

Opening the door

**The enlargement of NATO
and the European Union**

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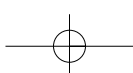
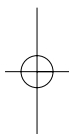


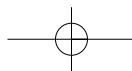
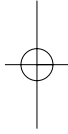
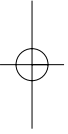
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Introduction

Britain and its European allies are now committed to a radical redrawing of their continent's political and economic map. By enlarging both the European Union and NATO, they hope to extend their own prosperity and security to as many as 100 million people in 12-16 poorer and less secure states. Yet the process of enlargement is creating huge institutional, political and economic strains, few of which have yet been resolved. And while the countries of Western Europe have already begun to open the door to let their neighbours in, this transformation of the European continent has received remarkably little public attention.

Enlargement is no longer a distant prospect. Poland, the largest and most important of the applicants, may well be welcomed into NATO by 1999, together with the Czech Republic, Hungary and perhaps Slovenia. Both Chancellor Kohl and President Chirac have—optimistically—held out to the Polish Government the prospect of EU membership in 2000. The costs and benefits of enlarging these two organisations, however, are still contested. There are hard negotiations both among current NATO and EU members, and between them and applicants, still to come. There is no consensus among Western governments about how far enlargement should extend. Nor is there any agreement on the extent to which NATO and EU enlargement should be seen as part of the same geopolitical process, rather than as separate developments.

The aim of this essay is to explain how far Western Europe has moved towards accepting the principle of enlarging NATO and the EU, to explore the considerable ambiguities behind that acceptance, and to outline the underlying issues which still need to be addressed. How should we best manage this double process? Which states—among the many clamouring for entry—should we admit, and when? What preconditions should we impose on them, in terms of economic development, administrative reform, domestic law, standards of political behaviour, civilian control of the military and quality of armed forces? At what point in their transition from socialist or protectionist models towards

those of Western Europe should we let them in? How willing are the members of the EU and NATO to accept that enlargement will necessarily transform both institutions and that it will fail unless they are prepared to rethink established assumptions and policies? Are Britain and the other member-states sufficiently committed to carrying enlargement through, or may the process yet grind to a halt when it exposes the divergent interests of member-states, and the awkward implications for EU policies and institutions?

Building a stable post-cold war Europe

The successful management of enlargement has now become the key to the future stability of the European continent. The foreign policies and economic strategies of the ex-socialist states of Central and Eastern Europe are geared to the prospect of future membership within a not-too-distant timescale. Denial, or undue delay, would demoralise their governments, remove current incentives to press ahead with economic and political reform, discourage inward investment and increase their sense of insecurity. Negotiations with those who will remain outside—with Russia, with Ukraine, with Turkey, and with the countries around the southern Mediterranean—are already informed by expectations on both sides that enlargement is a process already under way.

The scale of the challenge is immense. NATO retains the shape it adopted over 40 years ago, apart from the addition of Spain after the death of Franco. Previous EU enlargements have taken place within the wider framework of a stable western alliance and a divided Europe: growing incrementally between 1973 and 1995 from the original 6 to 9, then 10, then 12, then 15. Now the Union is facing the possibility of adding a further dozen countries within the next 10 years. Inclusion of the 12 Central and East European applicants would extend the EU to the Black Sea, make the Baltic an EU internal sea—interrupted only by isolated Russian territories—lengthen the EU's direct border with Russia southwards from Finland to Poland, and leave the successor states of Yugoslavia surrounded by EU members and overwhelmingly dependent on them.

In short, it would make the EU and the reshaped European and Atlantic security institutions the framework for a post-cold war European order. The maintenance of stability, however, would require those institutions

to develop the capacity to formulate and pursue coherent foreign policies towards the remaining states in the European region, as well as to manage effective policy-making and policy-implementation among a much more diverse group of EU members. There are some delicate choices to be made—and hard bargains to be struck—between defending the interests of the current members of the EU and NATO, promoting the prosperity and security of those which will be accepted as new members, and safeguarding good relations with states which will remain outside.

The Western response

The response of West European states—Britain included—to this challenge over the seven years since the Berlin Wall crumbled in October 1989 has been reluctant and piecemeal. Successive American administrations have driven the debate on the reshaping of NATO: at first sceptical about enlargement, then increasingly determined to bring at least the Poles into the alliance. The British in particular have taken their cue from each American initiative. The French have focused on “Europeanisation”: the adjustment of NATO commands and structures to reflect America’s reduced military commitment, and closer links between NATO, the WEU and the EU. The Germans have strongly supported enlargement to Poland, without spelling out how much further the process might extend.

The European Community’s initial programmes of economic and technical assistance gave way to toughly-negotiated trade and co-operation agreements, and then to Europe Agreements which allow EU members to maintain some limited protection against exports from Central and East European countries. The shadow of future enlargement hung over the Inter-governmental Conference of 1991, but was deliberately excluded from its agenda. The struggle to ratify the Maastricht Treaty distracted member governments in 1992-93, while they negotiated membership with the applicants from the European Free Trade Association (Austria, Sweden, Finland—and Norway, which failed to persuade its own voters to accept the membership offered). The Maastricht treaty’s plan for monetary union is still seen by most governments in major EU capitals as the overwhelming priority.

Enlargement unavoidably implies radical change within the EU, for the current *acquis* of entrenched policies, and for established institutional

patterns and practices. Yet from their different standpoints all major EU governments are united in their reluctance to consider changes which upset their national preferences, and in their determination to impose adjustments on potential applicants rather than on the EU itself. There has been little attempt to educate parliaments or publics about the implications of eastern enlargement or the extension of security responsibilities and economic transfers that it entails. The characteristic style has been one of disjointed incrementalism, shuffling from one half-commitment to another without spelling out to a wider audience the direction in which such commitments are leading.

The issues for Britain

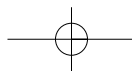
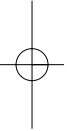
The British government's response so far has been incoherent. Its initial support for enlargement blended a positive commitment to helping Eastern Europe with the partisan belief that enlargement would sink the federalist schemes of Brussels and Bonn. As prime minister, John Major displayed a genuine enthusiasm for reintegrating the countries of East and Central Europe with the West, travelling to several of these states in the summer of 1992, and again in the spring of 1994. But the support he expressed (in an interview in January 1994) for an EU which "could extend to include Russia, as least as far as the Urals" suggested an uncertain grasp of the political and economic complexities involved. In spring 1994, when Major tried at the last minute to block agreement on the entry of Austria, Sweden, Finland and Norway, because of the implications for qualified majority voting, his government demonstrated how little it had thought through the implications of further enlargement (the matter was resolved, after several bad-tempered weeks, by Major climbing down in what became known as the "Ioannina Compromise").

Yet this is probably the most important issue for British foreign policy: the future shape and structure of the European order. Enlargement raises fundamental questions about Britain's place in building and maintaining that order, alongside Germany, France, Italy, Spain—and in future, alongside Poland, the Czech Republic, Hungary and others. In one sense this was the central issue of British foreign policy during the 20th century, until obscured by the Cold War. Britain went to war in 1939 over Poland, having declined to do so the previous year over Czechoslovakia. The 1914 war spread from rivalries and instabilities in South-Eastern Europe, spilling over to upset the balance of Central and Western Europe, and so



to threaten Britain's most vital interests. Germany had become Europe's central power from its unification, and defeat of France, in 1871. "Round Germany as a central support the rest of the European economic system grouped itself", John Maynard Keynes wrote in 1919 in *The Economic Consequences of the Peace*, "and on the prosperity and enterprise of Germany the prosperity of the rest of the Continent mainly depended". The Versailles Peace Conference failed to establish a framework for European international stability: its leaders were torn between a determination to impose harsh penalties on Germany, ideals about national self-determination and awkward questions of territorial claims and national minorities across Eastern Europe.

The division of Europe after 1945 resolved such questions by imposing external hegemony, American and Russian: one benevolent, the other politically and economically disastrous. The collapse of the socialist system and the United States' retreat to semi-commitment has now brought us back to the question of what institutions and rules we want for a wider Europe, within which Germany is the central power and Britain a potentially-significant player on its western edge—if it can decide what role it wishes to play.





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Where we are now: the shuffle towards enlargement

Western countries were as unprepared for the extraordinary collapse of socialist regimes between 1989 and 1991 as the regimes themselves. Ad hoc responses to liberalisation in Poland and Hungary, in the spring and summer of 1989, set the pattern for the EU's strategy: financial and technical assistance through the PHARE programme (Poland, Hungary, Aid for Reconstructing Economies, progressively extended to other countries as new regimes emerged), the establishment of the European Bank for Reconstruction and Development and the negotiation of trade and co-operation agreements.

Post-communist governments, in the first flush of enthusiasm about "returning to the West" naively imagined that Western democracies would welcome them with open arms—and naively underestimated the enormous adjustments they would have to make in their economic, military, legal and administrative structures before they could cope with membership of the EU or NATO. The first three to embark successfully on political and economic transition—Poland, Hungary and Czechoslovakia—did establish a formal structure for co-operation, in the Visegrad Declaration of 1991; but each of them placed a far higher priority on following their own, individual path towards integration, and each thought its own "special" position would ensure that it was admitted to the EU and NATO within a few years.

Western governments in their turn were disorientated by the speed of change: next the Berlin Wall came down, then regimes collapsed in Romania and Bulgaria, then post-socialist East Germany demanded unification, then the Warsaw Pact dissolved, then the Baltic states began to break away from the Soviet Union, then Yugoslavia disintegrated, then the USSR itself fell apart. Programmes designed for a small number of countries were adapted and expanded; the EU and national governments scrambled to recruit new specialists and open new missions.

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TACIS (Technical Assistance to the Commonwealth of Independent States) grew up to parallel PHARE. Negotiations over the future of the then European Community and the restructuring of NATO and the Western European Union (WEU) preoccupied member governments throughout 1990 and 1991, so their response to the demands of Central and East European countries for money, market access and membership was inevitably reluctant and piecemeal.

Integrating East Germany

The EU did of course enlarge in the course of 1990, taking in 17 million East Germans, with an economy still dominated by traditions of state planning and a territory still partly occupied by Soviet troops. The domestic political considerations which led the West German government to speed up the process of reunification, to fix the currency conversion rate at parity, and to promise West German electors that unification would not be an immensely costly exercise, were all compelling. Their consequences for the rest of the EU were however adverse: German borrowing raised interest rates and helped to drive the entire West European economy into recession.

The immediate impact of integrating 80 million Germans into a single state was to impose a heavy strain on the West German economy, and to make German taxpayers fearful about the costs of allowing their eastern neighbours to follow eastern Germany into the EU. Its long-term implications, however, make Germany once more Europe's central power. The successful reintegration of the "five new Länder" into the German economy, together with renewed access to Germany's pre-cold war markets in eastern Europe, would further strengthen the central position of the German economy. The sub-text of the Maastricht inter-governmental conference, for the French and the Dutch and for the Germans themselves, was about containing this potential European hegemony within a tighter political and monetary union. The British, in contrast, wavered between surges of anti-German prejudice and acceptance of German economic and political leadership of the European continent, without defining how Britain might best contribute to a new European balance.

From Europe agreements to "pre-accession"

From the EU's perspective, its cumulative response to the demands of post-communist states has been realistic and positive, within the limits of its own *acquis* and political priorities. From the perspective of those

pressing for access, the EU's approach has been marked by persistent reluctance, amounting almost to denial that enlargement was a priority: a minimalist attitude to financial assistance, vulnerability to protectionist lobbies on market access, and above all a refusal to offer any timetable for membership. Successive Polish governments have been particularly vigorous in their criticisms.

The European Council in Dublin in April 1990 accepted the proposal to move on towards wider association agreements with the then three transition states, directing the Commission to draw up a mandate for negotiation. It took the whole of 1991 to negotiate the Europe Agreements, with entrenched Community lobbies fighting hard to protect such "sensitive" sectors as steel, textiles and agriculture from these outsiders. Negotiations almost broke down over French resistance to higher imports of live cattle; others competed to protect the specific interests of Belgian sausage producers, Scottish raspberry growers and the like. It was a hard lesson for the would-be associates, made even harder by the Community's refusal to include in the final agreements an explicit commitment to membership as a mutually-agreed objective. As a "mixed agreement" which covered political relations as well as matters strictly within the Community's competence, each treaty then required a further two years for all member-state parliaments as well as the European Parliament to ratify—by which time the agenda of EU relations with the Central and East European countries (CEECs) had moved on.

EC tight-fistedness shocked—and weakened—these reforming governments. They had pledged to their voters that access to West European markets would ease the pain of transition, only to find that many of the exports they could most easily send were blocked. The gap between the grand objectives of the Maastricht Treaty and the slowly-fashioned compromises of Community external relations was painfully wide.

Nevertheless, the Europe Agreements have formed the foundation for closer links between the Union and the CEECs: extended to Bulgaria and Romania as they embarked on transition, then to the three Baltic states and then to Slovenia, to make (with the division of Czechoslovakia and the renegotiation of separate agreements with both of its successor states) a total of 10 Europe Associates by 1996. The EU's position on



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enlargement has shuffled forward from European Council to European Council. Under the Danish Presidency the Copenhagen European Council in June 1993 accepted the Commission proposal that “the European Council should confirm in a clear political message its commitment to membership of the Union for Europe Agreement signatories when they are able to satisfy the conditions required”, and it speeded up the removal of barriers to trade with the CEECs. The Greek Presidency’s Corfu Council in June 1994 declared that negotiations with Malta and Cyprus would open within six months of the conclusion of the forthcoming IGC.

The Essen European Council in December 1994, chaired by Chancellor Kohl, agreed on a much more focused “pre-accession strategy” for the Europe Agreement states. The political “structured dialogue” was strengthened, with a minimum of one meeting of heads of government per year and two for foreign ministers. Targets were set out for applicant countries to meet in preparing for access to the single market, with technical assistance promised for the measures needed. The PHARE programme was extended to cover investment in infrastructure. But the EU could not agree to make any further significant concessions on agriculture, and made only marginal concessions in relaxing restrictions in sensitive industrial sectors. As disappointed negotiators from the EA states were quick to notice, the pre-accession strategy was a one-way process: it set out a programme of adjustment by which to assess the applicants’ fitness for future membership, without saying anything about the adjustments required from the EU or its members.

The Cannes European Council in June 1995 received from the Commission a “Progress Report on the pre-accession strategy”, which was also considered by a joint meeting with heads of government of the EA states. That of Madrid in December 1995 discussed at last an “Interim Report on the effects on the policies of the European Union of enlargement to the associated countries of Central and Eastern Europe”. Pressed by the German Chancellor to set at last a timetable for accession negotiations, the Council cryptically expressed the hope that “the preliminary stage of negotiations” with the Europe Associates “will coincide with the start of negotiations with Malta and Cyprus”, while calling on the Commission to prepare “Opinions” on the suitability of candidates for membership before then. The prospect therefore opens of a grand “family photograph” of heads of government of the 15 EU

members with the 12 accepted potential members, in the later winter or early Spring of 1998—unless negative Opinions from the Commission have already persuaded the European Council to strike out some candidates. After that the hard bargaining will begin, with some or all of the applicant states.

The Mediterranean minnows

It may seem extraordinary that Malta and Cyprus should, on Greek insistence, have been granted priority over the Europe Associates in negotiating for membership. Other southern EU member states share, to greater or lesser degree, the sentiment that southern enlargement provides a symbolic counterbalance to the EFTA enlargement, followed in time by the accession of East and Central European and Baltic states. Otherwise the balance of the EU would shift substantially northwards and eastwards, with Germany as its central focus and with eight EU members surrounding the Baltic.

Malta's 350,000 people are crowded onto almost bare rock in mid-Mediterranean. Its Socialist government in the early 1980s had defined Malta's role in neutral Euro-African terms. The Nationalist government which returned to power in 1987 was in contrast committed to integration into Europe, submitting a formal application to the EU in July 1990 (but not so far to NATO). The further change of government in October 1996 has again put Malta's commitment to EU membership in question. *Cyprus* is a divided state of 700,000 people, with its Greek majority prospering from tourism and from services for the Middle East; its Turkish minority suffers economically and politically from international isolation and depends on mainland Turkey for support. Commitment to opening negotiations does not imply a necessary commitment to agree on the terms of membership. Both applicants raise in acute form the institutional problems of mini-states within the EU. One Luxembourg, with its own commissioner, its own judge in the European Court of Justice, and six members in the European Parliament may be tolerable; but three builds in privileges for small independent states against larger regions within major states—Catalonia, Scotland, Sicily, Saxony—which could prove politically unsustainable.

The question of Cyprus—as far south as Tunisia, as far east as Crimea, closer to Syria and Lebanon than to mainland Greece—is intricately

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linked to the question of Turkey and to Greece's position in the EU. It was the Greek Presidency of the EU Council of Ministers in 1994 which pressed the case for Mediterranean enlargement, as the final settlement of EFTA enlargement was reached. Acceptance by other EU members of Cyprus as a priority applicant was the Greek condition for agreeing to the customs union with Turkey which Germany and other states strongly desired. Relations with *Turkey* are themselves a matter of considerable delicacy for the EU. A member of NATO, Turkey was granted in its EEC Association Agreement of 1963 the prospect of full membership after a lengthy period of transition. It submitted a formal membership application in 1986. For America and for Western Europe Turkey remains an important ally in containing instability in the Middle East and in Western Asia—and probably more important since the states of the Caucasus and Central Asia emerged from the Soviet Union.

Successive Turkish governments still maintain their determination to join the EU, aggrieved that Greece's now-privileged position within the EU places Turkey at a structural disadvantage. EU governments hesitate for geopolitical reasons to admit that none of them are willing to contemplate Turkish entry within any foreseeable future; they are therefore anxious to offer a generous associate status instead. A settlement of the Cyprus dispute, with a consequent improvement in Greco-Turkish relations, would for the major EU governments merit the prize of Cypriot membership. But such a settlement still looks a distant prospect. Several EU governments do not share the Greek position that the Greek side of Cyprus now has the right to join the EU before such a settlement is reached.

Those that may follow

Ukraine, like Turkey, has urged its case for full membership of the EU—and also of NATO. Like Turkey, however, it is seen throughout the EU as too large, too costly in terms of economic transformation and too geographically distant for membership to be conceivable. In South-Eastern Europe, however, there remain a number of states that are already heavily dependent on the West European economy and likely, within the next 10 years, to be virtually surrounded by EU member states. *Albania* has emerged from an autarkic dictatorship into a so-far hesitant economic and political transition. *Macedonia* was left stranded by the break-up of Yugoslavia and by the subsequent dispute with Greece over whether it had

the right to call itself by that name. Its autonomy is currently reinforced by the presence of American and Nordic forces under UN auspices; its undeveloped economy is supported by external aid; and its politics are balanced uncertainly between the Macedonian majority and the large Albanian minority.

Then there are *Croatia*, rump *Yugoslavia*, and post-conflict *Bosnia*. Many in the current Croatian elite assume that as a Catholic country with a substantial population in Germany they will be welcomed into the EU in their turn as soon as the Bosnian conflict is settled; they do not understand that membership depends upon meeting standards of democracy and civil and minority rights which have not yet been reached in Croatia. It is impossible to assess what sort of state may emerge in rump Yugoslavia after the current conflict; its economy is in a desperate condition, its political system still authoritarian, its Albanian minority bitterly alienated from the Serb-dominated state. The future of Bosnia is even more uncertain, and even more desperate.

Anyone concerned with the establishment of a stable European order will recognise that this group of states is likely to need external assistance and guidance—and quite possibly even intervention—for a long time to come. The responsibility for this tutelage will unavoidably fall primarily on West European states, working together through the EU and (as far as the USA is willing to accept) NATO. The EU is already negotiating with Albania and Macedonia, offering the former less than the associate membership of a full “Europe Agreement”, with the commitment to full membership that it seeks, and the latter a more limited “Trade and Co-operation Agreement”.

None of these countries except Croatia (with which negotiations were opened in 1995 but then suspended) is likely to be able to meet the economic conditions for membership within the foreseeable future. The rest will nevertheless hope to follow the path that leads from trade and co-operation agreements through Europe Agreements to eventual membership. They have nowhere else to go, no alternative except continuing dependence. The process of enlargement, to incorporate the orphaned states of socialist Europe into a Western-led institutional order, may well stretch over a quarter-century from 1989, well into the second decade of the 21st century.

There are of course two economically-advanced European states—Norway and Switzerland—which have so far failed to persuade their electorates to support European integration. They may one day try again. Icelandic governments have so far held back from applying to the EU, though like Norway and Turkey Iceland is already a NATO member. The potential maximum membership of the EU under current assumptions thus stretches into the middle thirties.

NATO enlargement

The attraction of NATO to states emerging from Soviet domination was clear: it offered them security guarantees against Russia, moving them decisively from one of Europe's pre-1989 "camps" to the other. The attractions of enlargement to NATO members are less direct. For the United States, admittedly, enlargement offers a chance for it to maintain its leadership role on European security, albeit at the cost of a continuing military commitment. For some West Europeans, NATO enlargement offers a convenient substitute for developing an effective EU common foreign and security policy (CFSP); it maintains a framework in which the USA provides formal leadership, so that the Europeans do not have to grapple with the balance of influence between Germany, France, Britain and others in an autonomous European framework. American and West European priorities thus overlap, but are far from identical. The complexities of the post-1989 relationship between NATO and the WEU, and between the WEU and the EU's CFSP, continue to exemplify the ambiguities involved.

Both NATO and the WEU moved, almost competitively, to associate former socialist states. NATO's response to initial demands for accession was the North Atlantic Co-operation Council (NACC), which grew with the collapse of the USSR to include the new states of the CIS; its second response was to develop the Partnership for Peace (PfP), with its in-built ambiguity over whether this was a preparation for membership or a substitute. NATO's 16 members now have 27 "Partners", associated countries with which NATO holds consultative meetings, conducts joint exercises and assists in military training.

The Western European Union emerged from the Maastricht IGC with one new member (Greece, which threatened to block the final agreement unless it was allowed to join), three new associates (Turkey, Norway and Iceland,

as European NATO members outside the EU) and two new “observers” (Ireland and Denmark, as EU members not within the WEU—now increased to five with the accession of Austria, Sweden, and Finland to the EU). French insistence on a degree of independence from America in Western Europe’s response to East European security needs spurred the development, in addition, of the WEU Forum, which adds the 10 EU associates with Europe Agreements. The result is an international organisation which can meet as a 10, 18 or 28-member body, hanging uncertainly between more-active NATO and would-be security-competent EU.

The enlargement of NATO raises questions as awkward and unanswerable as enlargement of the EU—above all, of the future position of Russia in the post-cold war European order. Since East European applicants to NATO are specifically seeking security against any future Russian threat, it is hard for Western governments to argue that eastward expansion is not aimed at Russia and intended precisely to exclude Russia. Both NACC and PfP were carefully designed to include Russia, offering closer co-operation to the states between Germany and Russia without drawing any exclusionary boundary. Sustained pressure from Polish governments, domestic politics in the USA (notably the strength and organization of the Polish vote in several key states) and coalition politics in Germany (especially the rivalry between the foreign and defence industries) combined to push the Atlantic Alliance into making formal commitment to enlarge in January 1994. Since then the alliance has commissioned studies and scheduled future decisions in order to disguise its internal differences—and even its confusion—on the issue.

“The aim of an improved security architecture”, the 1995 alliance *Study on NATO Enlargement* declares, “is to provide increased stability and security for all in the Euro-Atlantic area, without recreating dividing lines.” The alliance now plans to launch negotiations with a first batch of prospective members at a special summit in mid-1997. The future of the WEU is again under discussion in the 1996-97 IGC, though enlargement was not discussed in the WEU’s submission to the IGC. The NATO study makes clear the link between its own expansion and that of the EU and WEU: “NATO’s enlargement must be understood as only one important element of a broad security architecture. An eventual broad congruence of European membership in NATO, the EU and the WEU

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would have positive effects on European security.”

But there's the rub. If NATO and EU enlargement are unavoidably linked, how best to manage the parallel processes? Which should lead, and which should follow? The existence of the WEU further complicates the picture: it is a grouping of states that has delegated its task of mutual defence to NATO, yet is linked to the EU (the WEU treaty's formal commitment to mutual defence is stronger than that of NATO). The possibility that some EU members might become WEU members without joining NATO has exercised many Americans, fearful of finding themselves indirectly committed in a future crisis without any direct influence over events. The Austrian government has hinted that it might wish to join the WEU; there has been some discussion of the question in Finland. However there is a tacit understanding among NATO governments that countries should not be allowed to join the WEU unless they are already in NATO; otherwise, countries that contributed nothing concrete to Europe's collective security would be entitled to call on NATO to defend them. In any case, most of the countries still outside the EU focus their attention on NATO, with its American-sponsored security guarantees. They seek to join both NATO and the EU, as soon as possible, and will accept membership from the organisation that offers it first.

Criteria for entry: politics, economics, security

Article 237 of the Treaty of Rome states simply that “Any European state may apply to become a member of the Community”. The treaty neither defines “European” nor sets out any other preconditions. Four enlargements since 1957 have however set precedents about requirements and responsibilities, and about the broader links between EU membership, democratic credentials and European security.

The enlargements to bring in Greece, in 1981, and Spain and Portugal in 1986—all of them emerging from authoritarian regimes—provide an often-cited precedent for the central and east Europeans. The Copenhagen European Council of 1978 set out a summary list of democratic standards which all member states were expected to observe. This declaration was intended to strengthen the Community’s leverage against any future member which might slip towards authoritarian rule.

The Spanish government, representing the only one of this threesome not already a NATO member, understood very clearly that its “return to Europe” also required accession to the Atlantic Alliance. So it applied to that in parallel with the EC and joined in 1982. Spain and Portugal were also accepted into the WEU in early 1987, after they had joined the EC and after the existing seven member states had spelt out in another declaration their shared understanding of the political and security obligations of membership.

The underlying criteria for EU membership were political. Had this principle not overridden economic considerations, neither Portugal nor Greece would have been accepted as candidates. The commission opinion on Greece indeed expressed strong reservations about the country’s economic and administrative weaknesses: reservations cast aside by the strong political commitment of several member governments (most of all the French) to Greek entry. All three entered the EC after they had

negotiated periods of transition. They were thus granted the political privilege of full participation in EC policy-making before they gained the full economic and financial privileges of membership (particularly in agriculture) or were required to meet its full commercial and economic obligations.

The scale of the challenge presented by the former-communist applicants has led the EU since 1989 to spell out its expectations explicitly and in much more detail. The preambles to the second group of Europe Agreements touch on almost every aspect of political and economic adaptation:

“Considering the firm commitment of the Community and its member states and of Bulgaria to the rule of law and human rights, including those of persons belonging to minorities, and to the full implementation of all other principles and provisions contained in the Final Act of the Conference on Security and Co-operation in Europe (CSCE), the concluding documents of Vienna and Madrid, the Charter of Paris for a New Europe, as well as to the provisions and principles of the European Energy Charter..

Willing to promote improved contacts among their citizens as well as the free flow of information and ideas, as agreed by the parties in the framework of the CSCE...

Believing that a link should be made between full implementation of association, on the one hand, and continuation of the actual accomplishment of Bulgaria’s political, economic and legal reforms on the other hand” ... And so on.

Article 6 of these Europe Agreements makes the political conditionality even clearer:

“...Respect for the democratic principles and human rights established by the Helsinki Final Act and the Charter of Paris for a New Europe, as well as the principles of market economy, inspire the domestic and external policies of the Parties and constitute essential elements of the present association.”

The conclusions of the June 1993 Copenhagen European Council, which finally accepted that “the associated countries in Central and Eastern Europe that so desire shall become members of the European Union”, added immediately that:

“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 the 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.”

The strictness of these criteria compared to those applied to the earlier Mediterranean applicants has aroused some bitterness among the current applicants. This time round, it appears to them, the EU is insisting that the process of economic as well as political transition should be well advanced before entry, rather than spread between pre-entry and post-entry stages. The EU’s “Pre-accession Strategy”, agreed at the Essen European Council in December 1994, laid down a set of targets which would assist the lengthening list of candidates to prepare for eventual membership. Many within the Polish and Hungarian governments, which had hoped by then to be well on their way to full membership, interpreted the targets rather as an accession-avoidance strategy, pushing the burden of adjustment onto the applicant states and pushing back the point at which formal negotiations for entry would start.

Setting achievable targets

What should the EU require of applicants before they are accepted as having met the criteria for membership? The commission and the member-governments assert with much justice that the task of legal and administrative transition, as well as of economic transformation, is unavoidably more complex for former socialist states than for authoritarian market regimes. New frameworks for banking, property law, accountancy, privatisation, competition rules and relations between the private and public sectors all need to be legislated for, while competent staff inside and outside government must be trained to implement them. Greece, Spain and Portugal entered the EC before the Single European Act

or the 1992 Programme had been implemented; the Union which the current applicants are seeking to join is hugely more complex and integrated.

What political, security and economic conditions should the EU impose? In all states under socialist rule the autonomous institutions of civil society had been suppressed. Several of the applicants, notably Romania and Bulgaria, had not progressed very far towards open political and civil societies before the Second World War overwhelmed them. The EU is thus justified in establishing more explicit political criteria. The EU's pre-accession relationship with Slovakia, for example, has taken into account the government's behaviour towards press freedom, the political opposition and the Hungarian minority. Experience with Greece has made EU members especially cautious about accepting new members who have unresolved conflicts with their neighbours. So the EU has exerted pressure on Hungary, Romania and Slovakia to resolve disputes over Hungarian minorities, and on the Baltic states to improve their treatment of their Russian minorities.

Economic criteria are in some ways the most difficult to clarify. The Copenhagen criteria do not refer to levels of development, but to institutions and structure: entrants must have achieved "a functioning market economy as well as the capacity to cope with the competitive pressure and market forces within the Union." A functioning market economy in turn requires competent and non-corrupt administrative and legal structures. Once those structures are in place, it is implied that the applicants will be able to pursue further economic development inside the EU.

The informal criteria that should be set for the entry of poorer states, with economies biased towards the sensitive sectors of agriculture, textiles and steel, is a contested issue among the present member-states. Less developed members which joined in previous rounds of enlargement still do well out of the "structural funds" and the common agricultural policy (CAP). The bias of the CAP towards support for "northern" crops—beef, dairy produce and cereals—has meant that Ireland, a country small enough not to threaten the overall system but productive enough to respond to its incentives, has in many ways benefitted the most. Spain, together with Ireland, Portugal and Greece, has determinedly negotiated

the budgetary packages of 1988 and 1992, plus the Maastricht treaty, to entrench the principle of “cohesion” and to increase the flow of funds from richer to poorer states. The “Delors Two” budgetary package, covering 1993-1999 inclusive, raises the EC’s structural funds to a third of the Community budget (ECU 27.7 billion for 1996, compared with ECU 5 billion for “external action”, meaning aid for non-EU countries). On the criteria now established for regional aid, all the Europe Associates would benefit hugely from joining the EU—with Poland and Romania the largest beneficiaries. Unless discriminatory conditions were to be placed on transfers to these new entrants, or lengthy post-entry transition periods agreed before full entitlements were granted, the redistribution of costs and benefits among the EU’s current members would be painful.

Agriculture still takes 45 per cent of the EU budget, supporting a CAP in which high guaranteed prices have encouraged over-production. The potential entry of significant producers of northern agricultural products (and of southern products for which there are also market regimes and surpluses, such as wine) is a threat to the CAP. Here again, Poland is the key (with Hungary a secondary concern). A quarter of the Polish workforce is in agriculture, producing less than it did in 1989 but with the potential for dramatic rises in output as prices increase and as food processing facilities improve. Some 9.5 million people in the associate states are employed in agriculture, against 8 million in the EU. The costs and timescale of agricultural adjustment both within the current EU and in the applicant states are hard to estimate. Two points are now becoming generally accepted: that on the basis of current agricultural policies enlargement to all the Europe Agreement states would raise the EU’s agricultural expenditure by between 30 and 50 per cent (an additional 15-25 per cent in overall EC spending); and that CAP reform must be well advanced before that enlargement takes place.

Previous enlargements offer mixed precedents on these questions. Opposition from French farmers pushed their government into delaying Spanish entry for almost two years, and imposing a further period of post-entry transition. On the other hand Ireland, Greece and Portugal were all accepted into the EC with real GDPs per head little better than half the EC average: a standard which Slovenia and the Czech Republic have already attained. Eurostat figures give Ireland in 1970 a real GDP based on current purchasing power parities of 59.5 per cent of the EC average;

Greece in 1980, 58.2 per cent; and in 1985 Portugal, 52.2 per cent and Spain, 71.7 per cent. The Centre for Economic Policy Research's 1992 study more severely estimates per capita income on accession as 50 per cent of EC average for Ireland, 41 per cent for Greece, 49 per cent for Spain, and 23 per cent for Portugal (relying on World Bank figures).¹

The EC was economically generous to its Mediterranean new entrants 10-15 years ago, for what seemed to be justifiable political reasons. Financial generosity is now in much shorter supply among governments struggling to hold down public expenditure in circumstances of low economic growth. Richer member governments are determined to curb overall Community spending; "cohesion" states will fight to defend the transfer payments they have grown used to.

¹ Eurostat figures in Loukas Tsoukalis, "The New European Economy"; Oxford 1991. "Is Bigger Better? The Economics of EC Enlargement" CEPR, 1992

POPULATION AND GDP 1994

	Population <i>m</i>	GDP <i>Ecu bn</i>	GNP per/cap <i>PPP Ecu*</i>	% of EUGDP <i>per/cap</i>
Czech Republic	10.3	30.8	6738	42.2
Hungary	10.4	35.2	5720	35.8
Poland	38.6	81.8	5029	31.5
Slovakia	5.3	10.6	5365	33.6
Slovenia	2.0	11.3	8076	50.5
Estonia	1.5	1.9	6316	38.4
Latvia	2.7	2.9	4593	28.7
Lithuania	3.7	2.9	2828	17.7
Bulgaria	8.4	8.6	5280	33.0
Romania	22.7	27.1	2669	15.7
CEEC 10	105.5	213.0	4776	29.9
EU 15	369.9	6187.0	15984	100.0

*1993 figures, taken from the World Bank Atlas.

SOURCE: EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
TRANSITION REPORT 1995

The EU will have to set targets for reforming its own budgetary rules and agricultural policies if further enlargement is to succeed. It cannot impose criteria for adjustment only on the applicants; the EU and its member governments will have to accept that they, too, must change their ways.

Meeting the targets

Unavoidably, each national process of transition is distinctive. Most associated states have moved through two changes of government since the transition, with patterns of political life settling into relatively stable democratic patterns. Three states are currently lagging behind. Political developments in Slovakia raise questions over its progress towards

² *European Economy Supplement C, May 1996: a special issue on economic reform in Eastern Europe, from which much of the economic material in this chapter has been taken*

membership, though its economy made a spectacular turnaround in 1994, so that in 1995 it had the highest rate of growth (7.4 per cent) and the lowest inflation rate of all the associates.² Romania and Bulgaria lag behind other associates both politically and economically. They have also been damaged economically by the conflict in former Yugoslavia, which has blocked transport routes and closed an established market. Romania, on all international estimates the poorest of the associates, provisionally recorded a growth rate of almost 7 per cent in 1995. Its domestic politics are still, however, marked by strong state patronage, under a government coalition which had changed only partially from the overthrow of Ceausescu until the elections of autumn 1996. There has been slow progress in privatisation and in removing political influence from banks and state enterprises. Bulgaria suffered a dramatic foreign exchange crisis in 1996, because of its failure to control still-state-owned banks and their loans to loss-making state enterprises. Its socialist government, returned to power after a period of ineffective rule by an alternative coalition, has resisted closures and moved slowly on privatisation. Shortages of food and fuel re-emerged in 1996, threatening domestic political order as well as further economic reform.

All the post-communist states suffered a drastic drop in their standard of living as they shifted from planned towards market economies. But all of them, perhaps excepting Bulgaria, are now recovering. The average rate of growth among the 10 associate states in 1995 was 5.25 per cent, compared to an EU average of 2.4 per cent. Poland and Slovenia are expected to recover their 1989 level of GDP by the end of 1996, with the

Czech Republic, Hungary and Slovakia following in 1997 (as well as Romania, recovering to a level which was in 1989 well below these already-industrialised states). Hungary has been held back by large budgetary and current account deficits, exacerbated by an overhang of foreign debt from the socialist period. Foreign investment has flowed most strongly into the most politically stable and geographically convenient economies in the region: Hungary (the most successful here), Poland, the Czech Republic, Slovenia and Estonia. Cyprus and Malta, market economies already relatively open to the EU, are in a different economic league: pressing their case for early entry without having to wait for other applicants to repair the damage left by state socialism. Cyprus's position as offshore banking centre for the Middle East, rump Yugoslavia and the CIS does however present difficulties; the EU's regulatory regime would severely inhibit activities which have contributed significantly to Cypriot growth.

Criteria for NATO—and for the WEU?

Article 10 of the 1949 North Atlantic Treaty states simply that “The Parties may, by unanimous agreement, invite any other European State in a position to further the principles of this Treaty and to contribute to the security of the North Atlantic area to accede”. The 1995 NATO *Study on Enlargement* reaffirmed that “There is no fixed or rigid list of criteria for inviting new members to join the Alliance”. Nevertheless the study and subsequent NATO consultations have set out a range of conditions for applicants to meet. Civil control and democratic accountability of military forces is an absolute condition—one which Poland did not meet fully until after its change of president in December 1995. The resolution of bilateral territorial disputes or cross-border minority issues “would be a factor in determining whether to invite a state to join the Alliance” (paragraph 6 of the NATO study). Insistence on full accessibility to new members' territory for reinforcement, crisis management and (if needed) stationing (paragraph 44) throws some doubt on Hungary's admissibility: it would lack a common border with another NATO member unless Slovakia, Slovenia or Austria were admitted at the same time.

The June 1996 NATO Council, in Berlin, went further in spelling out the military contribution new members would be expected to make: a minimum of one NATO-compatible brigade of approved military competence, together with compatible command and control and air

defence systems—underlining that the Alliance was not prepared simply to extend its security guarantees without asking in return for significant contributions to the common defence. The Baltic states have forces too small to meet such criteria except on a joint basis; though they, like other hopeful applicants, have done their best to demonstrate willingness by participating in PfP exercises, by contributing to UN and NATO forces in Bosnia, and by inviting military advisers from NATO members to help train their newly-formed national forces.

NATO enlargement is not a costless exercise. New entrants, the NATO study on enlargement remarks (paragraph 45), “should also be aware that they face substantial financial obligations when joining the Alliance”. They would need to invest in upgrading their forces towards common NATO standards and would also be expected to contribute to the common budget. Communication systems must be made compatible; airfields made accessible; railways and pipelines improved to permit rapid deployment and continuing supply. National forces within the applicant states will have to be trained to alliance standards as well as partly re-

³ See “What will NATO enlargement cost?” by R. Asmus, R. Kugler and F. Stephen Larrobee, *Survival*, Autumn 1996

equipped. The question of who pays for this—how the costs of enlargement should be distributed among current NATO members and between the alliance and the applicants—has not yet been publicly addressed. Studies on the costs of entry within central European defence ministries have given aspiring member governments pause for thought. Since NATO enlargement would promote the security of the entire European region, the costs should be spread across the whole alliance rather than focused on the budgets of countries in economic transition. But there have been disturbing indications that America’s Congress will expect the West Europeans to foot the cost, and that West European governments will expect the new entrants to pay many of the bills themselves.³

Full membership of the WEU is now explicitly linked to prior membership of the EU. The Declaration on the Western European Union attached to the Maastricht treaty declares that “The objective is to build up the WEU in stages as the defence component of the European Union”. It is possible to join the EU alone, but not to join the WEU before the European Union. The Declaration spells out the WEU’s dual role by adding the parallel objective “to develop the WEU as a means to strengthen the

European pillar of the Atlantic Alliance". There is an understanding among governments that no country should join the WEU without first being a member of NATO. This is because the WEU has mandated the job of defending its members to NATO. If a WEU member that was not in NATO came under attack, it would have to call on the aid of an organisation to which it did not contribute. NATO and EU membership are historically associated but not formally linked; it is a matter for political judgement—and for a careful estimate of the potential costs and benefits—as to which should come first, in which instance, and how far membership of one implies acceptance into the other.

Who might enter, and when?

While the EU now has a pre-accession strategy, neither the EU nor NATO yet have agreed strategies on accession. Three interdependent issues need to be addressed: how best to differentiate among a large group of states without excluding those who miss the first round from the long-term prospect; the question of timescale; and the relationship between the two processes of enlargement.

For both the EU and NATO, Poland is the candidate which matters most. It is the largest state, in terms of population and economy (and agricultural potential), and the applicant with the most historically entangled relationship with Germany, France, Britain and the USA. The whole debate on NATO enlargement has revolved around offering Poland enhanced security—and about the American administration and the German government making symbolic gestures with powerful domestic implications.

NATO, pushed along by the Americans, is moving towards a decision on enlargement at a Heads of Government meeting in mid-1997. The intention may be to complete the process in April 1999, exactly 50 years after the signature of the Atlantic Treaty. In addition to Poland, the Czech Republic is an uncontentious candidate for admission: its boundaries are secure, its forces are retraining under British supervision and it had a contingent attached to NATO's implementation force (Ifor) in Bosnia in 1996. The Hungarian government hopes that it has earned admission through supporting American forces in Bosnia by providing a former Soviet base in southern Hungary. Slovenia and Slovakia have hopes that they also might be included, though neither brings evident benefits to the

alliance, bar land access to Hungary. After the NATO defence ministers' meeting in Bergen, in September 1996, Bill Perry, the American defence secretary, told representatives of the Baltic states that they were "not yet ready for NATO". He did say that they might one day join the alliance. (It is characteristic of the American-driven quality of NATO enlargement that this message was delivered by the American defence secretary in a quadrilateral meeting with ministers from these three states, rather than by NATO defence ministers as a group.)⁴ However there is no consensus within NATO about any second round of enlargement, for instance over whether the alliance should in time extend its security umbrella over either the Baltic states or south-eastern Europe.

⁴ "Perry tells
Baltics: You're
not ready",
International
Herald Tribune
28/9/96

Until 1992 the (then) three Europe Agreement states could hope to enter the EU together, within a limited timescale. The offer of Europe Agreements to Romania and Bulgaria, and then to the Baltic states and Slovenia, was a blow to the Visegrad group's hopes of an early "return to the West". Limited enlargement to some three to five Central and East European states (Slovenia is now more likely to be included with the front-runners than Slovakia)—all immediate neighbours of the EU 15 and "Western" in cultural traditions—still has strong advocates. Chancellor Kohl took this line at the Madrid European Council in December 1995. But he was blocked by Denmark, Sweden and Finland, determined that at least one Baltic state should be included in the first round of enlargement, so that the process did not falter after Germany's most direct concerns had been met. Nordic members of the EU argue that denial of entry to both NATO and the EU for the Baltic states—or at least postponement, without any clear future commitment or timetable agreed—would signal to the Russians (and to the foreign investors these countries hope to attract) that the West regarded them as outside its sphere of interest.

Successful applicants need strong sponsors within the EU to press their case. Germany and Austria have powerful political and economic interests in the five states of former German and Austro-Hungarian Mitteleuropa: Poland, the Czech Republic, Hungary, Slovakia and Slovenia. The three Nordic members are as committed to Estonia, Lithuania and Latvia (as also to Poland), and are promoting the case of Estonia—the most advanced economically—with particular vigour. Greece may threaten to

block the accession of any other country unless Cyprus comes in, while Italy and France have weaker interests in taking in Malta. Romania and Bulgaria, politically and economically the weakest associates, are also the most weakly supported among the current membership; Romania, with over 22 million citizens living far below EU levels of prosperity, would also—after Poland—be the most costly new entrant. The strongest arguments for Romanian and Bulgarian membership, sadly, are negative: their exclusion might threaten long-term regional instability in south-eastern Europe.

Negotiations on EU enlargement will most probably open during the British presidency of the EU, in the first six months of 1998. The commission will by then have delivered a formal opinion on the readiness of each to meet the Copenhagen criteria. On the basis of the information and advice contained therein, the Council of Ministers will decide with whom it should open negotiations. Acting for the EU, the commission will then negotiate separately with each of the chosen applicants. But there will also be multilateral meetings of applicant and EU ministers, and heads of government, under the already-operating “structured dialogue”.

By late-1996 it looked most likely that between three and eight states will succeed in entering in the first group, leaving the others hoping to follow some 3-5 years later. Poland, the Czech Republic, Hungary and Slovenia are clearly the strongest candidates amongst the Europe Associates; Slovakia and Estonia also have hopes of being included. The prospects of Malta and Cyprus will advance or slip according to developments in their domestic politics, in Greco-Turkish relations, and in the Mediterranean region as a whole.

So far the EU has dismissed the pleadings of the applicants that it should set a timetable for negotiation and a deadline for entry. The rationale of the pre-accession strategy was that the setting of targets would challenge the applicants to adapt in order to qualify for membership, and that they would make less effort if they were promised entry at a certain date. But this of course hid underlying disagreement among EU members about the urgency of enlargement, and even about its desirability. The EU's plans for EMU, in contrast, have used both targets and deadlines as mechanisms for pushing governments to adjust their policies.

During the summer of 1996 both Chancellor Kohl and President Chirac promised Poland that their governments will push for its accession in 2000. That is a highly optimistic timetable, for it implies that negotiations could be completed in less than a year and that ratification by member-states and applicants could in turn be finished in a further 12 months. Even with unreserved goodwill from all 15 member governments and few unanticipated problems erupting during negotiations, it will be difficult for any associates to take their place within the EU Council of Ministers before 2001. The speed and smoothness of the negotiations will partly depend upon the commission's skills and partly upon the diplomatic quality of the government holding the EU presidency.

Are NATO and EU enlargement necessarily linked, or are they parallel but separate processes, each of which will move forward at its own pace? It looks likely that NATO will enlarge more rapidly but more restrictively, with the EU extending its boundaries (and its implicit security guarantees) much further than NATO. The linkage between the two is most evident in the treatment of the Baltic states: of all the applicants, they are the most vulnerable to Russian pressure, but are more likely to be offered EU membership than the explicit security guarantees of NATO. The disjuncture between the leadership of America in the debate on NATO

⁵*"Finnish premier warns of risk from NATO expansion"; Financial Times 17/9/96*

enlargement, and that of Germany and the commission on EU enlargement, has left crucial questions hanging in the air. Few West European governments have expressed these in public. But Paavo Lipponen, the Finnish prime minister, broke ranks in September 1996 by questioning American pressure for NATO to enlarge to a small group of states before the EU expanded. "I am asking the Americans if they realise they are riding not a tiger but the bear", he said. "Do they really know what they are doing? Is this NATO enlargement really well thought out? I still don't get what the real goal is."⁵

The nature of that real goal depends upon the varying assumptions that policy-makers make about the future shape of Europe, and about the respective roles of these two institutions in the construction of a stable European order. Those who assume that the USA will continue to provide this wider Europe with political leadership and security guarantees will see the enlargement of NATO as the determining factor, with an enlarged EU providing the economic underpinning within this NATO-led structure.

Those who assume that West European governments must shoulder greater political and security responsibilities, in addition to extending the privileges of a single market, see EU enlargement as the key, and NATO enlargement as a secondary process.

The two processes of enlargement come together most awkwardly over the question of who pays for what: for security transition to full participation in NATO, and for economic transition to full participation in the EU's single market. Neither in Washington nor in West European capitals has the issue of burden-sharing for the stabilization of post-cold war Europe been openly addressed. There are some in Washington who complacently assume that the United States can continue to provide strategic leadership without contributing substantially to the local costs of European security. They forget the historical lessons of 1763-1776, when Americans rejected Britain's insistence that they should shoulder the burden of their own defence while continuing to accept British strategic leadership. Britain's demands on its American colonies after 1763 were entirely reasonable from an imperial perspective; the American colonists were irresponsible to expect to enjoy the benefits of security without shouldering an appropriate share of the burden. American policy-makers today should however note that the costs to Britain of insisting that its junior partners should contribute more were high. It might in retrospect have been wiser to accept that great powers necessarily pay more in return for the leadership they exert, while smaller allies pay less and have less say. There are those within Western Europe—in the Netherlands, Germany and Britain—who argue that enlargement is acceptable only if it adds no extra burdens to the common NATO and EU budgets: willing the ends but refusing the necessary means. The criteria for enlargement cannot be reduced to questions of profit and loss, and of budgetary balance. It is the future balance of the whole European continent, rather, which is at stake.

Those still outside: the wider European region

A European Union of 25 or 27 countries would contain a population approaching twice that of the USA, within a territory less than half the size.⁶ Its GDP on current figures would be 20 per cent larger than that of the USA, and 40 per cent higher than that of Japan. On the assumption that the transitional economies of the countries that are now associate members will continue to grow more rapidly than mature industrial economies, this gap will widen further as enlargement proceeds. Successful enlargement of the EU would therefore not only put in place a stable institutional framework for most of Europe; it would also reinforce the Union's potential economic and political strength.

⁶ Eurostat gives a population of 473 million for an EU of 25 on 1993 figures, compared with 258 million for the USA; and an area of 4.4m square kilometres, against 9.4m

Over the past 40 years West European countries have taken their lead in foreign policy from the United States. Political consultations within NATO have provided a multilateral framework through which the USA could exercise alliance leadership, and through which West European governments have attempted, collectively, to influence the USA. But throughout this time each of the major West European governments has attached more importance to bilateral relations with Washington. Repeated initiatives to construct a "European Pillar" within NATO ran into the ground. East-West relations were managed primarily between the superpowers, over the heads of America's European allies. America's Sixth Fleet maintained the security of the Mediterranean, supported from American bases in Greece, Italy and Spain. The Middle East conflict revolved around the ambiguous relationship between the USA and Israel, and around Arab recognition that the USA was the only serious interlocutor with which to deal.

West European governments, individually and collectively, have played useful secondary roles, such as helping to develop a dialogue with then-communist regimes through the Conference on Security and Co-operation

in Europe (CSCE), or, during the Gulf War, providing financial assistance for Turkey and Egypt and (modest) military contributions to the American-led coalition. The European Community used happily to describe itself as a “civilian power”, focusing on international economic relations while the USA took care of the security framework.

An EU which incorporates the security concerns of Poland and Malta, of Estonia and Bulgaria as well as of Spain and Britain, will clearly need a more active and well-defined foreign policy. By the same token, however, the international interests of its member states will become even more diverse. Finland and the Baltic states, bordering directly on Russia, unavoidably have different priorities from France; Spain is necessarily most concerned about the Arab Maghreb, Greece about Turkey and the Middle East. Britain and Ireland are geographically remote from all of these potential threats. Further enlargement thus both makes the development of an effective common foreign policy more urgent, and makes it more difficult to construct—except perhaps through the guidance of a core directing group. Enlargement also opens the gloomy prospect of diplomatic overload, of competing claims for trade concessions in sectors already sensitive to lobbies within the EU, and of financial overcommitment—as the paragraphs below indicate.

The United States and a transformed European order

The most crucial question which underlies NATO enlargement and its interdependence with EU enlargement is that of future relations between Western Europe and the United States. The institutionalisation post-1945 of an American-led Atlantic Alliance was intrinsically linked to the division of Europe and the perception of an ideological and military Soviet threat. It was thus unavoidable, post-1989, that the alliance be rethought. As American forces stationed on the European continent shrank from 300,000 to 100,000 and Soviet troops withdrew, there were those (particularly in France) who anticipated that NATO would fade away and that European governments would now share common responsibility for their own foreign and security policies. In the event, however, NATO has proved a remarkably robust organisation. The bitter experience of European-American disputes in former Yugoslavia, the incapacity of European governments to act during Middle East crises except in partnership with the USA, and the success of Partnership for Peace in building security links with former Warsaw Pact countries, have

all contributed to a revival of commitments to NATO. The French government is currently engaged in rejoining the integrated military structure it left in 1966, while insisting in return on the creation of an effective European pillar within the alliance.

The United States has led the moves to reconstruct alliance institutions, and to enlarge NATO. The alliance's enlargement has come to symbolise the American commitment to a continuing leadership role in Europe; American strategists see a wider NATO as the vehicle for creating a new European order, with an enlarged EU taking a secondary, mainly economic role. But American interests are much less engaged in post-cold war Europe than they were before 1989; domestic priorities, politics within the western hemisphere and trans-Pacific relations all intervene. West European governments are having to pursue a more active political strategy towards the USA, to capture the attention of a new generation of Congressmen and officials and to explain where Western Europe's interests justifiably differ from those of the United States.

These dual enlargements, and the development of new institutionalised partnerships with Russia, Ukraine and the Mediterranean states, will thus require sustained and skilled transatlantic diplomacy from West European governments. What is at stake is the establishment of a stable European international region in which the USA remains committed, and in which West European governments can co-ordinate with Washington their approaches to Russia, the Mediterranean countries and the Middle East. This will not be easy. The activism of the US foreign policy elite is not matched by a wider base of support or understanding in Congress, let alone in the American public. It should not be assumed that revision of the Atlantic Treaty to ratify NATO enlargement will easily gain a two-thirds majority in the US Senate; the debate within the Senate will at the least provide an opportunity for sceptical members to question the scale and cost of the US commitment to Europe, and the reluctance of West European governments to shoulder the responsibility for defending themselves.

It is far from clear that the USA will still be willing to maintain troops in Europe beyond the next two or three presidential elections, with or without eastern enlargement. The logic of Americans paying to defend a group of countries with a GDP already larger than their own, in order to

allow them to avoid hard choices about shared European security and defence, is not evident. American opinion is united in the belief that it is for the Europeans to pay the costs of enlargement and to carry the main financial burden of the CIS and the southern Mediterranean. West European governments will need to do more to show that they are willing to bear some of that burden, and to combine their influence in Washington, if they wish to be heard.⁷

⁷ See Charles Grant, "Strength in Numbers: Europe's foreign and defence policy", CER, 1996

Europe and Eurasia

A Bertelsmann Institute report on the future of Europe, in 1993, listed five countries as crucial to the future stability or instability of the continent: Germany, France, the United States, Russia, and Turkey. Of these it saw Russia as the most important, because the most uncertain and the least open to outside influence. The incorporation of the lands between Germany and Russia into an institutionalised Europe risks leaving an excluded Russia resenting its shrunken status and reacting against a perceived Western threat. It may not be possible to build a security community in Eastern Europe which stretches across the Russian border; the dynamics of domestic Russian politics are open only to limited influence from the outside, and the potential for embittered anti-Western nationalism to capture public support is considerable. The best that Western governments can do is to develop a special relationship with Russia, so that its government can enjoy the closest possible association with European political, security and economic institutions, short of full membership.

That task appears easier in the case of EU enlargement than of NATO. Russian leaders have not so far perceived EU expansion as a threat, reacting calmly to Finnish accession and raising no objection to the prospect of Poland and the Baltic states following. They would of course object if the EU were to disadvantage Russian exports severely; but the overlap between Russian exports (concentrated in the energy sector and in raw materials) and those of the Europe Agreement states is at present limited. It is in both the political and economic interests of West European states to encourage the development of a prosperous and open Russian economy. Current flows of multilateral and bilateral assistance, such as the EU's TACIS and Britain's Knowhow Fund, are a help. What Russia still needs, however, is an EU-Russia Partnership Agreement, with

provision for regular high-level consultations. There will be strong political arguments for underpinning such an agreement with a long-term programme of financial assistance. The external relations of an enlarged EU will not come cheap, either in financial terms or in ministerial and prime ministerial time.

NATO enlargement is an entirely different matter: explicitly military, directly involving the world's one remaining superpower and the half-integrated second-order states of Western Europe, and evidently aimed at the potential of a renewed Russian threat. If NATO enlarged without at the same time establishing a strong dialogue with Russia it would do little for European security. NATO's Partnership for Peace has begun to create links with the Russian military; so has its intervention in Bosnia, with the participation of Russian troops. The NATO governments will require immense political and diplomatic skill if they are to succeed in handling negotiations with Poland over entry, in reassuring the Baltic states over likely non-entry, in reconciling transatlantic (and West European) differences of priority and perspective, and in establishing a mutually-satisfying special relationship with Russia.

On the relationship with Russia, as on so much else concerning the future of NATO, the Americans have led while West Europeans have hesitantly

⁸ "NATO and Russians edging closer", *International Herald Tribune* 27/9/96

⁹ "Perry offers NATO security partnership to Moscow", *The Times* 27/9/96

followed. At the Bergen meeting of NATO defence ministers in September 1996, William Perry, the American defence secretary, proposed admitting Russia to all NATO's bodies and structures, bar those that involved Article 5 and the military structure. He talked of a permanent Russian delegation at NATO headquarters and liaison officers "at every level of the alliance's command structure".⁸ American officials later reassured worried European partners that Perry's initiative did not amount to an offer to Russia of political membership of NATO.⁹ Nevertheless the ideas that Perry threw out suggest that the Russians and Americans may yet agree that the price for NATO enlargement should be its transformation into a broader, more political European security organisation.

The EU and its member-states have already developed active multilateral and bilateral relations with most other former Soviet republics, setting up national embassies and EU delegations, and national assistance

programmes as well as TACIS. Ukraine, after Russia, clearly matters most to European stability: a country of 55 million, bordering Poland, Slovakia, Romania, Moldova and the Black Sea, through which a significant proportion of Western Europe's gas supplies flow. Economic or political collapse, leading to reintegration into Russia or to civil conflict, could spill over into instability beyond its frontiers. So there are persuasive arguments for the EU offering a close association, including political dialogue and long-term technical and financial assistance. Here again, however, the accumulation of bilateral and EU visits and aid programmes has so far added up to less than the sum of its parts. There is no coherent West European strategy towards Ukraine, of the sort that could bring together foreign policy, security concerns, financial aid, technical assistance and trade relations. The West Europeans combined give much more aid to Ukraine—as indeed to Russia—than the US; but the impact of their separate foreign policies is less than America's.

Moldova presents a very different potential problem: an artificial republic between Romania and Ukraine that is emerging from civil war between its Romanian-speaking majority and its intransigent Russian minority, which, if Romania were to join the EU, would be stranded uncomfortably in the no mans land between Russia and the Union. The three Caucasian republics—Georgia, Armenia and Azerbaijan—lie on the edge of the widening European system, still partly occupied by Russian troops and caught up in post-Soviet conflicts like the Azeri-Armenian struggle for Nagorno-Karabakh. Trade with the West across the Black Sea (through Romania and Bulgaria) and through Turkey is again developing; Western investment in Caspian oil fields and in pipelines to the Black Sea is expanding, with British companies particularly active. A relatively small input from Western Europe, properly co-ordinated, could help to further reduce Russian influence and to rebuild their misdeveloped economies.

Poland's entry into the EU and NATO will give the West a direct frontier with Ukraine. Enlargement to Romania and Bulgaria, later in the next decade, would inevitably lead to close relations with Moldova and the Caucasian republics. The West has a political and economic interest in underwriting their independence. But its governments and multilateral institutions will have to devote more time and resources to these countries than they currently do.

The Mediterranean and the Middle East

There has always been an underlying north-south tension within the EU. Germany tends to look first to the lands to its east and north-east—though the presence of 2 million Turks in Germany (many of them of Kurdish origin) has renewed and complicated the German-Turkish relationship. France and Italy have been more interested in looking south across the Mediterranean. Links between France and Algeria remain close and complex: a million French citizens are of Algerian origin and thousands of young Algerians are pressing to join them legally or illegally. Algeria's elite has close ties to France, while its economy depends heavily on exports to French markets. Italian entrepreneurs re-established links with Libya, a former colony, in the late sixties, and ENI, the state energy company, developed Libya's oil fields. Italian-Libyan relations have often been stormy: Colonel Gaddafi launched ballistic missiles at the island of Lampedusa in 1986. But geographical proximity and mutual economic interests have—in spite of American disapproval—underpinned close ties.

Spain's entry into the EU fuelled this north-south tension. It had avoided the Second World War and the Cold War, while much of its history and foreign policy were intertwined with Morocco, 20 kilometres distant across the Straits of Gibraltar. More than two million Moroccans live and work within the EU, in France, Belgium and the Netherlands as well as in Spain; several hundred thousand travel to and from Morocco across Spain every summer. Greece, far away in the eastern Mediterranean, has rather different priorities from the EU's other southern members. The Union's enlargement to Cyprus or Malta would bring it still further foreign-policy entanglements: Malta lies some 200 miles from Libya, its some-time ally, while Cyprus is less than 100 miles from the coast of Syria.

Apart from Greece's Balkan concerns, none of the European Union's southern members has a major interest in the project of eastern enlargement. All five, especially Spain and Portugal, wish to limit the magnitude of the Union's shift in focus to the north and east. And since enlargement to the east came onto the agenda in the early 1990s, they have all insisted that, in parallel, the European Union should develop generous policies towards the southern Mediterranean countries.

As the eastern enlargement proceeds, the EU's southern members will insist that their northern partners support an active Mediterranean

strategy. This is not simply a matter of self-interested quid pro quo. The southern members are right to argue that threats to Europe's security over the next 10-20 years are at least as likely to stem from civil unrest, war or revolution—and consequent refugee flows—to the Union's immediate south, as from disorder in the east. The future of Turkey matters as much to south-east Europe as the future of Russia. The French and Spanish EU Presidencies of 1995 gave a strong impulse to the EU's embryonic Mediterranean strategy. They culminated in a Euro-Mediterranean Conference in Barcelona, between the EU 15 and 12 "Mediterranean partners": Turkey, Cyprus, Malta, Morocco, Algeria, Tunisia, Egypt, Israel, the Palestinian Authority, Jordan, Lebanon and Syria. Libya was not invited. They all agreed on the framework for a "comprehensive Euro-Mediterranean Partnership...through strengthened political dialogue on a regular basis, the development of economic and financial co-operation and greater emphasis on the social, cultural and human dimension".¹⁰

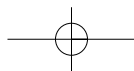
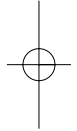
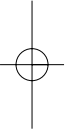
¹⁰ *Final Declaration, Euro-Mediterranean Conference, Barcelona, 29/11/95*

This will mean regular meetings of senior officials, with a follow-up foreign ministers' meeting in spring 1997. Progress towards a Mediterranean Free Trade Area is promised, with a target of complete free trade by 2010. As provisionally agreed at the Cannes European Council the previous July, ECU 4.7 billion of EU funds was pledged for the financial years 1995-1999. It remains to be seen whether it will be possible to distribute such considerable sums—intended to be comparable with those pledged to Central and Eastern Europe and to the former Soviet Union—within this timescale. It also remains to be seen whether the southern member-states themselves will be happy to agree to make trade concessions to their southern neighbours, given that many of the Mediterranean countries specialise in the same kinds of textiles and agricultural goods as themselves.

What seems most predictable, unless the current IGC radically strengthens the EU's institutions for co-ordinating external relations, is that—as in relations with the former Soviet states—this grandly-titled Euro-Mediterranean Partnership will fail to bring the European Union political influence comparable to its economic clout. Romania and Bulgaria should also be considered as potential "southern" members. The EU and its member-governments spend more on helping the Mediterranean states



than the USA (Israel and Egypt excepted), and are more important to them as trading partners. But it is to Washington that they look when Kurdish problems spill across the Turkish-Iraqi border, or the Arab-Israeli conflict flares up again: not to Brussels, or Bonn, or Paris, or Rome, or London.



Adjusting to enlargement

What changes in policies and institutions does the EU need to successfully manage eastern enlargement? More fundamentally, is the EU sufficiently committed to the priority of enlargement to push through the changes required? It is not the purpose of this paper to burrow among the tangled roots of the current IGC. But the shadows of enlargement and of the EU's role in a transformed European order hang over the IGC, as over the negotiations still to come on agricultural reform and the Community budget. The lack of direction with which most member-governments, and especially the British, have approached the IGC provides a strong indication of their unwillingness to confront the challenges posed by enlargement and by the transformation of Europe.

For almost no member-government does enlargement dominate other international and domestic objectives. For most of them, the pursuit of Economic and Monetary Union is an overwhelming preoccupation, burying post-1999 questions about European development. Most governments have remained internally divided, with foreign ministries pressing the interests of some or all applicants, while finance and agriculture ministries and party managers have resisted. Only for Greece is enlargement—to Cyprus—a major political priority: one which it pushes in front of unwilling partners at every opportunity. In principle the German government is strongly committed to enlargement. But the coalition in Bonn includes powerful voices which speak at the same time for opposing reform of the Common Agricultural Policy, for holding down the Community budget, for transforming the EU (or a core group of members) into a federal union, and for resisting suggestions that the *acquis* should be modified to facilitate enlargement. While the Chancellor calls for early entry, many counsel delay.

France has only a secondary interest in enlargement. She recognises that Germany's long-term interests will push its government—now moving from Bonn to Berlin—to develop a close partnership with Poland and its neighbours, and that, in order to satisfy the Germans, enlargement must

be allowed to proceed. But France is determined to consolidate her partnership with Germany before that shift takes place. Thus France is keener than Germany to promote the idea of a “core Europe” within the existing EU. Built around a limited-membership monetary union, this would provide direction for a wider and looser group. As prime minister Alain Juppé declared in March 1996:

“Let’s have the courage to say it. Tomorrow’s Union will no doubt be made up of two distinct levels: a Union of common law, comprising the fifteen present members and those with the vocation to join it; at the heart of this Union, of this first circle, a second circle, more limited but flexible, made up of a small number of states at the centre of which will be France and Germany, nations prepared and willing to go further and faster than the others on subjects such as the currency or defence”.

French interests, however, diverge from those of Germany. While the economies of Germany and Austria are beginning to integrate with those of their eastern neighbours, France has little direct economic interest in eastern enlargement. And while German negotiators are likely to recognise the political imperative of making concessions to Poland on agriculture, the French will argue that the CAP should remain part of the EU’s core *acquis*.

Similar contradictions and reservations run through the positions of other states. The Dutch do very nicely from the CAP and now, having shifted from being a net beneficiary from the EU budget to a major net contributor, vigorously oppose increasing the size of the budget. Denmark wants to maintain the CAP, (to remain unjustifiably a net budget beneficiary), to avoid a shift towards a more federal union and to push ahead with enlargement. Spain, Portugal and Ireland are all concerned to protect the financial transfers from which they benefit, and if possible to negotiate compensation for the adverse economic impact of manufactured and farm imports from Eastern Europe. The British position is no more coherent: it is to use enlargement to weaken the Union’s federalist tendencies, and to encourage a weakening of the CAP, without admitting that enlargement requires the reform of EU institutions.

A move from 15 to 27 member states will necessitate major changes in the structure of the EU. Anyone who has observed the transformation of

committee behaviour as membership passes 20—the necessary extra formalisation, the resistance to every member being allowed their say—will appreciate some of the problems. The Union needs a much more strategic approach to the interlinked changes of policies and institutions, of financial costs and benefits, and of security arrangements and foreign policy priorities, than any government has yet managed to provide. The much-maligned commission has come closer to such a strategic perspective than any member government, though it too has been divided by conflicting policy priorities and by bureaucratic and personal rivalries.

Such impetus as the EU has gained in preparing for enlargement has come from the commission in alliance with a constructive Council Presidency. The Danish Presidency in 1993 managed the Copenhagen package; the German Presidency 18 months later sponsored the pre-accession package of Essen. The conclusion of the 1996-97 IGC (under the Dutch Presidency, unless it extends past June into Luxembourg's six-month term) will set the stage for the opening of enlargement negotiations under the British Presidency of January-June 1998. Fortuitously, that will be followed by the presidencies of pro-enlargement Austria and Germany, in the second half of 1998 and the first half of 1999.

The argument which follows is that EU enlargement is a manageable process, despite all the inhibitions and contradictions of domestic politics within the present member-states. The EU has already moved, in its usual crabwise fashion, some way towards preparing for enlargement and for the heavier international responsibilities which it will impose. The biggest deficits lie in political leadership. Politicians have yet to persuade their publics that the longer-term gains of a stable and prosperous Europe are worth the short-term costs, and that the political advantages of having such a Europe should therefore override sectoral economic interests. What is needed is collective leadership from a coalition of EU member governments, prepared to support each other in presenting a broader view and in overcoming the resistance of entrenched lobbies within each member-state. A British government with a strategic approach to European policy should play an active part in assembling such a coalition; its turn in the Presidency in 1998 will come, one may hope, as the focus of EU politics moves from the IGC and monetary union towards enlargement.

Changing the *acquis*: "to do less, better"

The immense diversity of an enlarged Community will argue against uniform, detailed regulations from Stockholm to Salonika and from Lublin to Dublin. New members will lack the administrative and financial resources to implement the full corpus of Community legislation immediately on entry.

The commission white paper on pre-accession strategy moved towards ranking the different elements of the *acquis*. Unless accession is to be delayed indefinitely, new entrants must be allowed to adopt the vast corpus of Community legislation in stages: the internal market first, moving on later to full implementation of such desirable but costly laws as those on the environment. Perhaps social harmonisation should be left entirely to one side. The painfully slow process of agricultural reform must be pressed further forward, so that the main responsibility for financing rural communities is returned to the member-states, within the framework of a more open and price-regulated agricultural market. Some of the congestion and confusion of EU policy-making, whether in official committees or European Councils, derives from its over-expanded and over-detailed agenda. The commission opinion for the 1996-97 IGC, "Reinforcing Political Union and Preparing for Enlargement", noted that "Europe must do less, so as to do it better."

The problem for all governments is to agree on what to return to national jurisdiction, and what to manage more effectively in common. The British government has found itself arguing for a substantial repatriation of policy responsibilities from the EU to the states and yet, at the same time—under the pressure of strong domestic lobbies—for a reinforcement of Community powers to regulate animal welfare. The Greek government is pressing in the current IGC for the EU to be given competence on tourism, for evident reasons of self-interest. The German government is similarly pressed by powerful domestic interests to insist on the extension of German standards of social regulation across the EU. The IGC is struggling through this thicket of lobbies in an attempt to give Community policy-making a more selective list of priorities; but the adjustment of the *acquis*, to encompass a larger and more diverse Community, still seems to be only a secondary issue of the conference.

Where the EU will need stronger capabilities is in foreign policy, in co-ordination of the different dimensions of security, in combating cross-border crime within a larger single market, and in managing the pressures of migrants and refugees who are drawn by the EU's stability and prosperity. These are precisely the areas on which the British government has resisted the development of effective policies and institutional mechanisms. The incoherence of European foreign policy-making capabilities has already been noted, distributed among the commission, the council secretariat, the rotating council presidency, the WEU and NATO. This has resulted in a diffusion of responsibilities and a lack of clarity in analysis—only too painfully evident in Western Europe's approach to the conflict in former Yugoslavia over the past five years. The management of the intricate and overloaded external agenda of a larger EU will, as the previous chapter argued, necessitate reorganisation.

The European Union has never insisted on a uniformity of policy in all its members. As the EU expands, questions of permissible diversity—of variable geometry, as Community jargon describes it—come more and more to the fore. The long process of the new entrants adapting to the full EU *acquis* will unavoidably increase the diversity of Community practice during the transitional period. Some models of variable geometry suggest that new entrants could be admitted to a second tier of membership, while a small and exclusive group moved ahead to tighter integration. However, a consideration of Germany's position shows that such a model is unlikely to work. For Germany, as the central power and chief economy of post-cold war Europe, would have to be at the centre of any core group. And Germany's closest future partners will be found to its east, south-east and north, as well as to its west. Central Europe, with German as its lingua franca, is re-emerging after 50 years of division during the Cold War. In the future, the Czech Republic, Poland and Austria are likely to become as closely integrated with Germany as the Netherlands, northern France and northern Italy are today. A Polish-German special relationship may rival today's Franco-German alliance.

Managing a larger number of smaller states

The prospect of enlargement overshadows the institutional agenda of the IGC. Unless the EU postpones changes in decision-making until a further IGC in five years' time, this IGC offers the last opportunity to revise EU procedures and voting rules before the first new entrants take their place

around the table. As more members join, the contradictions grow: between efficiency and representation, and between the equality of states and their economic and demographic weight. Britain's stand at Ioannina in 1993, when, in the negotiations on the EU's admission of Sweden, Norway, Finland and Austria, it tried—and failed—to block a pro rata increase of the votes required to form a blocking minority, reflected two things. First, the expectation that British diplomacy would usually fail to persuade most other members. And second, its assumption that it was more important to entrench a blocking minority than to ensure that an effective majority could be assembled.

Further enlargement cannot succeed without institutional reform, nor without changes in decision-making rules to accommodate the larger numbers and the altered balance between large and small states. Mrs Thatcher's agreement in the Single European Act to the extension of majority voting reflected, in part, her recognition of the necessity of adapting Community decision-making to accommodate the forthcoming enlargement to Spain and Portugal. Now that they are faced with eastern enlargement, governments will have to consider the trade-offs between more majority voting and the defence of national sovereignty; and between the principles of national representation in EU institutions, and the problem of an oversized college of commissioners, court of justice and parliament. The British government, like others within the EU 15, needs to decide what sort of wider Europe it wants, and how best to provide it with institutions which work.

Transforming the Atlantic Alliance

The debate within NATO over how to adapt institutions and policy to a larger organisation is far less advanced. NATO's 1995 *Study on Enlargement* stressed that the alliance would continue to operate on the principle of consensus. It failed to address how easily an alliance less dominated by the United States, and one with more members, could reach a consensus. One loosely-defined reform would be to move towards a more explicitly "two pillar" alliance, with a more closely-integrated group of European allies consulting with the USA on a group basis. Successive US Administrations during the cold war had remained ambivalent about the development of a European pillar, fearing that (under French influence) closer European co-operation would pitch European interests against those of the USA. Since 1990 American

thinking has moved: towards accepting the usefulness of a stronger WEU; towards the innovation (on an American initiative, in 1994) of Combined Joint Task Forces, whereby the European members might undertake operations with only minimal involvement from the USA; and, encouraged by France's *rapprochement* with NATO's military institutions in 1996, towards support for a much clearer European entity within the military structure.

The WEU Treaty is open for revision in 1998, 50 years after its signature. Closer integration of the WEU with the developing EU common foreign and security policy is on the agenda of the current IGC. Institutional adaptation, links between different multilateral bodies, and organisational enlargement are all in a sense secondary questions: the primary question to be answered is what purpose each organisation serves. An expanded NATO will have—unless it is prepared to provoke renewed Russian hostility—to develop into a relatively inclusive regional security organization, closely approximating (and largely duplicating) the Organization on Security and Co-operation in Europe. A European pillar, organised through the WEU, might then expand in tandem with the EU. This pillar could shoulder the primary responsibility for regional order, and share, with the USA and others, the burden of international peacekeeping outside the region. But that would require a much better co-ordination of the two enlargements than has yet been achieved, and a more open discussion of the future purpose and structure of NATO.

Who pays, who benefits?

A great deal has been written on the potential costs of EU and NATO enlargement. The estimates are necessarily hypothetical, given that neither the timescale nor the policy framework have yet been agreed. The German Finance Ministry was reported to have provided in one study a very high figure for the cost of EU enlargement, at a point in the debate when its officials felt they could block a definite commitment; but they came up with an alternative, moderate estimate when they felt that enlargement was unavoidably moving forward. That is a game that many play.

Four fifths of the EU's current budget is currently spent on agriculture and on the structural funds. Estimates of the budgetary costs of enlargement thus depend crucially on expectations about CAP reform and about the criteria established for financial redistribution and economic assistance,

both among current members and between old and new ones. It should be noted that patterns of revenue and expenditure within the Community budget have altered quite markedly in the past ten years, as the so called “fourth resource” has introduced a more explicitly progressive element into members’ contributions; as the proportion spent on agriculture has declined; and as the proportion spent on regional redistribution has risen. The current seven-year budgetary package expires in 1999; soon after the IGC a parallel negotiation on future budgetary allocations will therefore get under way, with the balance between internal expenditure, assistance to those in the process of joining, and external transfers a major focus for negotiation. Calculating the cost of admitting all 12 applicants is thus at best an indicative exercise. It will be three to four years, at the very least, before the first new member joins, and eight to ten years before their post-entry transition arrangements expire. Significant changes may well be negotiated in the interim.

An assessment of the agricultural strategy paper presented by commissioner Fischler to the Madrid European Council, and of its reception, is therefore crucial to estimates of future budgetary costs. A carefully-crafted document, it sets out a strategy for incremental reform and shows both the impossibility of maintaining the status quo and the political unacceptability of radical change. It uses the prospect of enlargement, the limits placed on agricultural support and subsidised exports by the GATT Uruguay Round, and the timetable of the next WTO Trade Round beginning in 1999 to support the case for gradual change. The reaction of the farm ministers so far—without a fixed calendar for enlargement to force them forward—has been one of reluctant acceptance within the longest possible timescale.¹¹

¹¹ See the 12th Report of the House of Lords Select Committee on the European Communities, 1995-6, for an excellent summary and critique of the agricultural strategy paper

The distribution of structural funds presents more intractable problems. Calculated on current criteria for distributing aid, the 100 million people of the applicant states would benefit from transfers approximating 10-20 per cent of their countries’ GNP. There are limits to how large a proportion of external assistance an economy can absorb without suffering the twin evils of inflation and corruption. Various proposals have therefore been floated in Brussels and Bonn to cap transfers as a proportion of GNP at between 4 and 5 per cent (comparable to levels of current transfers to Portugal, Ireland and Greece), thus limiting

the additional costs to the Community budget. The four major current beneficiaries of financial “cohesion”—Spain, Ireland, Portugal and Greece—will claim with some justice that their economies will be adversely affected by eastern enlargement, and will bargain for financial compensation. The 1999 Budget package will thus emerge out of a hard negotiation between current beneficiaries and future members, in which the current beneficiaries will have the advantage of sitting around the table while the applicants are still outside.

That future budget package will also have to take into account the additional cost of transfers to the former Soviet republics and to the southern Mediterranean. It may be doubted that a large proportion of the funds promised at the Barcelona Euro-Mediterranean Conference will be disbursed; the same limits to absorptive capacity apply here as in eastern Europe, but are made even more acute by weaker national administrations. The overall prospect remains, however, of an unavoidable increase in the EU budget. This will have to be negotiated over the resistance of the present “cohesion” states to losing transfers and over the declared refusal of the Dutch, the British and the Germans to support a higher level of Community expenditure. It will not be easy; but EU governments faced with a deadline can usually find ways of squaring a circle. Ireland, at least, among the cohesion states will be expected to graduate out of its net beneficiary position over the next ten years, as has Italy already. Portugal and Greece, still well below the EU average in GDP per head, will hope to justify relatively more assistance than Spain.

No EU government has yet attempted to link the weight of its contribution to European defence with negotiations over payments to and from the EU. The British government, which makes a disproportionately large contribution to NATO forces, has so far avoided trying to bring spending on foreign and security policy within the same framework as the EU budget. Closer integration of the WEU and the EU, however, would increase the arguments for comparison and linkage. Comparative figures for contributions to defence and to the EU would show that Germany, Britain and France are the three paymasters of Europe. The other states enjoy the benefits of European stability at a lower price. (The Danish and Dutch governments would no doubt argue for the inclusion of national overseas aid budgets in such an overall

assessment of contributions to European international objectives—which would show the balance of their contributions in a rather more favourable light.)

The costs of enlargement are in some ways easier to quantify than the benefits. But the economic advantages of adding 100 million extra people to the single market, with skilled, relatively low-cost workforces acting as sub-contractors to West European companies, while their countries import EU manufactures and services, would be considerable. One European Round Table report described the prospective members as “a Far East on our doorstep”. It predicted that they would support and strengthen Western Europe’s economy in the way that the “Asian tigers” have reinforced Japan’s rate of growth.

Extending the EU into Eastern Europe would also contribute to the whole continent’s security. In the long run it might facilitate reductions in defence spending across Western Europe. In a period of slow growth in Western Europe, and tight controls on government budgets, the prospect of additional transfers to Eastern Europe appears unpalatable. But if economic recovery and rising demand in Central and Eastern Europe created an extra percentage point of growth in Western Europe over several years, the cost of enlargement would be more than justified.

Britain’s interests, Britain’s responsibilities

From a narrow perspective Britain has few interests at stake in eastern or southern enlargement; none comparable, for instance, to Germany’s concerns in Poland and the Czech Republic, or to the Nordic countries’ commitment to the Baltic states. Britain has some historic responsibilities to Malta, now largely forgotten, and a resident community of Cypriot descent; the 1987 Labour Party manifesto (reflecting Greek Cypriot distribution across marginal constituencies) devoted more space to the Cyprus question than to the European Community. The children and grandchildren of Polish immigrants, many of whom fought in the British Eighth Army in the Second World War, also carry some small political weight. But the sceptical (or Euro-sceptical) observer might argue that there is little in eastern enlargement that need concern our island state.

From a broader perspective, however, this represents the defining issue for British foreign policy: the future structure and stability of the European



region; the appropriate contribution for Britain to make to the European order; and the obligations Britain should (or should not) accept. If the next British government were to have no clearer view than the present one, the future shape of the continent will be moulded by others, notably Germany, the USA and France. These three countries, Britain's most important political and economic partners, will continue to work together through NATO and the EU, whether or not Britain chooses to play a significant role. It is central to Britain's national interest that the European continent should be peaceful and prosperous. It is therefore essential that Britain plays a constructive part in ensuring that the multilateral institutions which have given Western Europe peace and prosperity for the last 50 years successfully extend those benefits eastwards and southwards.

