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- What reforms are necessary for the "new" countries to join the Monetary Union?
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The EU Five Years After Its Eastern Enlargement

By Kai-Olaf Lang

On 1 May 2004, ten new countries, most of them from central and eastern Europe, joined the European Union. For the new member states this meant they were "at home again," because the *leitmotiv* of their difficult path of reforms after 1989 was the wish to "return to Europe." Not in geographical terms, because they have always been part of the continent. But after four decades in the Soviet sphere of power, i.e., in the East, they wanted to rejoin Europe, i.e., the West, in a political, economic, and civilizational sense.

The old member states were ambivalent. On the one hand, they had signaled openness toward the young democracies. This was consistent with the idea of European integration which has always aimed at the unification of the divided continent. So in a historical situation, when the Eastern bloc collapsed, it would have been a blow to European credibility if the Communities would have ignored the wishes of their neighbors to join the EU. But what was more important was the intention to consolidate fragile societies and political systems. The prospect of membership turned out to be an ideal means to speed up the difficult transformation of economies and political institutions. The member states sharing common borders with the post-communist countries were especially interested in extending the "zone of stability and prosperity" eastward. That is why Germany became a powerful "engine of enlargement."

However, from the very beginning of the process there was considerable skepticism among at least some of the old member states. They would have preferred to form an informal European Confederation or other arrangements of tying the new democracies to the European Communities. After enlargement turned out to be irreversible and accession negotiations with the European Union were opened, aversions were rising even in the pro-enlargement countries. Now, when both sides came down to the nitty-gritty of the *acquis communautaire*, the costs of enlargement became tangible. Also, the EU was afraid that it would not be able to carry out the necessary institutional scaffolding before a big number of new members would join. But the process had advanced too far, and the EU could not leave the path of enlargement.

Five years after the EU expanded, the pros and cons of enlargement are more visible. No doubt, there are lots of positive results—for all sides: for the new members, for the old members, and for the EU as a whole. The majority of the countries that recently joined has a positive track record of market reforms and witnessed a substantial growth. For many of them the real economic convergence toward old EU levels is a realistic prospect. The frontrunners have already caught up with old EU countries like Greece or Portugal. Slovenia and Slovakia have already adopted the euro, a step which required bold fiscal reforms and monetary stability. Also, at the end of 2007 the Schengen area was extended. This means that there are no border controls between Germany and Poland, for example, and people can travel from Portugal to Estonia without showing their passports. This was possible only after the new members undertook substantial reforms in the field of internal security and imposed a restrictive travel regime on what are now the external borders of the EU. Overall, the eastern enlargement was an example for how the EU can act as an anchor of stability and apply its transformative power.

Of course, the first few years of the larger EU have also shown the downsides and opened questions of enlargement. Although the accession process was better prepared than previous enlargements, the EU was not able to eliminate major deficiencies in the new member countries before they joined. Of major concern are the functioning of states and their governance systems. An ailing public sector with low wages and dissatisfied public limits the administrative capabilities of a state and creates inroads for corruption. It has to cause unease that in some countries important governance indicators (e.g., those for corruption and state capture) have stagnated or even deteriorated. These problems are especially worrisome in Bulgaria and Romania, the two southeastern European countries that joined in 2007, about which many in the EU think their accession was definitely too early. Some weeks ago, Bulgaria's Prime Minister Sergey Stanishev even invited Brussels to send European specialists to his country to better fight corruption. In 2008, the European Commission decided to freeze €800 million in regional, agricultural, and infrastructure assistance schemes for Bulgaria.

Furthermore, in many new member states the political scenery is far from stable. Political culture is aggressive and conflict highly antagonistic; populists, Euro-skeptics, and simply strange political entrepreneurs are gaining ground and winning elections. Politicians like the Kaczynski twins in Poland, Slovakia's left-wing Prime Minister Robert Fico (who formed a coalition with right-wing nationalists), or the successful mayor of Sofia and champion of tough law-and-order Bojko Borisov are not radicals, but they are, at the least, unpredictable and contribute to domestic polarization.

Does the existence of these "dark sides" of enlargement mean that it was a mistake to do the big bang enlargement of 2004? The answer is no. What would it mean for the (old) EU to have internally-divided, societally-fragmented, highly corrupt, and ill-governed countries on its eastern flank? It would result in slowly-developing countries that would not have had a massive influx of investment, and where the only realistic option for reaching Western standards of living would be to leave as soon as possible. Additionally, these countries might have ambivalent foreign policy orientations, which would create insecurity and openings for new dependencies on external powers. In short, the EU would have a considerable bunch of instability in its direct neighborhood, and this region would require additional efforts and help. Especially in a time of a harsh economic downturn, when some of these countries struggle not to default, it is better for them and the EU to be inside the European house than to stand in the rain.

This does not mean that the EU and its members should not learn from the 2004 (and 2007) enlargements and their implications. Three things are especially important.

First, the new member states have to complete their membership. Formal accession happened in May 2004, but in many respects they still have yet to fully integrate in the Union. The most important objective is to join the Monetary Union. What timing is optimal for particular states and economies can be discussed, but signaling reluctance or resistance is risky, especially in a time when there are voices calling for the upgrading of the euro-zone into something like the hard core of a multi-speed Europe.

Second, in this context, it is important for the new members to avoid "old vs. new Europe" symbolism as it has happened during a mini-summit of the central and southeastern European EU countries in March. It would be more useful for them to cooperate in bilateral or multilateral coalitions together with old members and to focus on certain issues. The recent initiative of the German and Polish foreign ministers calling for an EU stability and mediation mission to Ukraine is a positive example for constructive and well-harmonized engagement—just like the Polish-Swedish proposal for an Eastern Partnership has been.

Third, the EU needs a new consensus on enlargement. The broader discussion in the EU says that institutional reform, i.e., ratification of the Lisbon treaty, is a condition for further enlargement (let's say except for Croatia and Iceland, which might also join without Lisbon). This is true and makes sense. However, institutional rearrangement will not be not enough to fight enlargement fatigue in societies and political establishments of many member states. Most likely it will take a longer period of internal consolidation to digest the enlargements of 2004 and 2007 until the EU is ready for a sober discussion about the future of enlargement. The main objective of this period of consolidation is to reduce socio-economic divergence and to find new patterns to manage political diversity in the Union—and not to increase differences by importing new fragile and poorly prepared countries and their interests.

By following a more consistent enlargement policy, the EU will not forget about its interest to export stability to its peripheries. However, the challenge is to find new forms of intensified cooperation with countries that are more than neighbors and less than members (at least for the time being). That is why it is so important to have efficient alternative models for enhanced involvement. The future association agreements with the countries of the EU's Eastern Neighborhood (currently under negotiation with Ukraine) might be such an instrument and a way to find a silver carrot for reforms—at least as long as the golden carrot of EU membership does not exist. If these agreements (we could call them transformative associations) work, a lot can be reached, including visa-liberalization and the inclusion in the internal market. But this is a separate issue from enlargement, and a subject for another essay.

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