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REFLECTIONS ON THE TIMING OF EU ENLARGEMENT



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SUMMARY

Within the space of a decade, in its stance towards the Central and Eastern European (CEE) region, the European Union (EU) has managed to emerge from its 'reacting period' without a clear strategy, and enter a period of differentiated strategy, and most recently, slip back into its 'strategy of no differentiation'. This development has various consequences for the enlargement process, although it has to be added that none of them are alien to the basic features that accompany the longer historical process of European integration.

Various views have been expressed on the timing of accession, among scholars and observers, in politics and before the public. Some of these views derive from promises made in various, mainly propagandistic circumstances. The others rest on a more careful consideration of the timing issue. In the meantime the EU has clearly defined the conditions that have to be met by the Union itself before the first wave of enlargement. The time frames for these tasks differ.

It is understandable arguments for not setting dates have been put forward mainly by existing member-states, or more precisely, by some institutions, organizations and interest groups in the EU. This stance is generally rooted in a surviving hope that the status quo created between 1945 and 1989, and extremely pleasant for Western Europe, can be maintained, even though more than ten years have passed since the fall of the Berlin Wall. Eastern enlargement is considered a threat to this situation. At the same time, those arguing against dates do not recognize that unavoidable changes result less from the enlargement as such than from globalization, intra-EU reform needs, the non-sustainability of the welfare state created decades ago, and of course, the rapidly growing CEE competition, irrespective of EU accession. Since much of Western European society, a clear winner by the economic opening of Central and Eastern Europe, finds it difficult to carry out this change in institu-

tions, economic activities and mentality, it seizes every chance to produce arguments against enlargement, in general and within a reasonable time in particular.

Candidate countries are pressing for a target date or dates for accession. So at the first glance, one may believe that it would be just their exclusive interest. However, it is easy to formulate a number of arguments justifying such an approach from the standpoint of the EU as well.

First of all, eastward enlargement of the EU, in however many waves it may happen, is embedded in the globalization process and adjusted to the rules of global development. If Europe wants to define its future place in world politics and the international economy promptly and correctly, it is urgent for it to produce the scenario for eastern enlargement. It is not immaterial whether the extra resources generated in Europe go for repeated, real and apparent stabilization measures (damage limitation) in various parts of the continent, or whether they can be channelled into strengthening its global position.

Moreover, the longer the date of accession is postponed, the likelier it becomes that the EU will be snowed under with simultaneous applicants, as the repeated, condensed 'follow-up waves' of the 1990s have shown. That would face Brussels with a dilemma it could hardly handle: either to accept all at once, jeopardizing its position in global competition and even the bases of European integration, or hide behind protection and have to spend vast sums on the 'crisis management' of partly or wholly unprepared candidates.

The arguments for a slower accession to attain better preparedness can be countered in almost all respects, although rejecting such ideas does not automatically imply that rapid enlargement offers a remedy for all ills. However, it seems to be the only reasonable approach in today's Europe. On the

one hand, there are destabilizing tendencies emerging in the East and the West of the continent, which can only be cured by an offensive approach. On the other hand, enlargement has already gained its own momentum. Though the final decision is expected to be taken in Brussels, the economic and political groups interested in enlargement, including the vast majority of the multinational firms located mainly in a few Central European countries, cannot afford to ignore or abandon new countries that are performing well, so long as their global competitiveness is secured for the future as well. Thirdly, the evidently favourable commercial and financial situation of the EU, which has been based on the bilateral trade development of recent years, can only be sustained if the process of modernization in selected CEE countries does not suffer a setback.

Rapid accession does not seem to be an attainable goal for all candidate countries in the short term. So the EU needs to take two steps to keep the enlargement process sustainable and transparent. First, Brussels has to offer a clear, gradual time schedule to the candidates that are not in the first wave of enlargement, at the latest, at the time when the date of the first enlargement is set. Secondly, the principle of partial membership has to be applied in practice as well. This approach has to be clearly differentiated from 'second-class membership', which would be unacceptable to the candidate

countries for political, economic and psychological reasons. Partial membership means that some candidate countries would participate in some community actions and programmes as full members, while in other areas they still did not qualify for membership. Already today, there is a good example of this, in the participation of candidate countries in the EU's fifth R & D framework programme. It is very likely that the new Schengen borders of the EU may be based on the same approach. The EU maturity of some candidate countries will develop at a slower (or much slower) pace than the requirements for a European security policy, which results fundamentally from growing social and public pressure within the current EU member-states. So overcoming this 'time gap' may call for some innovative concepts. Membership of the Schengen framework by the Baltic States, Bulgaria and Romania could save the EU (and most of the first-wave candidate countries) a lot of money. In geographical terms, it could extend the security borders of Europe, while stabilizing the part of Central and Eastern Europe that could otherwise be divided by an enlargement in different stages. The solution to this danger is not to delay the membership of all candidates, but to develop transitional plans based on clear timing. That is the only way to guarantee the stability of the region and strengthen the cooperation among the countries and peoples of Central and Eastern Europe.

‘Money lost can be retrieved, but time
wasted is lost forever.’
István Széchenyi (1791–1860)

Time is a relative category in the recent history of Europe. Looking from the present towards the future, impatience is justified, because no clear framework for settling many of the current problems has been outlined. The question of whether there will or will not be an enlargement of the European Union appears to have been decided. However, it is far from clear when it will occur,¹ under what conditions, or in how many groups of countries, and where the eastern physical, geographical, security, economic and social borders of the Union will run. On the other hand, if the present situation is compared with the situation a decade ago, a uniquely dynamic process is apparent, of course with thousands of potential traps and barriers. To sum up, the relations that the Central and Eastern European (CEE) region have established with the European Union (EU) can be said to have moved, in hardly a decade, from a ‘treaty-less’ state to negotiations on accession.

1. THE ‘TIME WAVES’ OF THE APPROXIMATION PROCESS

The approximation process divides into three periods. From 1989 to 1997, the EU stance towards the CEE region was one of reaction, initially to an unprecedented collapse and later to a more or less successful or failed transformation. As a response to the political changes in Poland and Hungary, which became apparent in 1989, the Group of 24 (not the EU) initiated the PHARE programme of promised financial support and trade liberalization.² This was followed by the asso-

ciation agreement (Europe Agreement) signed in December 1991, with Czechoslovakia as well as Hungary and Poland. Unlike similar EEC agreements with Greece and Turkey in the early 1960s, this document does not contain any promise of full EU membership. On the contrary, it draws a clear distinction between membership and association.³ However, open pressure from the ‘Visegrád countries’ and the imperatives of a changing situation in Europe, following the collapse of the Soviet Union, led to the Copenhagen conference of the European Council setting out criteria for EU membership in the summer of 1993. These criteria still serve today as the basis of reference and provide the structural framework for the regular annual reports of the Commission.⁴ Following the Copenhagen summit, there is hardly any European Council meeting without substantive measures related to the preparation of eastern enlargement. However, a joint feature of all these steps is the lack of any concrete promise concerning the date or even the time schedule of accession. In this context, several elements can be listed. There is the full document of the *acquis* to be implemented, the Madrid decision on starting accession negotiations after the successful termination of the intergovern-

European Communities. The extremely modest concessions made in this document crowned long-term efforts by Hungary. Yet the General System of Preferences (GSP), which entered into force in January 1990 and abolished the trade barriers to most Hungarian products (except agriculture and some sensitive industrial goods), superseded overnight all the ‘heroic’ efforts made by Hungarian diplomacy in the 1980s.

³ This contains a preamble containing a special declaration by the three associated countries, stating that they see the document as an important step towards a future membership that is not yet defined in content or time frame.

⁴ The Copenhagen criteria contain ‘hard-core’ political conditions (democracy, a multi-party system, human and minority rights, independence of the media, etc.), along with several economic conditions (a functioning market economy, competitiveness) and legal and institutional criteria (adoption and enforcement of the *acquis communautaire*), and preparation for membership by the EU.

¹ With a measure of cynicism, it can be said that it will occur on January 1 precisely, but there is no knowing in which year.

² Nothing indicates better the acceleration in historical time than the fact that the way was not cleared for a bilateral trade and cooperation agreement between Hungary and Brussels until the Luxembourg Declaration was signed in 1988 between Comecon and the

mental conference on institutional reforms of the EU, the formulation of the questionnaires to be answered by the candidate countries, so that the Commission can prepare country reports, the evaluation of the individual countries, etc. Nevertheless, the right pressure, once again, is an external one, generated by the fact that the associated countries submit their applications for membership within a rather short period.

In 1997, the enlargement plan of the EU entered a new stage for a short time. It seemed that the basic attitude to reacting to the rapidly changing situation in Central and Eastern Europe had been replaced by a comprehensive and clear strategy. The activities of the Commission, followed by two decisions of the Council, seem to have underlined this change of mind. First, Agenda 2000 was published. This document does not look at enlargement as a separate issue, but as an integral part of the political and economic role of Europe in the world and as a factor affecting the internal reforms of the EU. Although Agenda 2000 does not contain any specific promises about the time of enlargement, the barriers to starting genuine negotiations on accession have been eliminated. This means that relations between the EU and the CEE candidates have entered a qualitatively new stage. Secondly, mainly as an initiative of the Commission, the EU decided to differentiate among the candidate countries, placing them in two groups. The first (the group of 5 + 1 countries: the Czech Republic, Estonia, Hungary, Poland, Slovenia and Cyprus) covers countries with which negotiations were to be initiated. The second group, for various reasons, was not considered ready for negotiations yet, although the door remains open for them to start negotiations later or catch up with the first group. No special new information was necessary before taking this decision. A wide, and in some cases rapidly widening differentiation among the candidate countries has been manifest from the outset of the transformation process. The novelty consisted of this being recognized openly and with political courage by Brussels and at least some of the

EU member-states.⁵ The screening process started in the spring of 1998 and the genuine negotiations, launched partly in parallel with the screening, during the Austrian Presidency, in November of the same year. The latter have been following their original schedule. Consequently, a 'critical' stage, in which the finalization of the negotiations is envisaged, may be reached around the end of 2000.

In the meantime, the enlargement program of the EU has entered its third stage. In December 1999, the Helsinki summit decided to start, or even accelerate negotiations with the six omitted countries (Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia). By taking this step, the EU rejected the principle of differentiation and sought to squeeze all the candidate countries back into the same basket. This approach clearly runs counter to the differences between the various candidates, which have become in some cases even more conspicuous than they were in 1997. The Commission itself has clearly stated that more than one country in the second group is unable to meet the Copenhagen economic criteria, without which no negotiations should be started, if Brussels were to observe the standards it established itself.

To sum up, the EU, within the space of a decade, has managed to emerge from its 'reacting period' without a clear strategy, and enter a period of differentiated strategy, and most recently, slip back into its 'strategy of no differentiation'. This development has various consequences for the enlargement process, although it has to be added that none of them are alien to the basic features that accompany the longer historical process of European integration:

(a) There have been constant shifts of emphasis between political and economic arguments and counter-arguments, resulting

⁵ Several member-states are known to have disagreed with the Commission's proposal. In line with geographical and historical preferences, some of them wanted to see the Baltic states in the 'preferred' group and others the associated countries of the Balkans. The European Parliament would have preferred to start negotiations with all candidate countries at the same time.

in decisions that are dominated by short-term (and often short-sighted) political considerations.⁶

(b) Avoiding differentiation leaves as ephemeral the achieved and well-established advantages of the front-runners, based though they are on hard work, painful economic and social adjustment and high costs. This applies on a level of institutional integration, and the advantages may keep growing in the field of the 'real' economy, as well.

(c) By missing a clear time schedule and choosing an ostensibly flexible interpretation of the accession criteria, the EU is repeatedly producing further massive and undifferentiated 'waves',⁷ which pose serious, hardly manageable challenges for Brussels. At the same time, the situation breeds misunderstandings and concerns in the better-prepared candidate countries, over timing and the accession conditions.

In this rather fluid situation, it is important to have clear information about the time schedule for accession, including the arguments for and against setting a date. Only in such a context can the milestones of preparing for membership be defined.

⁶ Looking back, a good example is Greece's accession despite the negative avis from the Commission. The most recent example is provided by the Kosovo War, which had a decisive impact on the resolution of the European Council to start negotiations with Bulgaria and Romania.

⁷ In 1989, based on objective criteria, Hungary and Poland had a justified hope that they were the 'selected countries'. (The abbreviation PHARE contains their initials.) Within less than two years, PHARE had become a common programme for most of Central and Eastern Europe. The first association agreements were signed by three countries. Within a few years, all these countries had concluded the same agreement. Hungary submitted its application for membership on April 1, 1994 in Brussels. Within 18 months, all the other associated countries had followed suit. Negotiations on accession were started with six countries. Within two years, all these countries were placed in the same basket, at least on paper.

2. INTERPRETING THE DATE OF ACCESSION

Various views have been expressed on the timing of accession, among scholars and observers, in politics and before the public. Some of these views derive from promises made in various, mainly propagandistic circumstances. The others rest on a more careful consideration of the timing issue.

The first direct dates for accession have yet to be announced to the CEE candidate countries. Chancellor Helmut Kohl promised Prime Minister József Antall in the early 1990s that Hungary would become an EU member before Austria. He and various French politicians promised the year 2000 as the date of entry for the Hungarians, the Poles and the Czechs. There have obviously been some 'negative' promises as well. No enlargement could be realistically considered before 2020, in the view of Jörg Haider. Others try to link the enlargement to conditions that the candidates could not fulfil in the near future (any more than several present EU members could). They expect an average GDP per capita equal to the EU's, for instance, or full-fledged adjustment to the EU social and environmental policies before membership, which is a requirement formulated mainly by Western European trade unions).

In contrast to such politically driven and often counterproductive dates, there is a more realistic approach to timing, which does not mention a specific date of membership but refers to a given level of preparation on both sides. This approach stresses the necessary conditions for preparing the EU for enlargement and the candidate countries for accession. Naturally, the dates for becoming an EU member and for meeting all the conditions on both sides do not coincide, because the signing of the accession documents will be followed by a ratification process, as a precondition for institutional membership. However, the outcome and still

more the duration of this process is quite unknown at present.⁸

The EU has clearly defined the conditions that have to be met by the Union itself before the first wave of enlargement. The time frames for these tasks differ.

First, the EU financial framework for the period 2000–2006 was accepted at the Berlin summit of March 1999. The EU budget will have special resources singled out for enlargement from 2002. From this point of view, there would be no financial difficulty about the first enlargement taking place as early as 2002.⁹

Secondly, the member-countries have already started the new intergovernmental conference on institutional reforms, which are to be finalized by the end of 2000. The reforms cover the areas of relevance exclusively to enlargement (composition of the Commission, extending qualified-majority voting, deciding the voting balance between large and small member-states). However, there is no ruling out in this process the possibility that some countries will initiate a global revision of institutional questions, maybe simply to delay or block enlargement. Even if the conference finishes by the target date, the duration of the ratification process is completely unknown. It is also uncertain whether the signing of the first accession documents will have to wait until the ratification process on institutional reforms is finished (the present EU position) or whether a parallel development may be feasible, to accelerate the enlargement process.

⁸ The accession documents have to be ratified by the parliaments of the 15 member-countries and by the European Parliament. Moreover, referenda have to be held in the candidate countries, including Hungary. The length of this process may be greatly influenced by the domestic political situation in the member-countries, and there may be 'technical' delays caused if a parliament is not sitting because of imminent elections. Delay may equally be caused by the attitude and 'political control' of influential groups opposed to the enlargement process.

⁹ It is not yet known what will happen to the budget items envisaged for financing new members as of 2002, if the date of enlargement is to be postponed for one or more years.

Thirdly, the fact that the Commission report of October 1999 did not mention a fundamental reshaping of the Common Agricultural Policy, as a precondition for EU enlargement, may point to some cautious conclusions on the duration of the enlargement process, but not on the actual date of accession. Obviously, the failure of the opening session of the World Trade Organization in Seattle and the bargaining in the new trade round will delay the date of accession to such an extent that Brussels will be unwilling to commit itself, either politically or economically.

Fourthly, the EU maturity of the candidate countries, unlike the previous factor, remains a hard criterion. Most candidate countries have set a date by which they aim to be ready for accession.¹⁰ Hungary formulated its preparation strategy back in 1996, immediately after the Madrid summit (December 1995), which abolished the barriers to start negotiations on accession, setting a target date of 2002. Other first-wave countries have considered 2003 or 2004 as the potential date of accession, while second-wave countries hope to join the EU in or after 2006.

In an optimal scenario, the date defined in the preparation strategy of a candidate country and the date of signing the accession documents may coincide. However, it is more likely that there will be some delay between the two dates, partly because the EU will not be ready for enlargement (as demonstrated by Hungary's date of 2002 and Prodi's expectation of 2003 as the earliest date for enlargement).¹¹ If the EU insists on a

¹⁰ Preparing for integration into the EU is a long process, which started well before the opening of official negotiations on accession, and will continue during the first period of full membership, as it did with other late joiners. So the fundamental question is not when the preparations finish, but when they can achieve a level of preparation (maturity) that brings readiness for full membership.

¹¹ It has to be noted that Prodi's date of 2003 did not clarify whether this would be the year of signing the first accession documents or the year of joining the EU. If the second is the case, one or more countries will have to finish their accession negotiations by mid-2001, to leave time for the ratification process. If the first is

group enlargement, which is a likely scenario now, the accession documents signed by the various countries within a short space of time (six months to a year) will be submitted for ratification as a single package.

Evidently, there are and will remain many external factors influencing the timing of membership. In some cases, these may gain such importance that they break the set of conditions on which the EU is insisting now. (There have been several examples of this in the remoter and more recent history of the EU.) It is not known either what will be the importance of political and economic factors in defining the date of enlargement. Britain's EC membership was held up by De Gaulle's France for over a decade. Greece, on the other hand, gained entry very rapidly. There is no doubt that domestic political developments in Spain (the 'shooting' in the Cortes) substantially speeded up the process of entry negotiations between Brussels and the Iberian candidates. Finally, the rapid accession of Austria, Finland and Sweden can easily be explained by economic motives. (They are net contributors to the EU budget.)

Global political and economic developments may well have a significant impact on the dynamics of enlargement, and perhaps on the composition of the group of countries joining the EU. Here developments in Russia, the internal integration processes in the EU (from domestic politics to the future of the euro), and even more importantly, the transformation and adjustment processes taking place in the candidate countries, have to be emphasized. It should be remembered that the critical process of transformation has still not ended in most CEE countries. (Some have not even started it in a serious way.) So it cannot be ruled out that one or more of the present candidate countries may 'disqualify' itself, if only temporarily. This would facilitate the EU's rather difficult and delicate job of differentiating among the candidates.¹² Needless to say, all

correct, there could be no realistic expectation of an accession date before 2005.

¹² The consequences of such a development would be manifold. There would obviously be an impact on

the internal and external mentioned may influence or change the relative weight of arguments for and against the date and the time frame of enlargement.

3. DO ACCESSION DATES NEED TO BE SET?

Since the beginning of official negotiations on accession, candidate countries have been repeatedly asking the EU to define the probable (potential) dates of their accession, while the EU has avoided announcing any clear date. In a rather loose context, the first specific date was mentioned by the new EU Commission. However, Prodi's earliest accession date of 2003 was followed by some far less optimistic statements. Controversy developed not only about different dates, but about whether it was expedient to mention dates at all. The following paragraphs present the arguments and counter-arguments to be heard in this 'war of dates'.

Here the author of the study should stress his conviction that it is urgently necessary to set a date for the first (possible) enlargement and draw up a specific plan for the whole period of Eastern enlargement, including the various main stages in the process. So arguments against indicating dates will always be accompanied by critical remarks refuting them.

3.1. Why setting dates might be seen as needless or risky

It is understandable arguments for not setting dates have been put forward mainly by existing member-states, or more precisely, by some institutions, organizations and interest groups in the EU. This stance is generally rooted in a surviving hope that the status quo created between 1945 and 1989, and extremely pleasant for Western Europe, can be maintained, even though more than ten years have passed since the fall of the Berlin

regional stability, which the EU would also have to address.

Wall. Eastern enlargement is considered a threat to this situation. At the same time, those arguing against dates do not recognize that unavoidable changes result less from the enlargement as such than from globalization, intra-EU reform needs, the non-sustainability of the welfare state created decades ago, and of course, the rapidly growing CEE competition, irrespective of EU accession. Since much of Western European society, a clear winner by the economic opening of Central and Eastern Europe, finds it difficult to carry out this change in institutions, economic activities and mentality, it seizes every chance to produce arguments against enlargement, in general and within a reasonable time in particular.

Some of the arguments against a clear timetable are connected with security and psychology. It is emphasized that airy promises are dangerous. If the EU proved unable, for whatever reason, to keep to the promised timetable, there would be overall disappointment or even socio-political tensions in the candidate countries. In fact it is not the setting of such dates but the failure to do so that could create such a situation. If the integration process is going in the right direction, a delay of one year cannot cause a major problem. Basic areas of EU integration have suffered delays in the past, but still been qualified as successful by Brussels. The establishment of the single market was scheduled for 1992 (and before that, in 1985). Nonetheless, it was rated a success, despite the fact that even in 1999, no member-country had fully transposed the related *acquis* into national legislation.¹³ Moreover, some key personalities in the member-countries have made irresponsible statements in the past. By comparison, it is unlikely that any commitment to a date for EU accession would generate any new disillusionment in the candidate countries.

¹³ In May 1999, over 5 per cent of the single-market *acquis* had still not been adopted in Portugal, Italy and Greece. There were obvious gaps even in the most advanced countries, such as Finland and Denmark (*idw* (Institut der deutschen Wirtschaft), No. 36, 1999).

The second group of arguments underlines that setting accession dates strengthens the anti-enlargement forces in the EU, particularly with complex domestic political situations in some member-countries and growing resistance to enlargement from the public. In fact, the situation is the opposite. It was the repeated delay of enlargement, the lack of a clear EU strategy, which has led to the change in the climate of opinion. Anti-enlargement arguments have also gained ground because of mistaken communication policies. If EU citizens are constantly being frightened by the prospect of 24 new member-states by 2003, it certainly creates concerns and preoccupations in society and among influential politicians. The same negative impact comes from far from objective articles, forecasting sudden, massive migration or horrendous costs of enlargement.¹⁴ Moreover, there is no obvious evidence that public opinion in the EU would support enlargement more if there were no definite accession date set.

Other strange and sometimes highly hypocritical arguments run that setting dates would damage the interests of the candidate countries. On the one hand, the target date might be a hard one, to which most candidate countries would try, but fail to adjust themselves. This unsuccessful, voluntary overburdening would produce serious domestic problems. Nobody can deny the possibility of such a situation. In fact, as the negotiations in progress touch upon some vital

¹⁴ Let it suffice to refer to comments on the new financial framework for 2000–2006, adopted at the European Council meeting in Berlin, in May 1999. A leading German newspaper immediately published an article highlighting the sum of DEM 160 billion. In itself, this amount is correct, since everybody can calculate how much money has been made available for the candidate countries for the pre-accession and expected accession periods. However, the article forgot to mention some important details. First, this amount of money is to be distributed among 11 countries. Secondly, it covers a seven-year period. Thirdly, it totals two years' expenditure on the irrational Common Agricultural Policy. Fourthly, it is less than one year's transfers from Western to Eastern Germany. If such information had been added to the article, all would have been fair. Instead, partial, 'targeted' information was given, to strengthen the general feeling against enlargement.

issues, the adjustment and absorption deficits of some candidate countries, even those in the first round of negotiations, may become manifest. However, the positive impact of an external incentive (in this case a target date) can hardly be ignored, particularly if domestic and external forces can be united around achieving the target. By the way, an eventual lag behind a target date would be likely to cause less frustration than ‘floating’ the date over a long period.

A further, no less hypocritical argument rests on the assumption that setting target dates would trigger brutal competition among candidate countries, leading to widespread fragmentation of the region and serious regional instability. It has been clear to all observers for a long time that the differences among candidate countries are as conspicuous as the competition (and cooperation) among them. Everybody able to read statistics and with practical experience of the region can easily rank the candidates. In other words, the ‘fragmentation’ is obvious already, and would not be created just by setting accession dates. On the contrary, such dates could strengthen the cooperation in the region, particularly if the EU were ready to indicate several targets under a gradual process of enlargement. Such an approach would take account of the prospects of countries at different levels of ‘EU maturity’. Moreover, it would draw a clear framework for planning by multinational companies interested in the region. It is not an absence of dates, but joint activities embedded in a clear timetable that could be helpful in narrowing the gap within Central and Eastern Europe. With such an approach, big, cross-border infrastructural projects would be badly needed. They could be financed jointly by the EU, the first-wave accession countries, and those hoping for membership later. A joint project covering railway, highway or environmental development would have a more directly demonstrative effect on society in the countries joining at a later stage than the nicest political declaration on future, undefined membership. Joint cross-border developments covering future EU members, the openness of the EU market and

the strengthening of regional activities by international capital could become a substantial factor for stability, well before the first wave of enlargement. Moreover, it cannot be ruled out that the fragmented situation of the CEE region results not only from different internal paths and patterns of development, but from the obviously diverging interests in the region that the various EU member-countries have (in Central Europe, the Baltic area and the Balkans).

3.2. Why it is urgent to have target dates for accession

Candidate countries are pressing for such a date or dates. So at the first glance, one may believe that it would be just their exclusive interest. However, it is easy to formulate a number of arguments justifying such an approach from the standpoint of the EU as well.

(a) First, eastward enlargement of the EU, in however many waves it may happen, is embedded in the globalization process and adjusted to the rules of global development. If Europe wants to define its future place in world politics and the international economy promptly and correctly, it is urgent for it to produce the scenario for eastern enlargement. It is not immaterial whether the extra resources generated in Europe go for repeated, real and apparent stabilization measures (damage limitation) in various parts of the continent, or whether they can be channelled into strengthening its global position. Moreover, the benefits of enlargement – bigger markets, new technologies, bigger economies of scale, and the flexible institutions and social acceptance of a united Europe – cannot be enjoyed without an adequate integration strategy, so that most of them are lost. The longer the date of accession is postponed, the likelier it becomes that the EU will be snowed under with simultaneous applicants, as the repeated, condensed ‘follow-up waves’ of the 1990s have shown. That would face Brussels with a dilemma it could hardly handle: either to accept all at once, jeopardizing its position in global competition and even the bases of European

integration, or hide behind protection and have to spend vast sums on the ‘crisis management’ of partly or wholly unprepared candidates.

(b) Secondly, it is obviously a matter of self-interest for the EU to underline the need for a comprehensive enlargement strategy based on gradualism, with staggered accession dates. It should not be forgotten that all the fundamental reforms of the EU have followed a clear, dated timetable. There have been clear schedules for the internal market project (1985–92), the institutional reforms leading up to the Amsterdam Treaty (1992–9), the Economic and Monetary Union to create the common currency (1993–2002), and most of the transfers to less developed member-countries.

Until a clear enlargement timetable can be seen, it is hard to believe that eastern enlargement is really the priority issue in European integration. In effect, producing such a timetable would be a pledge of the EU’s resolve, at a time when this is important, because resistance to enlargement has been growing in several member-countries. Moreover, as the Portuguese Presidency strives to accelerate the accession negotiations with the second group of six applicants, there may be a danger of the pace of the whole accession process slowing down, and countries more advanced in the negotiation process not receiving enough EU energy, time or attention.

It is worth recalling that setting an accession date was required to accelerate the entry negotiations with Austria, Finland and Sweden and ensure a rapid round of ratifications. Indeed it was the Commission that suggested to the Council in Copenhagen, in June 1993, setting a deadline of March 1994 for finalizing negotiations and conducting the ratification process in the way that would not preclude accession in January 1995. Similar initiatives are needed today, to accelerate and conclude the negotiations and intensify the subsequent ratification procedure.

A further EU interest consists in the long-term stabilization of Central and East-

ern Europe. This goal, however, can hardly be achieved by the repeated delay of the accession date. On the contrary, it requires a rapid setting of the date. The more the candidate countries in general and the more prepared ones in particular, become uncertain and tired of the EU promises and delays, the higher is the danger that the migration potential, today at a theoretical level, could be converted into a real pressure and threat.

The reliability and credibility of the EU can hardly be measured in quantitative terms. However, they are crucial factors with society and politically influential circles in the candidate countries, and for international and intra-EU economic interest groups, concerned in the enlargement process. Any postponement of the target date could undermine that credibility.

Finally, the date of accession could significantly affect the pace of reforms that are linked or not directly linked to the enlargement, within the EU as well. It is evident that the EU’s ability to accept new members, how many it can accept at a time and how the region can be institutionally integrated by a gradual approach depend crucially on the speed of the EU’s internal reforms. These are fundamentally affected by the presence or absence of target accession dates.

(c) There are obviously key reasons why the candidate countries need a date of accession. First, all the first-wave candidates have developed and been implementing for several years a strict plan of preparation for full membership. This is necessarily embedded in a time frame, without which the public administration and interest groups interested in the accession process could easily come up with other priorities, ostensibly more important at a given moment than conscious, enhanced preparations for EU membership.¹⁵

¹⁵ The inventiveness of the bureaucracy in finding arguments against policy measures that would require concentrated effort, damage vested interests or bring painful restructuring is well known. Only strict schedules can avert such backsliding.

Moreover, the target date is essential to the technical side of the negotiations. The temporary derogations requested by candidate countries (and the EU) can only be framed by comparison with a specific date. The derogations requested may differ widely according to whether the accession is to be earlier or later. However, that is far from implying that a delayed accession leads to fewer derogation requests. On the contrary, postponement is likely to lead to ossify battle-lines, increase the losses to groups that had expected clear benefits from rapid enlargement, erode the interest of international capital, bring economic slowdown, and enhance public disappointment. All of these developments could easily translate into more, not fewer derogation requests.

Clear target dates would not frighten the candidates. On the contrary, it would spur them to mobilize existing domestic resources and speed up the process of adjusting to EU rules, particularly in the areas that have to be developed to absorb potential EU resources efficiently. In addition, it justifies the already committed costs and painful adjustments, which were carried out mainly in the expectation of quick membership. Since a successful modernization in capital-poor Central and Eastern Europe requires significant inflows of net foreign capital in the longer term, target dates could ensure that this process is sustainable. Even more importantly, if external financing should temporarily decline (as privatization is more or less completed or through a decline in net capital imports due to higher profit transfers), it is vital to know the interval between the time of the declining resources inflow and the date of accession. If they know this, the candidate countries' governments can choose an economic policy adequate to keeping the modernization process alive until larger EU transfers become accessible.¹⁶

¹⁶ In such a hypothetical case, the government may react differently if the time to full membership amounts to one or two years, and if there is no clear date of accession. In the first case, the financial gap of modernization is most likely to be filled even at the expense of further (temporary) indebtedness. In the

The predictability of the accession process is undoubtedly relevant to both domestic and international capital investors. If dates are set, a new surge of strategic investment is likely into the candidate countries on the threshold of membership. The results will not be confined to higher growth, job creation and enhanced competitiveness. It will also strengthen cooperation among would-be members, well before membership. This scenario applies particularly if one knows which countries have good chances of becoming members of the EU at a set time. Obviously, the EU will not and cannot define this group of countries today. However, it will become much more apparent during the final stage of the entry negotiations.

Setting target dates will have a fundamental and positive impact on society in the candidate countries. The social support for EU accession has been substantially weakening in the CEE countries now negotiating with the EU.¹⁷ This trend partly follows logically from the beginning of the negotiation period, in which the interests affected by the prospect of membership and the pre-membership costs of adjustment become apparent. So knowledge of the timing of accession is needed to justify such costs, restructure budgetary resources for successful adjustment to the EU (which obviously hurts certain interests and benefits others), and break or control the growing resistance in some parts of society. In addition there is the 'legitimacy gap' that may develop in the near future. The longer the interval between obligatory transposition of EU norms and the date of a country's membership, the more

latter situation, such an approach may be extremely dangerous.

¹⁷ The 60 per cent support for the EU found among the Hungarian population exceeds the regional average. In Poland, support for the EU declined to less than 50 per cent in the autumn of 1999, although it has since increased modestly again. The same figures are 35 per cent for the Czech Republic and only 25 per cent for Estonia. It has to be noted that the declining support has been accompanied, not by an equivalent increase in opposition or hostility to the EU, but by mounting disappointment and apathy. This is obviously connected directly with the repeated postponement or continued floating of the accession date.

difficult it will be for the government to justify adjusting to EU rules on which the candidate country has no say.

It is vital for the pace of development to be defined by social strata and economic interest groups fundamentally interested in the accession, and not by those interested in postponing it. The lack of target dates increases the disappointment and disillusion of society and plays into the hands of nationalist and populist forces. Now if not before, the issue of the target date may become a crucial factor in domestic or regional political stability. To prepare candidate countries for the 21st century, not the 18th or the 19th, it is essential to strengthen the internationally competitive or potentially competitive factors and bring future-oriented behaviour to society.

4. Duration: should accession be fast or slow?

Another key question concerning enlargement, along with the date or dates of accession, is the duration of the enlargement process, including the gradual sequencing of different waves of accession. Most of the arguments for and against of enlargement already mentioned apply again, and so the following comments are confined to some additional factors.

4.1. Will slower accession mean better preparation?

At first glance, the logic of this argument is clear. The more prepared for EU membership a country is, the easier it will be to fit into the new system and the greater the prospective benefits of integration. According to various Western European interest groups, a slow enlargement is necessary to ensure compliance with the EU's strict social and environmental rules, and this is also the way to dampen or eliminate the migration pressure. Furthermore, it is seen as a way to minimize temporary exceptions, which will form an alien body in a highly integrated community. Finally, a postponed, lengthier enlargement process will offer Western

Europe more time to prepare for enlargement. This means it can continue its internal development: smooth implementation of institutional reforms, introduction of the common currency, transformation of the common agricultural policy, and reshaping the volume and structure of the budget. For their part, the candidate countries need not surrender any of their national sovereignty (a sensitive issue in some countries) until later. Moreover, the pain of their adjustment tasks will be less. Certainly, some of the rights of member-countries will not apply to them, but in exchange, their obligations will be more limited.

These arguments can be countered in almost all respects. First, there cannot be perfect, all-embracing preparation for accession in any case, because some of the adjustment will extend into the early years after membership. Adjustment to some EU policies (such as agricultural policy) is only possible for a member-country. In fact, there is an optimum moment for entry, defined by the minimum of sufficient preparation and the maximum economic, social and political costs of non-membership. This moment can be defined as a date or as a margin of acceleration or delay of the accession process. Secondly, membership is required for a candidate country to gain access to additional resources, without which important adjustment targets cannot be fulfilled (mainly in the extremely costly area of environmental protection). Furthermore, the catching up of real wages calls for high, sustainable growth rates and a rapid increase of investment and productivity. Capital and society as a whole have to have a clear view of the future and confidence in it. In the opposite scenario, existing differences will continue to grow, perhaps reaching an extent that becomes critical to stability. Thirdly, the EU reforms need the 'enlargement pressure' upon them, without which the processes may slow down, and the additional growth potential provided by enlargement may remain unused. Fourthly, it is misleading to imagine that a longer enlargement process will provide better chances for either side to attach and enforce special derogation requests.

Even today, extremely serious economic and social tensions can be envisaged from such a slow scenario strategy'. Finally, there is no evidence that a slow accession process will strengthen the EU's ability or readiness to accept new members. On the contrary, stronger global competition coupled with ossified Western European institutional structures and mentality patterns are already putting EU countries into a defensive stance that includes 'political protectionism'. An example is the Haider phenomenon in Austria, although there are similar trends in other member-countries as well. Most of the potential tensions connected with the introduction of the euro are still unknown.¹⁸ Eventually, the Western European economy may suffer another recession, while the internal problems of some candidate countries may be exacerbated, partly by the postponement of their membership. There are immeasurable uncertainties in the Russian situation, and 'transformation traps' still face most of the CEE countries. Under these circumstances, the arguments against rapid membership are hard to justify.

¹⁸ There is wide scope for conflicting national interests in a monetary union that lacks fiscal harmonization and has separate national budgets approved by separate national parliaments, as well as separate, national banking supervision. Taking into account that the single currency deprived the monetary-union countries of control over a key factor in their competitiveness – management of their exchange rate – their global performance now depends crucially on other policy instruments, such as productivity growth, tax reductions, real wage decline, substantially more flexible labour markets, or in the worst case, extra budgetary financing (or any mixture of these). Some such policy measures may conflict with the Maastricht budget criteria (a maximum budget deficit of 3 per cent of GDP). Others are expected to challenge the trade unions and employees. In a critical case, the sustainability of the euro zone may require a substantial upgrading of the EU's own budgetary resources, nullifying at a stroke the present contribution ceiling of 1.27 per cent of national GDP. In addition, it may generate a substantial redistribution of resources towards the current net beneficiaries, or if there are accessions to the monetary union, from the new members towards the weak members of the euro zone.

4.2. The advantages of rapid enlargement and the modes of attaining it

Rejecting the arguments for a slow enlargement does not automatically imply that rapid enlargement offers a remedy for all ills. However, it seems to be the only reasonable approach in today's Europe. On the one hand, there are destabilizing tendencies emerging in the East and the West of the continent, which can only be cured by an offensive approach. On the other hand, enlargement has already gained its own momentum. Although the final decision is expected to be taken in Brussels, the economic and political groups interested in enlargement, including the vast majority of the multinational firms located mainly in a few Central European countries, cannot afford to ignore or abandon new countries that are performing well, so long as their global competitiveness is secured for the future as well. Thirdly, the evidently favourable commercial and financial situation of the EU, which has been based on the bilateral trade development of recent years, can only be sustained if the process of modernization in selected CEE countries does not suffer a setback.

The EU surplus in global trade amounted to about 20 billion euros in 1998. At the same time, the EU surplus in its trade with the ten CEE applicant countries amounted to 22 billion euros. In other words, the candidate region, representing about 10 per cent of the EU's total extra-regional trade, contributed more to the EU trade balance than the amount of the global EU trade surplus.¹⁹ Starting from the assumption that creating or retaining one job in Western Europe costs 50,000 euros a year, this trade surplus could finance no less

¹⁹ The EU's trade surplus with Central and Eastern Europe is not a new development. It has been characteristic since 1992 and more importantly, growing by the year. A cumulative calculation shows that 83 per cent of the EU's total trade surplus between 1992 and 1997 (767 billion euros) was accounted for by the candidate countries.

than 440,000 new jobs or allow many otherwise uncompetitive jobs to continue.²⁰

Central and Eastern Europe has certainly become much more integrated into the commercial, financial and technological network of Western Europe than the latter has into the former. A new, largely asymmetric state of mutual 'dependence' has arisen in the last few years, as the CEE imports from the EU have begun to exert a critical and appreciable impact on EU growth rates. Exports from Germany to the ten CEE candidate countries amount to 2.6 per cent of the country's GDP. These imports increase annually by 15–20 per cent, which adds 0.4–0.5 percentage points to the German growth figure. This is a sizeable contribution while German growth remains sluggish. Any recession, import restrictions or balance-of-payments problem in Central and Eastern Europe would have a noticeable effect on the EU on general, and on some member-countries in particular. More importantly, there are no arguments that clearly support the automatic sustainability of such a high and undisturbed growth of imports from the EU. If the momentum is to be maintained, a rapid enlargement of the EU seems to be imperative.

Another argument in favour of quick accession by the most developed candidate countries is provided by the uncertainties of the political and economic transformation in the whole region. In addition, a decisive argument stems from the sustainability of the modernization process, which obviously requires the early access to EU funds linked to full membership. This transfer is expected to amount to about Euro 1.5 to 2 bn annually. No derogation request is known at the moment the costs of its withdrawal could be compared with such a size of financial resources. In clear terms: every year of delaying Hungary's accession to the EU would deprive the country of resources equivalent to 3 to 4 per cent of GDP. This is the same vol-

ume as the average yearly net transfer of foreign direct investment to Hungary in the nineties.

The role of the time factor has obviously been substantially upgraded in recent years. In other words, the volume, and still more the distribution of cost and benefits has become time-dependent. The later Hungary joins the EU, the lower will be the benefits and higher the costs. This holds even if a delayed membership would still generate greater benefits than costs, since the benefits and costs would then be distributed much less favourably.

Rapid accession does not seem to be an attainable goal for all candidate countries in the short term. So the EU needs to take two steps to keep the enlargement process sustainable and transparent. First, Brussels has to offer a clear, gradual time schedule to the candidates that are not in the first wave of enlargement, at the latest, at the time when the date of the first enlargement is set. Secondly, the principle of partial membership has to be applied in practice as well. This approach has to be clearly differentiated from 'second-class membership', which would be unacceptable to the candidate countries for political, economic and psychological reasons. Partial membership means that some candidate countries would participate in some community actions and programmes as full members, while in other areas they still did not qualify for membership. Already today, there is a good example of this, in the participation of candidate countries in the EU's fifth R & D framework programme. It is very likely that the new Schengen borders of the EU may be based on the same approach. The EU maturity of some candidate countries will develop at a slower (or much slower) pace than the requirements for a European security policy, which results fundamentally from growing social and public pressure within the current EU member-states. So overcoming this 'time gap' may call for some innovative concepts. Membership of the Schengen framework by the Baltic States, Bulgaria and Romania could save the EU (and most of the first-wave candidate countries) a lot of money. In geo-

²⁰ Of course, the total exports by the EU to Central and Eastern Europe have financed the retention or creation of several times that number of jobs in the EU countries.

graphical terms, it could extend the security borders of Europe, while stabilizing the part of Central and Eastern Europe that could otherwise be divided by an enlargement in different stages. The solution to this danger is not to delay the membership of all candidates, but to develop transitional plans based on clear timing. That is the only way to guarantee the stability of the region and strengthen the cooperation among the countries and peoples of Central and Eastern Europe.

5. Concluding remarks: the tasks for Hungary

The accession negotiations between the EU and Hungary are expected to enter a critical stage in the autumn of 2000. By then, it will become clear what derogation requests are being submitted for further discussion on both sides. That is when the 'real' negotiations will start. It will emerge which interests can be enforced and at what price, and which requests have to be withdrawn.

Although the day-to-day negotiations with the EU focus mainly on transposition of the EU *acquis*, including the timing and conditions of implementation and enforcement, Hungary's successful accession to the EU does not consist of accepting and enforcing 90,000 pages of EU legal materials and documents. For both sides, it is a unique, strategic question in a historical perspective. Only in this context can a balanced assessment of the conditions, benefits and costs be made.

Several arguments have been advanced in this paper for indicating a target date for accession. However, Hungary at present should not be concentrating on wheedling a date out of the EU. This goal can be approached or attained more conveniently if Hungary does its utmost to conclude the negotiations successfully, at the earliest possible time. In fact, closing the negotiation process, in itself, will put pressure to set a date. It is unlikely that the ratification process can be delayed for a long time after the accession treaties have been signed. At the same time, this approach could help sustain the process

of differentiation among the candidate countries, which at least at the surface, has been eliminated by the European Council decision in Helsinki, in December 1999. To achieve this double purpose – starting the ratification process and ensuring effective differentiation – Hungary's negotiation strategy has to follow clear priorities and focus on a limited number of derogations. All steps have to be avoided that could slow, prolong or even threaten the negotiation process. Throughout this period, the final balance of national benefits has to have absolute priority, not various fragmented, partial interests, protected by strident demagogues and populists who belong to the 19th, rather than the 21st century.

However, even a perfect negotiation strategy and tactics are insufficient for this. It is not the negotiators or the experts directly or indirectly involved in the negotiation process who will be joining the EU, but the whole of Hungarian society. It is urgent to broaden the dialogue with Hungarian society and prepare domestic public opinion in all critical areas where Hungary may be forced to make substantial concessions to gain EU membership. If delicate questions are not first addressed by the best experts, with well-founded arguments, a future-oriented mentality and a powerful impact on public opinion, if public attention goes instead to those who make light, unrealistic promises, the process of preparing Hungarian society for EU membership could enter a difficult, conflict-ridden stage that might even jeopardize the outcome of a membership referendum. In consequence, it is imperative to address the key questions immediately and not just on the eve of the referendum.

No delay must be permitted in establishing ongoing dialogue with all political, economic and social groups who influence public opinion in EU member-countries. Much comprehensive, coordinated work is required to find the necessary support for Hungary's EU membership in the national parliaments of the EU 15. Attention should not be paid exclusively to Brussels, or more precisely, to the ongoing negotiations. More

effort has to be devoted to contacting, convincing or eliminating concerns among influential opinion-shaping groups in individual member-states.

Last but not least, everybody in Hungary has finally to recognize that entry into the EU in general, and the timing of it in particular, cannot become a victim of short-sighted party politics. It will occur at a certain moment in a long process of unprecedented historical importance. It could never materialize without a decade of comprehensive preparation. It cannot be a success if the integral process of further integration is slowed down or halted after full membership is obtained.

In the context of Hungary's history, it cannot be of fundamental importance which government (or coalition) is in power at the moment of accession. However, it would be a fundamental issue with unforeseeable consequences, if any government (or coalition), for whatever reason, were to delay, miss or hazard this historical chance.

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