decisions in the field of common competence cannot bring progress to the EU, as long as in the Council, qualified majority votes or common consent are decisive for the events of the day. Here, competences must be transferred to the Commission. The European Parliament, being directly elected by the European citizens as the representative of common interests, does not fully participate in the decision- making procedure. The dominance of the Council of Ministers and the restricted participation of the European Parliament do not correspond with the principle of democratic legitimization.

The internal arguments within the Union with regard to the development of a common position in the GATT negotiations as well as in the Balkan conflict made the institutional problems particularly manifest. The Northern enlargement, however, questioned the system as such. Each future step towards enlargement would make the complicated decision- making system collapse. Due to its large number of members, the Parliament has already reached the limits of its working capacity. Decision- making procedures in the Council of Ministers will take even more time, and it will become even more difficult to distribute duties among the growing number of commissioners.

The leading ability of the presidency is of prior importance to the future development of the EU. Until now, the most important progress in the integration process has come about not least by presidencies who accelerated this process. The 6- months- cycle is not good basis for a political leadership in a union of 30 members. An elected Union presidency of at least one year's duration would be a way out of this dilemma. As this is much disputed proposal, a modified form of the troika system (one large state with two small ones) with a simultaneously prolonged term of office ought to be continued for a transition period.

Apart from the reform of the presidency, one of the most disputed items on the IGC agenda is the establishment of an office for the CFSP. The French proposal made by Mr. X is opposed by the counter proposal of the EU Commission on the *Common Leadership* of the Commission and the presidency of the Council. A separate presidency responsible for external affairs would considerably enlarge the continuous and politically important representation of the EU.

### **The Council Ministers**

The increase of the number of members up to 15 considerably complicated the voting process, the more as the previously existing relative balance shifted in favour of the northern EU states. Regardless of whether the

struggle is about common consent or a qualified majority, in the case of the Eastern enlargement the voting process would be even more complicated. Following the Northern enlargement there has already been more need for negotiation; and more often, the result has been reduced to the smallest common denominator. In the long run, this would paralyse the EU.

Up to now, the small states have benefited from the quota regulation of votes in the Council. The four large states Germany, France, Great Britain and Italy have ten votes, Spain has eight, Belgium, Greece, the Netherlands and Portugal have five, Austria and Sweden have four votes, Denmark, Finland and Ireland have three, and Luxemburg has two votes. The blocking minority is 23 votes.

In a community of six states, this was certainly a reasonable protective measure. However, in a union in which small states dominate, it will have a contra productive effect. In every enlargement round, the quota regulation of votes, which does not take the shares of the population into account, has more negative consequences for the large states so that they aim at reorganization.

The voting mode and the quotation regulation ought to be reformed before another enlargement. Majority vote and a reorganization of the voting system in favour of the large states is a precondition for the enlargement capacity.

### **The Commission**

The adaptation of the Commission following the northern enlargement has a numerical character. In consequence, the Commission lost prestige. Another reason for this is not least the common practice of several governments to relegate troublesome politicians to Brussels.

If the former key for the distribution of positions is maintained, a herd of underemployed commissioners will become a threat to the working capacity of the EU in case of the Eastern enlargement. Reorganization is urgently needed. The "large ones" must be willing to accept the position of a sub-commissioner- undersecretary-.

Apart from appointing commissioners, the main problem of the Commission is the division of the Directories- General according to the nation- state proportion and not corresponding with any idea of effective division of labour. With each new member, the existing fields of functions must be split without taking effectivity into consideration.

A fundamental reform must start with the relinquishment of nation- state preferences and the introduction of the principle of competence. Furthermore, the president of the Commission ought to be free to appoint commissioners according to the principle of competence. For political reasons he would certainly stick to a nation- related proportional division. Such a system would strengthen his position and give a stronger democratic legitimacy to the Commission itself. In addition, the Commission would be strengthened in its function of being a classic executive whose duty it is to cultivate the European idea.

All in all, a structural organization of the Commission and the division of responsibilities is urgently needed as a precondition of the Eastern enlargement.

### **The European Parliament**

Here, too, a numerical change was a consequence of the Northern enlargement. The European Parliament has now 626 seats, which are distributed according to a national key and law. This does not correspond with the European character of the parliament. Until now, the parliament has been able to fulfill its tasks, not least due to the institutional handicap, which led to a stronger cooperation of all deputies. If the European Parliament were "upgraded", the cumulative effect with the EU institutions would be weakened. It can hardly be judged today whether in this case the cooperation would continue to work that well.

Until now, there has been no experience with parliaments of more than 700 deputies. This must, however, be expected to be the case with the Eastern enlargement, if the former key is to be arithmetically extrapolated. Furthermore, such large number of deputies can hardly be made plausible to the public. In consequence, it is inevitable to reform the distribution of seats with the Eastern enlargement. The existing model guarantees a protection of the small states. In a modified form, this solution ought to be continued for democratic reasons. At present, several experts' groups are developing new solution models.

In addition, the full integration of the European Parliament into all fields of the EU is indispensable in order to strengthen the democratic legitimacy of the EU. This refers also to the second and third pillars of the EU- treaty.

In the long run, institutional reforms will lead to the development of a two-chamber- system of the EU, in which the European Parliament will take over the role of the first chamber, the Council of Ministers and the second chamber. The Commission will become an executive organ. Special rights will, of course, be reserved for the Council of Ministers the second chamber. The Commission will become an executive organ. Special rights will, of course, be reserved for the Council of Ministers as the representative of the national

governments. The institutional reforms, however, ought to be mainly directed towards the direction described; otherwise, with 27 and more members, the EU is bound to collapse.

## **6. Conclusions**

- Before the Eastern enlargement, the EU must urgently simplify its structure and procedures.
- The democratic and the federal principle must be visible and understandable for every citizen. Therefore, the number of decision-making procedures must be reduced to two or three.
- The presidency must be reformed, for example by an elected presidency.
- It is necessary to reorganize the voting system in the Council of Ministers. However, it must be guaranteed that the small members cannot outvote the large members.
- The European Parliament has to be given more authority, in particular in respect with the second and third pillars of the Union treaty. It must be developed into a working parliament.
- The Commission ought to be formed regardless of national quota. It should be bound to the vote of the European Parliament.
- The subsidiary principle must be applied in all disputable fields. A catalogue of responsibilities would be helpful in order to separate competences.