EU 60: RE-FOUNDED EUROPE

THE RESPONSIBILITY TO PROPOSE

THE NEXUS BETWEEN ENLARGEMENT AND DIFFERENTIATION

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The Nexus Between Enlargement and Differentiation

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Abstract: This paper explores the nexus between enlargement and differentiated integration set against the background of past experiences and in view of the future of European integration. Although it considers convergence and not differentiated integration to be the underlying concept of enlargement, it also shows that the EU’s enlargement policy involves instruments which allow differentiated treatment. Analyzing the previous rounds of enlargement, the EU system appears to have been robust, coping with temporarily increased degrees of differentiation. However, the author argues against developing new forms of partial membership which would give outsiders a say in decision making. Elaborated types of association are instead advocated. Within the EU, differentiated integration remains the second best option and is not a panacea for better performance, legitimacy or holding the 27 together. In particular the leitmotif of a flexible Union would bear the risk of lengthy internal renegotiations with discontented countries over their terms of membership or even an unravelling of the EU altogether. Keywords: European Union | EU enlargement | EU integration

Introduction

Enlargement necessarily brings about change in the make-up and governance of the European Union (EU). Based on Article 49 of the Treaty on European Union (TEU)¹ the EU has developed a modus operandi – an

¹ Article 49 TEU: “Any European State which respects the values referred to in Article 2

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“enlargement doctrine”\textsuperscript{2} – in order to ensure control over the process of taking in new members and also of its outcome. Enlargement is neither a policy field such as trade nor is it just a foreign policy instrument. Enlargement is a “composite policy”\textsuperscript{3} that cuts across all three dimensions – polity, politics and policies – of the EU. Against the background of past experience and in view of the future of European integration this paper will explore the nexus between enlargement and differentiated integration.

1. Widening and deepening – different kinds of differentiated integration

A cornerstone of the EU’s enlargement doctrine is that candidates and new members are compelled to accept the acquis communautaire in full on the day of accession. However, the EU grants new members a set of derogations and transitional arrangements that lead to differentiation, mainly in implementing secondary law for a limited period of time. Following the typology of Schimmelfennig et al., differentiation originating from enlargement is labelled “instrumental differentiation” as opposed to “constitutional differentiation.”\textsuperscript{4} The latter relates to the revision of the treaties. This is also a direct consequence of enlargement because the treaty provisions on the size and composition of the institutions as well as some aspects in the decision making have to be adapted. As a rule Article


49 TEU explicitly demands this change of treaties according to Article 48 TEU. In addition, taking in new members has always implied a rethink of the status quo of European integration and the re-imagining of its future. In some, but not all (see Croatia’s accession in 2013) cases, the nearing of the next round of enlargement has triggered reform initiatives that have led to an Intergovernmental Conference with the aim of changing the treaties. While policy makers and political declarations often claim that widening and deepening go hand in hand, they are not formally interlinked processes and follow different logic. Interestingly only constitutional differentiation allows for both regressive forms of differentiated integration such as opt-outs and also progressive forms such as the establishment of policy regimes based on different speeds such as the European Monetary Union (EMU).

2. Enlargement – convergence with limited and temporary differentiation

The underlying concept of enlargement is convergence not differentiated integration. The EU aims at perfect new members and expects that they become an ideal type of member who subscribes to and implements the acquis in toto and without any exemptions. The acquis covers not only primary and secondary law, but also “adherence to the aims of political, economic and monetary union and the administrative capacity to effectively apply and implement the acquis.” This anti-differentiation stance shows that the EU is not willing to extend opt-outs from policy areas or specific solutions that were granted to incumbent members to the new ones in the same way. The approach also underlines that accession negotiations take place within an asymmetric relationship that favours existing members of the club over newcomers, who are not in a position to claim special treatment. In the 1960s in its first and second attempt to apply for membership the UK sought special conditions but failed because the EU of the six founders already understood that it was imperative to safeguard the status quo, to prevent a rollback of the acquis and preserve the option to go forward with integration.

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5 Article 48 (1): “The Treaties may be amended in accordance with an ordinary revision procedure. They may also be amended in accordance with simplified revision procedures.”
7 Barbara Lippert, “The Big Easy?”, cit.
In policy fields like EMU a special regime of graded (gradual) integration is applied that differentiates between those that are in the Eurozone and others that remain initially outside as pre-ins. In effect this differentiated integration of avant-garde countries and laggards lowers the entry level for new members. However, unlike the UK or Denmark new members were not allowed to opt-out of EMU. Another example is entry into the Schengen area. New members are not granted derogations from the acquis, but a built-in safeguard mechanism in the Schengen acquis foresees that a special decision must be taken by the Schengen governments before the internal border control is lifted. More than or almost ten years after accession this has still not happened for Cyprus, Romania, Bulgaria or the newest member, Croatia.

New members only have a limited margin of discretion. Generally they want to be given more time to adapt to the acquis and to smoothen market pressure and competition within the internal market. Old members have concerns over detrimental distribution of funds and other resources and the malfunctioning of the EU as an effect of enlargement. Derogations and transitional periods that are part of the accession treaty reflect the interests of old and new members respectively. It underlines the EU’s pragmatic approach under the enlargement doctrine.

In the two rounds of enlargement in 2004 and 2007 12 countries joined the EU which almost doubled its membership. Population increased from 385 to 498 million. Part of the EU’s enlargement policy is a set of instruments that allow for differentiated treatment: transition periods, phasing in new members in policy fields like the Common agricultural policy (CAP) and its co-financing mechanism, and general safety mechanisms e.g. for the internal market, and specific ones e.g. for company law. Of a different kind is the cooperation and verification mechanism for judicial reform and fighting corruption and organized crime for Bulgaria and Romania. It neither grants

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exemptions nor transition periods but is a continuation of the monitoring on the part of the Commission and also member states that began in the pre-accession phase.

Around 350 derogations were made with regard to the enlargement in 2004 and 2007,\textsuperscript{11} concerning 14 of 31 negotiation chapters. Among them were core policies of the EU, such as all four freedoms of the internal market and competition policy, the tariff union, company law. Numbers of derogations are particularly high for agriculture and environment, not least because of high-quality ecological or phyto-sanitary standards in the EU. In the latter case they are also very long, up to 12 years. There are no derogations in the field of regional policy, however the EU limited payments to new members with the help of an absorption threshold and established a phasing-in scheme. The old members are not only concerned about policy areas with strong budgetary effects like regional policy and CAP but also about wages and job competition, e.g. in the transport sector or services. The free movement of labour in particular from notoriously long transition periods of up to seven years. The ongoing difficulties concerning the Posting of Workers Directive shows the labour market effects of enlargement and how legal uniformity affects members differently.\textsuperscript{12} Thus far the EU has granted all members representation in the institutions and decision making rights without restriction. The seat at the table and full voting rights mark the difference between members and non-members.

Despite the numbers and the inclusion of sensitive policy fields for which derogations have been agreed upon in the accession treaties, the short term impact on the functioning of the EU and its policies has been rather modest. Naturally, some fraying of the acquis through derogations is evident. Also the group of those members that do not yet belong to the core of deeper integration widens through enlargement, at least for an interim period. Today nine member states are not members of the Eurozone, including Denmark, the UK and Sweden and six are not fully within the Schengen area, including Ireland and the UK. On rare occasions specific solutions are agreed upon like the budgetary correction mechanism as a result of re-negotiations with the

\textsuperscript{11} This is the number of legal acts that were changed. For details see Barbara Lippert, “Die Erweiterungspolitik der Europäischen Union”, in \textit{Jahrbuch der Europäischen Integration 2002/2003}, p. 417-430; Barbara Lippert, “Die Erweiterungspolitik der Europäischen Union”, in \textit{Jahrbuch der Europäischen Integration 2005}, p. 425-434.

After seven rounds of enlargement one can conclude that the EU-system has proven robust enough to cope with a temporarily increased degree of differentiation. It has also been successful because the EU’s answer was pragmatic and country specific. Differentiated integration originating from enlargement proved efficient as a mode to cope with heterogeneity and to accommodate the different state capacities and transformation speeds as well as other domestic constraints (and as far as older EU member states were concerned). The UK renegotiations remain a unique case, foreshadowing the UK’s privileged membership and move to the periphery of an ever closer EU. The politically effective but irregular opt-out of Sweden of the third stage of EMU as a result of a national referendum on the euro could be emulated by other pre-ins not willing or hesitant to join, such as Poland or Hungary. Thus, risks of loosening and erosion of legal uniformity and political unity cannot be denied.

The EU inserted options in the frameworks for negotiations with Croatia and Turkey which have not (yet) become effective. They show however, that the EU is aware of the political salience of some policy fields and is prepared to use the instruments of differentiated integration to protect the interests of old members against the new. These options provide that

Long transitional periods, derogations, specific arrangements or permanent safeguard clauses, i.e. clauses which are permanently available as a basis for safeguard measures, may be considered. The Commission will include these, as appropriate, in its proposals in areas such as freedom of movement of persons, structural policies or agriculture.14

Also a “maximum role of individual member states”15 in the decision on the eventual establishment of freedom of movement of persons is foreseen. If the EU made use of these potential instruments it would – formally and effectively – lead to first and second class membership. It is not unlikely that the European Court of Justice would rule against these discriminatory terms of accession. Thus the concept of full membership has remained intact

15 Ibid.
as far as new members are concerned. Part-membership has only been granted to an old member, i.e. the UK and mostly as a result of constitutional differentiation. It seems, however, that the privileged membership of the UK in the EU has become an ever less convincing arrangement for the UK. Therefore the EU might also be less inclined to go down that road again. Federalist have always been sceptical about this approach, as is reflected in the Verhofstadt Draft Report on the institutional set-up of the EU. It claims that “the next revision of the Treaties should rationalise the current disorderly ‘variable geometry’, i.e. ‘l’Europe à la carte’, by ending the disruptive practice of opt-outs, opt-ins and exceptions.”

3. Partial membership or partial integration

Today accession processes are sluggish (Western Balkans) or almost dead (Turkey). Meanwhile the announced exit of the UK from the EU has introduced a period of soul searching that brings up the issue of flexibility as an answer to holding the EU together and making it more effective. Since the Maastricht Treaty deepening has meant differentiation and, as a consequence, enduring differentiation, mainly due to

- opt-outs for the countries of the two EFTA-enlargements minus Austria and Finland, or
- multi-speed differentiation within policy areas such as EMU and Schengen, which remained half way houses.

Despite an ever more differentiated Union the threshold for joining the EU has been raised rather than lowered over recent years. This will change only if the EU gives up a cornerstone of its enlargement doctrine and lets countries join without full application of the acquis. The above quoted framework for negotiations was a first indication that the EU would not rule out this option for ever. The longstanding debate on the creation of a new status such as partial or associated or junior membership could gain new political impetus. In that case the EU would have to revise its treaties and amend Article 49 TEU among others. The EU would likely have to establish a special procedure and develop appropriate membership criteria (Copenhagen II) that have to be met by junior members. This new status could concern both candidates that are not willing, or not able, to take on full membership. As MEP Andrew Duff proposed in 2012:

Such an associate membership requires fidelity to the values and principles of the Union but not adherence to all its political objectives as laid down in Article 3 TEU (which include the euro) nor, of course, the duty to engage in all its activities. Participation in the EU institutions would be limited.\textsuperscript{17}

Through an innovation of that kind, the EU would give up the institutional demarcation line that excludes non-members from decision making and for the first time give them a share beyond decision shaping. When crossing this red line the EU would also have to establish different sets of institutions and rules of decision making for different groups of countries. Some tendencies in governing the Eurozone already point in the direction of institutional differentiation (see the Eurozone summit of the heads of state or government, the Eurogroup and the Working group Euro-group), albeit in the framework of deeper integration inside the core, not for new and unable or old and unwilling members of the periphery. Among recent proposals the Continental Partnership outlines a sort of part-membership for the UK after a soft Brexit that would only increase the grey zone between ins and outs. A Continental Partnership Council is foreseen in which EU institutions would participate. It would not pass EU legislation but have large shaping and drafting rights that would go beyond the EEA arrangements. It is telling that the authors of the Continental Partnership do not go into detail on institutions and decision making and leave many crucial questions on procedures, and representation, as well as enforcement open, not to mention matters of legitimacy, accountability, efficiency and transparency.\textsuperscript{18}

Any new part-membership status would certainly encourage a re-grouping within the EU and lengthy internal re-negotiations over terms of membership. That is another reason why lower standards for accession may not be politically advisable. Given the positive record of using differentiated integration in a limited and controlled way under the enlargement doctrine, there is little reason to change this approach. Moreover, models of concentric


circles around the EU already exist. Under Article 8 TEU\textsuperscript{19} and 217 TFEU\textsuperscript{20} the EU has developed different types for partial, i.e. sectoral integration of European third countries. In respect of these European countries the EU is interested in developing close links either for reasons of security and stability, as is the case for the Western Balkan countries and Turkey, or for economic and political reasons, as with the UK, Norway or Switzerland.

Some are not willing to become full members such as the three EEA countries or Switzerland, and have large euro-sceptic populations. Others like the candidates from the Western Balkans are still far from achieving the membership obligations of the acquis and might need a special "confederal" status as long as they are outside the EU. This status should provide for both closer economic integration and a form of political association that serves as an anchor and emphasizes that they belong to the family of “western countries.” The basic idea is to increase the sectoral integration on the basis of the Stability and Association Agreements and establish a politically more visible format for exchange and consultation (not decision making) on topics that are on the EU’s agenda and also relevant for the aspirants. Such confederal status is not legally binding, but rather political. At some point this framework could also be attractive for associated Eastern European countries, like the Ukraine, Georgia and Moldova. The EU could also develop a multilateral political format with these countries alongside the DCFTA architecture. Despite the failure of similar initiatives in the 1990s, such as the Europakonferenz and structured political dialogues, such a format might find better acceptance in countries whose internal conditions and difficult external circumstances are very much more problematic. Turkey remains a special case of an already highly integrated neighbour. It is more likely that future bilateral relations will concentrate on the development of the customs union accompanied by a political dialogue and with a stronger role for NATO in security issues of mutual concern. After Brexit a “European special relationship” will transpire between the EU and UK.\textsuperscript{21} The UK would

\textsuperscript{19} Article 8 TEU: “1. The Union shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation. 2. For the purposes of paragraph 1, the Union may conclude specific agreements with the countries concerned. These agreements may contain reciprocal rights and obligations as well as the possibility of undertaking activities jointly. Their implementation shall be the subject of periodic consultation.”

\textsuperscript{20} Article 217 TFEU: “The Union may conclude with one or more third countries or international organisations agreements establishing an association involving reciprocal rights and obligations, common action and special procedure.”

\textsuperscript{21} Barbara Lippert and Nicolai von Ondarza, “A European ‘Special Relationship’: Guiding Principles, Interests and Options for the EU-27 in the Brexit Talks”, in SWP Comments, No.
be placed outside the internal market and EU institutions and only a lightly institutionalized dialogue and structures for cooperation on internal and external security would be established. The EU wants to ensure that the first use of Article 50 TEU\textsuperscript{22} does not turn into an unravelling of the acquis. It seems that Brexit will not be a vehicle for institutional innovation with regard to differentiated integration. Brexit and Turkey’s drift to the East both contribute to the EU’s geographic consolidation as a continental community.

4. Outlook

Differentiated integration is already a reality in the EU. It represents a second best solution to solve problems or move forward along the path of integration. Instrumental differentiation originating in enlargement belongs in this category. It has proven to work rather smoothly. Constitutional differentiation as a way to cope with some implications of enlargement has not ignited any radical overhaul either of institutions or of policies.\textsuperscript{23} We now realize that across the EU from the Netherlands to Poland governments are arguing for a halt or even a rollback and deconstruction of European integration.\textsuperscript{24} In the context of a poly-crisis-ridden EU the ambivalences of differentiated integration play out negatively and risk an unravelling of the EU, even if unintended. Warnings not to overstretch the capacities and political

\textsuperscript{22} Article 50 TEU (1), (2), (3): “1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements. 2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament. 3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.”


will of member states are also grounded in frustration with progressive differentiated integration. We have learned that differentiated integration in terms of a multi-speed Europe can also become a trap and a source of new problems, as the creation of a premature Economic and Monetary Union has taught us. Concentric circles inside the EU do not offer a way to overcome the binary in or out question of enlargement. There is however an urgent necessity to invent more creative solutions for European third countries that need both economic integration and strong political bonds with the EU. In this respect the decision of the 28 Heads of State and Government on the Association Agreement between the EU and the Ukraine which intends to calm Dutch populism shows how feeble the EU’s determination is to shape the regional order in its immediate neighbourhood. Meanwhile, however, Russia’s aggressive policy and US disengagement could work as a catalyst to sharpen the EU’s role as a regional power.

*Updated 20 January 2017*

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References


2017 is set to be a crucial year for the European Union (EU) and its Member States. Multiple crises, key electoral appointments and the celebrations of the 60th anniversary of the signing of the Treaties of Rome are among the most important events in the EU agenda. Against this backdrop, the Istituto Affari Internazionali (IAI) and the Italian Ministry of Foreign Affairs and International Cooperation (MAECI), in cooperation with the Centro Studi sul Federalismo (CSF) and in the framework of IAI’s strategic partnership with the Compagnia di San Paolo, have launched a new research project: EU60: Re-founding Europe. The Responsibility to Propose. The initiative seeks to re-launch the EU’s integration process, and will involve researchers from leading European think tanks who will contribute policy papers analysing specific political or institutional dimensions of the EU.