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EU ENLARGEMENT AS A TWO-WAY STREET

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Paper presented at the conference on "Italian Experience in European Integration",
European Institute
Lodz, 17-18 May 1996

ISTITUTO AFFARI INTERNAZIONALI

IAI9622

European Institute, LODZ, May 17-18, 1996

Joint Workshop:

European Integration: The Italian Experience

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EU enlargement as a two-way street

I. Most debates in the EU are about money, yet the Union's true mission is to secure peace and prosperity in Europe. In these terms, Eastern enlargement may be considered the most important initiative since the Treaty of Rome.

Unfortunately, it will also be the EU's most difficult enlargement for incumbents and entrants alike. It will be difficult for entrants, of course, because the necessary transformations of their economies and political systems are massive and socially painful. Yet it is likely to be difficult for incumbents, too, because the countries of Central and Eastern Europe (CEE) are so populous, so agricultural, and so poor. Enlarging an unreformed Union would threaten powerful special-interest groups in incumbent States and make the necessary farm and regional reforms politically difficult.

To tackle these difficulties, two types of pre-accession strategies are needed: one for the EU, and one for each of the countries of CEE. As a matter of fact, the applicants have formally admitted that they do need pre-accession strategies: evidence can be found in their welcome of the White Paper on enlargement released last June by the Commission. The practical and constructive nature of the White Paper, however, highlights an asymmetry: the EU has done little to define its own necessary reforms. True, EU leaders requested studies on such reforms from the Commission, studies which were presented to the European Council at the Madrid summit. These suggest, though, that neither the Common Agricultural Policy (CAP) nor the regional programs are in need of substantial reform.

Such reluctance on the part of the EU creates, of course, mistrust among the candidates. The Union promised membership for the countries of CEE eventually, but their leaders suspect that "eventually" may actually mean "never". Consequently, CEE leaders have a horror of any proposal for closer East-West integration which falls short of full accession, fearing that each intermediate step may be the last. On the other hand - some EU members argue - the EU already faces up to many tough issues: a democratic deficit, voting reform, readjusting the Parliament and Commission's roles, and monetary union. Why take on farm and regional policies as well ? On the whole, such combination of CEE mistrust and EU special-interest politics does not bode well for the future of enlargement - ie., for peace and prosperity in next century's Europe.

II. Reasonable people can therefore arrive at different judgements on the timing of the first Eastern enlargement. It seems, however, that the first wave of full-fledged enlargement could be a relatively long time coming - say, not before 2003-05. And it is utterly irresponsible and demagogic of West Europeans to talk of it as within grasp. The argument is simple. For one thing, a Visegrad enlargement (minus Slovakia ?) would expand EU agricultural land by ca. 40 % and the number of EU farmers by over 50 %. Since half of the EU budget goes to farms and farmers, CAP reform would be an essential preliminary step to full accession. Of course CAP needs to be reformed in any event (see GATT/WTO commitments), but enlargement makes it a pressing matter. And any substantive reform of CAP would necessarily be a long, slow, and politically painful process. Moreover, a rapid enlargement would also more than double the number of EU citizens living in poor regions and, therefore, eligible for EU aid. This would require reforms of EU financing, with all the horse-trading that such reforms usually imply.

Finally, the *time* factor. First, the IGC is likely to drag on until after the UK elections. The impending British polls not only postpone agreement - if and inasmuch a Labour government will prove more inclined to compromise - they also postpone serious discussion. Second, the French ruling coalition and the German Chancellor will surely want the IGC wrapped up (that is, completed and ratified) before the parliamentary elections set for 1998. The time 'window' between these two elections will leave very few months for serious discussion. Consequently, the most likely outcome is a 'small' package of reform. This is especially true since a 'large' reform package (ie. one involving important changes in the Union's structure) will undoubtedly be submitted to national referendums in some member States, and it is not clear whether these

would pass in, say, Sweden or Denmark. Third, the IGC was not envisaged to be a vehicle for enlarging eastwards in the first place. Consequently, the EU will theoretically be able to proclaim the IGC as a success even if only a 'small' reform package emerges.

In addition, a huge and noisy traffic jam is looming on the *fin-de-siècle* European horizon: read IGC, WEU Treaty, new budget negotiations (Santer I), let alone monetary union. In spite of the current rhetoric, then, enlargement is *not* (or not yet) on the actual EU agenda for the foreseeable future. Nor do the recent UK White Paper (title: "A Partnership of Nations") and, for that matter, France's latest statements and actual behaviour raise the expectations. Whereas France apparently bets on a "Europe-power" (made of German monetary credibility and French military capability) surrounded by a wider, looser and weaker "Europe-space", Britain seems to be betting only on the latter: London's declaratory commitment to quick enlargement is rather a means for diluting the present EU than a honest opening to CEE countries. Moreover, Italy has looked quite lukewarm towards Eastern enlargement so far (see below: IV), although the new government might change this attitude. The ball, then, is on Germany's ground.

Needless to say, the country's position is crucial: inasmuch as enlargement is about money, Germany's leverage should be considerable and, presumably, help the enlargement cause, provided a) German industry, that has massively invested into CEE countries because of their lower labour costs, will go along with it; b) the German cabinet will overcome the present fiscal crisis, which seems both a crisis of legitimacy and a crisis of efficiency/effectiveness (is *Modell Deutschland* creaking ..?). Furthermore, the current government in Bonn is keen on reforming (ie. streamlining as well as strengthening) the European institutions and, in particular, the security/defense (CFSP) 'pillar' - all of which should eventually make enlargement easier. It remains to be seen, though, whether Germany will also be willing to pay for enlargement (CAP and regional transfers) and, above all, whether Chancellor Kohl will have enough support for his policy both at home and in the near abroad (France). Again, time will prove a crucial factor.

III. All in all, however, Europe needs a credible and balanced strategy for enlargement, if it really wants it to happen. Such a strategy should entail at least five elements:

1. a significant deepening of the EU institutional capabilities: only a stronger Union can provide peace and prosperity for a wider 21st

century Europe (this is the main contradiction in Britain's position towards enlargement, as opposed to Germany's and the Nordic countries', just to consider other keen advocates of enlargement);

2. credible reform paths for CEE countries, partially described in the EU White Paper, including objective convergence criteria to be met by all would-be entrants. It is not up to the EU to earmark in advance which countries are eligible for joining. It is up to the EU, though, to stay in close touch with CEE countries (their governments as well as their Parliaments) as long as the whole EU reform process is unfolding;

3. a specific EU internal reform path, that includes CAP and structural spending reform: please note that the political requirement is to reform farm and regional aid in a way that would make enlargement *less* threatening to incumbent groups - which does not necessarily mean a reduction in spending, at least short-term, even in the MacSharry scenario (shift from price to income support);

4. a Maastricht-style deadline for accession talks to begin. Setting a date is a critical element: a distant deadline for change is the standard EU stratagem for dealing with difficult internal reforms. What else could focus the minds and governments of 15 highly diverse member States ? Such deadline could hopefully increase the credibility of the integration strategy sufficiently to make intermediate steps look like progressive economic integration rather than diversionary tactics. A date would also provide CEE citizens with some light at the end of the transformation tunnel;

5. finally, a plan for progressive economic and political integration, eg along the same lines of the EEA agreement that replaced anti-dumping duties with a common competition policy and provided mutual recognition of products (such agreements, in fact, inevitably force deeper economic and political integration and eventually also help, more or less indirectly, to draw an acceptable line between the applicants - as they did, actually, in the wake of the EEA Treaty (such political integration was part of the reason why the Swiss rejected it).

My argument therefore is that, if enlargement is ever to come true, the most difficult task to be addressed is, after all, institutional and policy reform of the EU itself. This has obvious implications for each member State - including, of course, Italy.

IV. Italy has always been in favour of an 'inclusive' EC/EU. Successive governments have supported the applications of EFTA countries - the UK, Ireland, Denmark and Norway (which eventually decided not to join) in the late 1960s/early 1970s - and, above all, the application of Mediterranean countries - first Greece, then Spain and Portugal, a decade later - although the latter group's entry, in particular, would inevitably have a negative impact on Italian 'interests' (CAP, regional aid). Furthermore, Italy has always advocated the cause of poorer areas within the EC and decisively pushed ahead the setting up of policies and funds designed to help them catch up with the 'core' and rebalance the internal economic structure of the Community.

However, on the occasion of the latest enlargement of the EU - to Austria, Finland, Sweden and Norway (which, once again, eventually decided not to join), in 1994 - Italy looked much less enthusiastic than before. The reasons are manifold:

- a deep and lasting domestic political crisis, dating back to 1992, which has drawn the country's attention and energy for years: EU partners have long perceived Italian political leaders as inward-looking, self-absorbed and, most importantly, de facto not present nor interested in European politics and policymaking;
- a strong feeling that, by admitting Austria and the Nordics, the European Union was to become more 'Northern' and more 'German' than ever before: the richer the average European citizen, the fewer the opportunities for Italy to play honest broker between opposite view and interests and to strike acceptable deals for the country's ailing public accounts (see Maastricht convergence criteria);
- by the same token, the conviction that the pivotal role gradually taken by a united Germany was to shift the focus of EU policies north- and (inevitably) eastwards, to the detriment of the Mediterranean basin. This was (is) felt to have crucial implications for Italy at all levels: politically (loss of clout), economically (growing marginalization), and strategically (more peripheral role, exposure to new threats from the Balkans and the Mediterranean itself).

So far, this perception has not changed significantly and applies, to a certain extent, also to the issue of enlarging the EU (let alone NATO) to CEE countries. The new applicants are also perceived as potential competitors for EU 'cohesion' funds (see Mezzogiorno) as well as exporters of cheap goods in such 'sensitive' sectors as textile and steel. This is not to say that Italy is *against* a wider and therefore safer

Europe. Nor is it uninterested in investing into Central-Eastern Europe: as a matter of fact, Italy is second only to Germany in the EU as a foreign investor and a trade partner in the Visegrad area - and this is particularly true of Poland - although Italian businessmen abroad certainly are not as effectively supported by their Embassies/Consulates as their German counterparts are. In addition, Italy was among the architects of the so-called 'Pentagonale' (now Central European Initiative) in the late 1980s, although it can be argued that Italy's diplomatic action suffered from lack of consistency and continuity, lack of resources and - last but not least - a slightly anti-German attitude.

Yet it is fair to say that, so far, Italy is in favour of "deepening" rather than "widening" the Union: only a reformed EU - basically along the same lines suggested by other 'integrationist' countries such as Germany, Belgium, the Netherlands and Spain - will be able to tackle the thorny issue of enlargement to CEE countries. Moreover, if any enlargement is to take place right away (ie. at the turn of the century), then rather to the South (Malta, probably Cyprus) than to the East - again, to reestablish some balance between the different and potentially conflicting *azimuths* of European integration.

As for the relations with the applicants from Central-Eastern Europe, Italy seems to give priority to *political* cooperation at all levels, including security and internal affairs (police, immigration). The government in Rome - in its present capacity as rotational president of the Union - tried to somehow associate the new applicants to the starting off and even the formal negotiations of the present IGC - albeit with little success. Conversely, Italian officials are rather prone to putting off actual EU membership and to setting in motion, instead, long transitional periods for them. Finally, a special case in point is represented by Slovenia, where touchy bilateral issues are at stake: the conflict is now coming to an acceptable solution, though, possibly by the end of 1996. As a test-case, though, the skirmishes with Lubljana have proved that Italy - not unlike Germany - has a strong interest in having 'Western' countries at its Eastern borders.

To sum up - and to put it bluntly - official Italy looks interested in reaping some immediate benefits in terms of peace and stability - in exchange for de facto allowing most of CEE countries into the Western 'club' - and on postponing the likely costs of their full EU membership. According to several opinion surveys and polls, however, Italian citizens are much warmer towards enlargement than their officials. They basically conceive of it as a sort of late compensation for the Cold War and as a guarantee for a future of peace and prosperity in Europe. The

new Italian government - given its political composition and its general attitude towards foreign policy and Europe - may prove more willing to take into account these feelings. Unfortunately, in the end it will all depend (mainly) on money. And by making this point we are back to where we started from ..

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n° inv. 16409
17 GIU. 1996

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