

The New Frontiers of Europe
*The Enlargement of the
European Union:
Implications and Consequences*

Daniel S. Hamilton, Editor

Hamilton, Daniel S., ed. *The New Frontiers of Europe. The Enlargement of the European Union: Implications and Consequences*. Washington, D.C.: Center for Transatlantic Relations, 2005

© Calouste Gulbenkian Foundation 2005

Calouste Gulbenkian Foundation

Av. de Beina 45 – A

1067-001 Lisbon

Portugal

Tel. (+351) 21 782 3000

Fax (+351) 21 782 3025

Email: info@gulbenkian.pt

<http://www.gulbenkian.org>

Center for Transatlantic Relations

The Paul H. Nitze School of Advanced International Studies

The Johns Hopkins University

1717 Massachusetts Avenue, N.W. Suite 525

Washington, D.C. 20036

Tel. (202) 663-5880

Fax (202) 663-5879

Email: transatlantic@jhu.edu

<http://transatlantic.sais-jhu.edu>

ISBN 0-9753325-9-7

Table of Contents

Acknowledgements vii
Daniel S. Hamilton

Foreward
The New Frontiers of Europe ix
Emílio Rui Vilar

Part I: Political Perspectives

Chapter 1
Limits and Frontiers of the New Europe 3
Jorge Sampaio

Chapter 2
**The Enlargement of the European Union:
Challenges and Consequences** 11
António Monteiro

Chapter 3
What Frontiers for What Kind of Europe? 15
Jean-Louis Bourlanges

Chapter 4
**Immigrants in the Heart of Europe:
Can A Common European Migration Policy be Avoided?** .. 23
Roxane Silberman

Chapter 5
The EU's Federalism Deficit: A Madisonian Perspective .. 41
Michael P. Zuckert

Part II: Cultural Perspectives

- Chapter 6
Culture or the *koine* of Europe 79
Antoine Compagnon
- Chapter 7
Culture, Knowledge and European Unity 93
Josef Jařab

Part III: Economic Perspectives

- Chapter 8
EU Enlargement: Challenges and Opportunities 101
Jean-Claude Trichet
- Chapter 9
**European Enlargement and Transition from
Plan to Market** 111
László Halpern
- Chapter 10
The European Research Area and EU Enlargement 127
Boris Cizelj

Part IV: Strategic Perspectives

- Chapter 11
The Strategic Implications of Enlargement 143
Daniel S. Hamilton
- Chapter 12
Enlarging Europe's Strategic Vision 157
Thérèse Delpach
- Chapter 13
**Central European Views of EU Defense and
Foreign Policy** 169
Jiří Pebe

Part V: The Larger EU and Its Neighbors

Chapter 14	
Turkey: Well Within Europe's New Frontiers	179
<i>Ragıp Duran</i>	
Chapter 15	
European Neighborhood Policy: Strategy or Placebo? . . .	183
<i>Michael Emerson</i>	
Chapter 16	
Russia as Europe's Neighbor:	
Strategic Challenges of Economic and Political	
Development	217
<i>Yegor Gaidar</i>	
About the Authors	227
Conference Program	234

Acknowledgements

On behalf of the authors and of the Center for Transatlantic Relations at the Paul H. Nitze School of Advanced International Studies I would like to thank the Calouste Gulbenkian Foundation, especially Emílio Rui Vilar, President of the Board of Trustees, and Rui Goncalves, my partner in this effort, for the initiative to bring us together with opinion leaders in Portugal to examine the implications of EU enlargement for Europeans and their partners. I would also like to thank the authors themselves for their own engagement and insights. Particular thanks go to my colleagues at the Center for Transatlantic Relations for their continuing energy and support. Each author writes in his or her personal capacity; the views expressed are those of the authors and not their institutions.

Daniel S. Hamilton

Foreword

The New Frontiers of Europe

Emílio Rui Vilar

Many centuries ago, Charles V, the Emperor-King, left his throne when he concluded that his efforts to maintain the unity of his realm—the most expansive since the Roman Empire—had become fruitless. Europe has never been so unified since.

Discussing the future of the European Union compels one to acknowledge and celebrate the merit and reach of the European unity we enjoy today.

After centuries of wars between Europeans, the innovative and progressive model established through the vision of Europe's post-World War II founding fathers has registered huge advances for peace, democracy, respect for human rights, solidarity and social and economic progress—all imperfections and weaknesses notwithstanding.

It is therefore paradoxical and troublesome to note the sense of doubt and pessimism now palpable among many Europeans, including some new members of the European Union. It is an important moment to reflect on the challenges and consequences of the European Union's enlargement.

2004 was marked by a number of events with huge influence on the pace and direction of "European construction." Ten new countries joined the European Union, a new, larger European Parliament was elected, EU leaders agreed on the text of a new Constitutional Treaty, a new European Commission began its work, and Turkey was offered talks with a view to its eventual accession to the EU.

These events should have been cause for joy and hope. Instead, they took place under horizons darkened by the persistent insecurity generated by international terrorism, the intra-European wounds engendered by the war in Iraq, Europe's frail economic recovery, high oil prices, the inconclusive debates over the EU's Stability and Growth Pact, and rancorous debates over the EU's future budget, the so-called "Financial Prospects" for the period 2007-2013.

European Union Enlargement

The EU's fifth enlargement was one of the most demanding challenges facing the EU in recent years. The geopolitical, economic and social changes that accompany enlargement are forcing EU nations to consider new institutional solutions to EU governance. But they also represent an historic opportunity to extend the Single Market at home and enhance the EU's importance and influence abroad.

This most recent enlargement is important in ways that reach beyond the already powerful symbolism of "reuniting Europe." With 25 members, the Union has increased its area by 23%, and its population by 20% to 455 million inhabitants. While the immediate economic impact is less significant—overall EU GDP has grown by only 5 percent and per capita GDP has actually declined by 12.4%, given lower average incomes in the new countries—over time the new members will offer the Union a significant growth reserve.

The ten new members are a heterogeneous group: three Baltic states, four Central European nations, a Balkan country and two Mediterranean island states. There are big countries, such as Poland, and small countries, such as Malta or Cyprus, each with very different historical backgrounds and a cultural and linguistic diversity beyond anything ever experienced by the Union.

This diversity both enriches the Union and lessens its common denominators. On a geographical level, the EU is drawing closer to the "borders"—never rigorously defined—of this continental extremity we call "Europe." A new exercise in socializing, communicating, working together on common projects is required of us all—a difficult, complex and not always popular task that will compel us to re-examine old models and reconsider previous policies to ensure that the level of integration and cohesion thus far achieved by the Union is maintained.

This will be a major challenge in a world full of uncertainties. Despite appeals to tolerance of multiculturalism, Europe's continuing enlargement, and the tremendous diversity it brings, will confront us with a series of culture shocks.

Enlargement of the European Union is the practical realization of a core passage in the treaties since 1957, declaring that member states were "*Resolved to consolidate, by uniting efforts, defending peace and free-*

dom and appealing to the other peoples of Europe who share their ideals and who want to unite their efforts.” It was a moral duty to welcome those countries which opted for democracy in 1989 and thereafter.

The Copenhagen European Council in 1993 defined both the political and economic criteria that candidate countries would have to respect before accession. Political criteria include the presence of stable institutions guaranteeing democracy, rule of law, human rights and respect for minorities and their protection. Economic criteria include the existence of a functioning market economy and the ability to respond to the pressure of competition and market forces within the Union. Often forgotten is the ability of accession candidates to meet the obligations resulting from their accession, including accepting the objectives of political, economic and monetary union, as well as the capacity of the Union itself to absorb new members while simultaneously maintaining the dynamics of European integration.

Moreover, having just digested ten new members, the EU now faces the accession of Bulgaria, Romania, perhaps Croatia—and perhaps Turkey.

The question of Turkish accession is particularly divisive. The many skeptics have various concerns. They wonder whether the EU can digest a country the size of Turkey—over 70 million people and growing. They point to Turkey’s relatively weak economy, with one-third of its workers in agriculture, and the consequent impact on the Community budget, by some estimates more than 30 billion euros. They fear the spectre of mass immigration. They question Turkey’s commitment to the exercise of fundamental rights, a functioning justice system and civil control over the military. They are concerned about extending the borders of Europe to highly instable areas. And they underscore major social and cultural differences. Religion is a particularly sensitive issue.

Others argue that the EU has repeatedly postponed the issue of Turkish accession and must now respond positively. Accepting Turkey, they argue will emancipate the EU from its “political dwarf” complex and cause it to assume its full strategic importance. Accepting Turkey will also give a clear sign to the Islamic world and will in time probably contribute to the processes of democracy and peace in the Middle East.

The prospect of further enlargement also raises a basic cultural issue: the perception of our identity vis-à-vis the “Other.” Preconceived ideas will have to be rethought. Our values call for serene, liberated and rational reflection, based on greater knowledge. That is one of the marks of the culture of tolerance which we reclaim.

The recent enlargement shifts the Union’s geopolitical center further east, alters its initial constellation and is a major step towards the “continentalization” of the Union. The EU’s borders have now been extended to a sensitive region of the former Soviet Union, requiring us to once again look at the question of Europe from the Atlantic to the Urals. The relationship with Russia, the largest supplier of energy in this enlarged Europe, with one of its provinces located entirely within the EU, will be a key issue in the politics of the “European neighborhood.” Finally, we ignore the instable situation in the Balkans at our peril.

Challenges Ahead

We are experiencing more than a mere quantitative enlargement of the European space. New dynamics are underway that will change the face of Europe. For those who were in the EU15, we shall witness an unequal distribution between the opportunities resulting from a wider, more open economic space and the costs resulting from the ensuing adjustment process.

Enlargement presents the Union with a full range of geopolitical, diplomatic and military issues. The prospect of deeper integration in some areas now seems more difficult, now that the Union consists of countries with very different historical and strategic sensitivities. The failures of the initiatives in the field of defense (Rapid Reaction Force) are clear examples. The new Constitutional Treaty foresees both the inclusion of a mutual defense clause and the creation of mechanisms of enhanced cooperation to allow some countries to move towards integrated and autonomous defense without waiting for the agreement of all. But will such procedures enhance the efficiency of variable geometry, or simply herald the return of a multi-speed Europe?

These developments occur at a time when NATO is unsure about its position and when the United States is restructuring the deployment of American troops around the world. As far as European public

opinion in this area is concerned, the TransAtlantic Trends 2004 survey tells us that 71% of Europeans think that the European Union should become a superpower like the United States. However, if the status of superpower requires more military expenditure, then 47% of Europeans would change their opinion.

Here the Iraq question is paradigmatic and exposes profound divisions in the Union as to the vision of the world and the proper course for international action.

On an institutional level, the profound transformations which have occurred in the integration process are clearly evident through the succession of new Treaties: the European Union Treaty of Maastricht (1992), the Amsterdam Treaty (1999) and the Nice Treaty (2001).

The objective of this process—to make the political-institutional architecture of the EU more functional—has not been met. The Nice Summit did not go well and the Constitutional Treaty proposed by the Convention has raised many doubts. Ratification of the Constitutional Treaty is also uncertain, given the unpredictability of the referenda to be held in most European countries.

In this framework, we are going to have to live for some time in a Europe with 25 countries, facing external security threats, and without new institutional mechanisms more suitable to the new situation. These factors, together with the weak environment for economic growth, do not favor the moment.

Economy and Demography

Europe's economic engine shows no sign of revving up. There is modest growth and high unemployment. The ambitious objectives of the "Lisbon Strategy"—adopted during the Portuguese EU Presidency in March 2000, to make Europe the most competitive knowledge-economy in the world by 2010—are not being met. Although 70 European directives have been approved to advance implementation of "Lisbon strategy," only a small number have been incorporated within the domestic law of EU member states, which reveals how little political commitment there seems to be behind an objective that was intended to mobilize the entire European Union.

On the other hand, we cannot ignore the fact that Europe is an aging continent. The question whether a shrinking working age population can support a growing elderly population is aggravated by high levels of structural unemployment that pose a growing burden on public expenditure. The entire system based on solidarity between generations must be changed, given that the number of workers will decrease greatly in relation to the number of people who will receive social benefits.

If we are to safeguard our society of solidarity, which is one of the cultural foundations of Europe, we must consider changes in a whole cluster of economic and social areas. We cannot continue to insist on past solutions to a present reality that has radically changed. The issues of immigration and the integration of minorities are of special relevance in this regard.

The Future

It is always useful to recall that the European project is a political project of union around fundamental values. During most of the EU's development the economy was clearly the most visible instrument to reconcile differences among member states. Obvious successes include the Single Market, the cohesion policy and the single currency. Today, the political sphere is called on to reconcile differences among member states. Vision and leadership are required now to unite Europeans around geostrategic and economic options, feasible and mobilising policies, and to respond to the perplexities of current times.

Political questions, in turn, are more than ever cultural questions. The multi-dimensional nature of European culture, composed of a mosaic of national cultures, is not immediately conducive to the integration process.

At times of crisis, it is natural that the arguments emerging from national identities offset the unifying and harmonizing vocation of Brussels. This cultural diversity also offers a magnificent creative potential.

Eduardo Lourenço, who has thought deeply about the European issue, recently wrote that Europe is "in search of itself" and perhaps will have to "invent itself against its own will," but wondered whether this might be a "mission impossible." Europe continues to be the greatest challenge to our common future.

With *The New Frontiers of Europe* we expect to provide an in-depth and comprehensive look at the consequences and implications of the latest EU enlargement. I would like to conclude with a word of thanks to our authors and, in particular, to Daniel Hamilton, who again accepted our challenge to launch this book in the United States, hence expanding the impact of the debate we promoted in Lisbon in the fall of 2004. Finally, I would like to thank those participants who, despite their valuable contribution, are for various reasons not in this volume: Manuel Pinto Barbosa, Willem H. Buiter, Mário Vieira de Carvalho, Jose Gregório Faria, Fernando Gil, Eduardo Marçal Grilo, Diogo Lucena, Isabel Mota and Teresa de Sousa.

Part I: Political Perspectives

Chapter 1

Limits and Frontiers of the New Europe

Jorge Sampaio

This volume covers a wide, complex and vitally important issue—Europe’s new frontiers.

The very notion of “frontier” immediately evokes images ranging beyond geographical boundaries to encompass limits in various fields of knowledge, from physics and metaphysics to mathematics.

A tale by the Italian writer Dino Buzzati entitled “The Seven Messengers” is relevant in this regard. The plot is quite simple, or so it seems. A relatively young prince decides to set off to discover the outmost boundaries of his father’s extensive kingdom. He is accompanied by seven knights of the court, who act as messengers to and from the palace as the expedition advances southwards. On the second day of the trip the first of the seven messengers is sent off. The ritual is repeated every day until all the available messengers have been used from A to G, as their names follow each other in alphabetical order. On the tenth day, the messengers start returning, one messenger arriving every five days. But after this first series the intervals between the returns become increasingly spaced apart and grow exponentially. They increase to 25 days, then to 125, 625 and so on to the point where the prince is left without news for years on end. On noticing that he will have to wait 34 years for the next messenger (or, as he figures it, until he is 72, if he lives that long) the prince starts some reckoning. Turning his back on the past, he orders the movements to be inverted and sends the messengers off ahead of him, anticipating the future, bringing news of the unknown.

This story, which combines fantasy and metaphysics, is fascinating not only because of the moral precepts one might extract but because of the opportunity it offers one to reflect on the theme of frontiers and limits—paradoxical issues that cut across all existence,

whether individual or collective, often challenging rationality and imagination.

The tale is also exemplary because it illustrates how all of European cultural tradition is marked by the problem of limits, which in turn is linked to the very concept of freedom as a foundation of the human condition in its multiple expressions. One should not forget that it is this common cultural foundation shared by us all that gives full meaning to the political project of European integration.

My approach to this vast and exacting theme is interrogative rather than affirmative. I would like to question certain clichés and propose some thoughts for reflection.

I see two possible routes for an analysis on the subject of the new frontiers of Europe. One route travels across space as a geographical extension, prompting wonder about the past, present and future geographical boundaries of Europe. But there is another route that pierces through space and penetrates to Europe's core, prompting wonder about the *nature* of Europe. This route prompts us to reflect more deeply about substantive limits of the European integration process.

In both cases the critical question seems to be "How far?" In the first case we seek an answer in terms of geographical limits, of external borders. In the second case we seek an answer less in terms of form and more in terms of substance. In the first case we are discussing demarcations of territory and in the second case we are discussing demarcations of content.

Issues of frontiers become infinitely more complex when they also concern problems of boundaries. I wish to underline this conceptual distinction because it helps to clarify the problems. Where boundaries are in question, purposes are also in question. It follows that in the case of European construction, we cannot answer the question "How far?" before previously defining "What Europe?" The latter is a political issue *par excellence*.

I will illustrate these conceptions with two examples. The first has to do with Turkey. The second has to do with the EU's future financial perspectives.

First Example: Enlargement of the European Union to Turkey

Why does the issue of enlarging the European Union to Turkey raise so many problems with public opinion, not to mention the already familiar objections concerning principles and above all ideological, cultural, religious and even moral prejudices?

The answer is that by making the European Union coincide with the hypothetical borders of the European continent we are reaching the geographical boundaries of the European project. But as we reach that borderline we stand as if on a razor's edge, with all the hesitations and doubts that a borderline situation naturally encompasses. On the one hand, we are tempted towards increasing inclusiveness; on the other, there is the danger of dilution or even disintegration because, as in thermodynamics, the force of entropy tends to grow as the size, diversity and complexity of a system increases.

It therefore seems to me that the question of Turkey joining the EU is not only naturally complex (as I will consider below), it is to a certain extent also hostage to this borderline situation, and thus raises fears of various kinds. First, it confronts Europeans with the issue of the borders of the European Union. Second, it brings them to the end of a cycle that has been a powerful catalyzing agent for European integration ever since the beginning of the European Communities. Third, as in any controversy involving the layout of boundaries, we are experiencing a paradoxical situation in which the same arguments serve to justify both exclusion and inclusion.

When defining Europe there is no question that the eastern boundaries are the most controversial. In the case of Turkey this is so for at least two reasons. First, Turkey is on the cusp between Europe and Asia; although mainly on the Asian continent its land is profoundly linked to Europe by a common, centuries-old history. Second, although Turkey is of great strategic interest, its vastness and specificities cause some apprehension.

Consequently, mere geographical considerations are not enough when discussing whether to include or exclude this type of state located at the furthest end of the European continent. On the contrary, it is important to consider political and strategic issues.

Hence the endless controversies that the Turkish issue has raised, controversies that are doubly topical with the publication of the European Commission's recommendation to start accession negotiations, now that Turkey has fulfilled the political criteria for accession.

I personally welcome European Council's decision to start accession negotiations with Turkey. The reasons for my position (one that I have defended on various occasions) are many: first of all, because such are the terms of the commitment assumed and the promises made a long time ago; secondly, because the candidacy process for Turkey's accession goes back to the 1960s, its status as a candidate having been reiterated in 1999, and any deviation from this purpose is unacceptable; thirdly, because the accession criteria were clearly identified a long time ago and are the same for all candidates, so that preferential or discriminatory treatment is inadmissible; fourthly, because difficulties must be overcome by solving problems and not avoiding them.

In other words, it is obvious that Turkey's accession poses unprecedented difficulties, will be an enormous challenge and a tremendous effort. To deny this would be irresponsible and totally unrealistic. But first of all, the accession negotiations will take as long as required so that we can all do our respective homework. Moreover, opening the negotiations will enable us to reach a cruising speed in this process of adapting and preparing both parties.

I would also like to underline that we cannot skirt around the fact that some of the fears concerning this accession are connected to the erroneous idea that the Judeo-Christian matrix of European civilization should irremediably exclude a predominantly Islamic country such as Turkey from the European project. This, in my view, is a serious prejudice that must be overcome.

While reaffirming the importance of Christianity as a paradigm of Western European civilization, it seems to me that our Greco-Latin legacy, root of Western political thinking, is equally decisive, with its notions of freedom, right, justice and democracy. Consequently, it should be underlined that the critical point of the issue of Turkey's integration in the European project does not lie in the fact that most of its population is Muslim.

On the contrary, the issue is to verify whether Turkey is *de jure* and *de facto* a secular and democratic state, respecting the rule of law, human rights and fundamental freedoms—requirements that are at the basis of the association of states that make up the European Union.

This is verified by the political criteria fixed in 1993 in Copenhagen, according to which, together with other parameters, we can gauge a state's capacity to join the European Union. This is what the Commission did in its published report, which leaves no room for doubts. There is therefore no question of formulating additional demands.

In my view, and I would like to stress this point, Turkey's accession represents a wonderful opportunity for peace, democracy and prosperity. The prospect of enlarging the European Union to Turkey—even if it only happens in 20 years' time—is an auspicious commitment of mutual interest: on the one hand, it will strengthen national consensus around the secularity of the Turkish state; on the other, it will certainly help, in the troubled post-September 11 world, to give Muslim countries a better idea of Europe, invalidating the false and dangerous notion of the often mentioned “war of civilizations.”

At the junction of two worlds, and as a member of the Council of Europe, OECD and NATO, Turkey's integration in the European Union will anchor it definitely to Europe, consolidating the space of freedom, democracy, justice and security that we aspire for mankind. These are the values that all people, regardless of their creeds, consider theirs, values for which the European Union is the spokesman.

Second Example: the EU's Financial Perspectives

As I mentioned above, I decided to discuss this subject because in addition to its great importance for the future of European integration and for each European country, it is a good example of the European Union's new frontiers in their broadest, most substantive sense.

The European Union, having now enlarged to 25 member states, poised to receive Romania and Bulgaria and to start negotiations with Croatia and I hope, with Turkey, and with a new constitutional treaty that enshrines new targets and priorities, has a new road map for the next few years. This is in addition to the commitments it assumed in earlier years, which must be executed in full.

One of these commitments, of course, is the Lisbon Strategy to create the world's most competitive knowledge economy by 2010. This must be given priority, particularly as the accumulated delays in fulfilling its ambitious objectives are quite worrying, including the successive postponement of the structural reforms that are vital to guarantee a framework of sustainable and equitable development in Europe.

As we all know, there is no magical solution to this problem, which is made worse by the poor performance of the European economy. It is not merely a question of promoting growth and economic competitiveness but also of strengthening stability, solidarity and economic and social cohesion among 25 European countries. We should not forget that as a result of the last enlargement the EU's population increased by 20% but its GDP per capita dropped 12.5% and socio-economic disparities doubled.

It is in this complex context that the negotiations for the EU's "financial perspectives" are taking place, leading to approval of the Community budget for the period between 2007 and 2013.

In this discussion, what is at stake is a question of means—the resources that we wish to allocate to achieve the European project—but we should not lose sight of the fact that in addition to the figures there is a prior question concerning finalities and objectives. At stake is the level of ambition and the political design we have for Europe. When discussing the European budget we are discussing the political issue of Europe on the two fronts mentioned earlier: "How far?" and "What Europe?"

If we wish the European Union to develop suitable policies of solidarity to strengthen its action in fields for which it is not entirely responsible—such as various aspects of general economic policy, employment or social inclusion—but which are nevertheless essential for promoting growth, competitiveness, stability and cohesion, and if we wish the European Union to commit to new areas of intervention—such as defense and security, justice and internal affairs or its external affirmation in the world—we will have to give it the essential and necessary financial means for this to be achieved.

Consequently, before starting the technical discussions on budget procedures concerning, for instance, financial burden sharing or

Community budget allocations, we would profit greatly if we launched a serious debate on some of the essential issues and explored some bolder maneuvers, although in this field the guidelines do not favor innovation.

Personally, I am sorry that the constitutional treaty is so conservative in budget matters that it falls far short of the political ambition it proposes for 21st century Europe. We would do well to face the fact that despite the positive reforms made over the years—namely in the 1970s when the system of “own resources” was introduced—we still work within what is essentially an intergovernmental framework. On the one hand, the term “own resources” is ambiguous—in fact national contributions have a decisive weight on the budget. On the other hand, the Community as such does not have the financial autonomy it needs because in fact the member states have the last word.

In short, the problems raised by discussion of the EU’s “financial perspectives” are extremely complex. We are faced, in the first place, with a pernicious logic that harms solidarity and makes transfers from and to the Union budget a sort of bank account in which the Member States increasingly consider the balance between deposits and withdrawals as nil. Then there are numerous “blocking” factors, such as quarrels about “return rates,” compensation mechanisms, or the problems of the Common Agricultural Policy. Third, there is the problem of an unfavourable European economic environment that places weighty constraints on the financial decisions of member states already forced to cope with the added difficulties arising from the Stability and Growth Pact. Finally, we have the pressing need to develop new common policies that will more adequately respond to the challenge of competitiveness and solidarity in a Europe of 25, not to even mention the question of creating new European political assets, such as the implementation of a Defense Fund or a fund to fight terrorism.

I have no doubts whatsoever that these negotiations will require all member states to have ambitions for Europe, a view of the future, the will to compromise, a spirit of solidarity and a feeling of justice. There is no magical solution that will accommodate the claims of all the member states which, as we know from the point of view of main net contributors, are not reconcilable with the proposals that the Commission has put forward.

In any case, we must ensure that the options chosen do not compromise the integrating function of the Community budget. In my view, a good compromise would be to articulate a scenario of “competitiveness-solidarity” together with the idea of the “European public assets.”

I also believe that while the proposals already submitted by the Commission are on the right track, we would gain at the same time in exploring other innovative paths. For example, there might be a way of reinterpreting the application of the Stability Pact to net contributors to allow a higher level of contributions to the Community budget. Another innovation might be to create new European public assets—as I have already mentioned, for instance, a Defense Fund, a fund to fight terrorism, or an Innovation Fund—which would not only lead to savings at the level of national budgets but also present the controversy of the “British cheque” in other terms.

I will conclude by briefly mentioning a last aspect that seems important and that I think merits greater care and attention. Budgetary power and tax issues are fundamental parts of our democracies, identified as instruments of sovereignty, such as the monetary issue prior to the formation of the Eurozone. Nationally, the discussion and approval of the budget are a fundamental moment in democratic life and play an important role in a balanced development of the economy and society. Throughout Europe, shared sovereignty has been a lever for Community integration, development and cohesion. If we wish to deepen democracy and reinforce citizenship at European level, we should promote an enlightened, educational public debate on the Union’s budgetary and financial issues. Moreover, this would probably be the most direct route to one day achieving a Community budget that met citizens’ expectations, as well as getting citizens to become increasingly involved and to participate in the discussion of their future as Europeans.

Chapter 2

The Enlargement of the European Union: Challenges and Consequences

António Monteiro

The fifth enlargement of the European Union, which culminated in the accession of ten new members on May 1, 2004, was a long process that began in 1993 at the Copenhagen European Council. This Council opened the prospect of accession to states in East and Central Europe that respected certain conditions of a political and economic nature, which have become known as the “Copenhagen Criteria.”

Between 1993 and 2004 the Union grew to 25 member states and to over 450 million inhabitants, increasing its territory by more than a quarter of its original size. During the same period of time, the Union gained a single currency, constructed a common foreign and security policy, consolidated and prioritized its action in the area of justice and internal affairs, and established an agenda for the development and competitiveness of its economy. Internally, it devised new institutional balances, namely by increasing the power of the European Parliament. All of this has enhanced Europe’s position in the world.

Enlargement is also a continuing process. Bulgaria and Romania are slated to join in 2007. Accession negotiations with Croatia will begin in 2005. And the EU has decided to launch accession talks with Turkey.

At the same time, the European Union is faced with new and important challenges. It must ensure that the new Constitutional Treaty comes into force with the approval of its citizens, which means bridging the gap between public opinion and European construction. A new financial framework must also be established, one that is well-balanced and endowed with the appropriate means to support the EU’s ambition to become more competitive and to advance a global role.

Europe's old equation, which was framed as "widening *versus* deepening," must be seen in the light of these new realities.

For almost five decades the European construction process has developed both qualitatively and quantitatively in ways that have continuously tested its underlying political, institutional, economic and social model. Changes have occurred inside and outside the Union. We are faced with an international context marked by globalization, instability and the outbreak of new crises that the European Union cannot ignore.

Never before has the Union had to face so many crises in such a short period of time. But neither has the Union ever faced so many factors bearing hope and new opportunities for the future.

In this context there is one obvious question: how should a member state such as Portugal—a state of average size, situated on the western edge of a Europe which is moving east; with an open market economy but one still vulnerable to the competition of new member states; and with a tradition of openness to the world—position itself vis-à-vis the foreseeable evolution of the European Union?

The answer to this question may be traced along into two inter-linked vectors.

First, is it essential to guarantee that the European Union remains united in its diversity and able to preserve and enhance the founding principles of the contract upon which it was built and which are the foundation of its undeniable success over five decades: equality, cohesion and solidarity, institutional equilibrium and the enhancement of the so-called "Community method." This objective guided the positions we defended in the recent negotiations of the Constitutional Treaty, thus guaranteeing its development.

At this time of change, it is necessary to reaffirm and defend the principles and fundamental values which constitute the foundations of the European project and which remain valid to this day. The alternative is disintegration and the disappearance of the European idea.

Second, in this framework of "more and better Europe," Portugal should also be aware that it is increasingly necessary to a) be present at all decision-making levels, b) develop and sustain multiple alliances

and in various directions and c) assert the advantage that is its universal vocation.

The EU is increasingly becoming a more (pardon the expression) “multipolar” Union. In this new enlarged Union Portugal cannot define its objectives and interests only in relation to a policy or a group of allies, be they determined by geography or size. On the contrary:

i) Portugal should be present and have the ability to influence various decision-making networks so as to overcome the limits of size and to compensate for geographical periphery with political and strategic centrality. The true centers in enlarged Europe are geographic, but defined by circumstances and balances of power. One way to determine the centrality or periphery of a member state is by belonging to and influencing one of these centers. This is not a new option for Portugal. Portugal joined the Schengen space right at the beginning, became part of the founding group of the single currency; and defended positions favorable to Foreign Policy and Common Security. In an enlarged Union it is essential for Portugal to reinforce its presence in European institutions.

ii) Portugal has to diversify its alliances, trying whenever possible, as it is now doing, to build up contacts with the new member states.

iii) Portugal has to increasingly enhance its Euro-Atlantic and Mediterranean centrality and its special historic ties with various regions, thus actively contributing to the improvement of the relationships between the European Union and those regions of the globe. This is a unanimously recognised added value that Portugal has brought to the Union and that it should continue to favor in the future. It was with this in mind that Portugal promoted a recent meeting in Lisbon between European negotiators and Mercosul, which helped place the negotiation process of the association agreement once again on a platform leading to its conclusion.

Portugal supported the enlargement process right from the onset. It did so from a conviction that it was the right way forward to expand peace and prosperity in Europe, but also because it was consistent with Portugal’s own way forward. Our history places us in a privileged position to understand the aspirations of the new member states.

In the European Council of December 2004, Portugal supported the onset of negotiations for the accession of Turkey. It did so for political, strategic and cultural reasons. Portugal agrees with the Commission's proposals and believes that the onset of talks will contribute to the consolidation of the ongoing reforms in Turkey and will help bring it closer to the values which govern our own societies.

And we are also aware of the evolution in the Balkans and the aspirations of these States to share the space of peace and prosperity which is the European Union.

But if Europe wants to be seen as a space of peace and prosperity it cannot only look inside its own borders. It must also look out to the space around it. That is why relationships with its neighbors are fundamental for the European Union.

From this viewpoint, Portugal has actively contributed to the drafting of a new neighborhood policy which includes the southern Mediterranean region, which could run the risk of being somewhat forgotten given the geostrategic situation of the enlarged Union. In the same spirit, Portugal actively participates in the creation and development of a number of complementary dialogue processes with this region, which are the concrete expression of a dialogue of civilizations.

As we build Europe's future in this new century, it is important to commemorate—and celebrate—the extraordinary nature of Europe's past half-century. Would these years of peace, prosperity, security and democracy have been possible without the European Union? It is a question we should always have in mind, because the future of European construction is not a given. It requires our repeated daily commitment.

Chapter 3

What Frontiers for What Kind of Europe?

Jean-Louis Bourlanges

I would like to share some reflections on the insoluble question of the frontiers of Europe.

First, I deplore and condemn the fact that Turkey today has become a hostage to the European debate. If this country is now at the heart of EU debates, it is not because of its own virtues or vices, but because its EU candidacy has suddenly forced us in the EU to confront all the unresolved questions linked to the construction of the European Union. The issue of Turkey has crystallized the many passions and the many doubts within the EU about Europe's real frontiers and the very nature of the European project itself.

There are various reasons why we have been unable or unwilling to deal seriously with the question of the frontiers of the European Union. Some are good and some are bad. In the first hesitant moments of European construction, it may have been both difficult and useless to tackle such a vast and thorny issue: difficult, because it may have been risky then to expose ourselves to a controversy about the frontiers of Europe; useless, because Stalin—as well as Tito and Franco—had saved western Europeans from this concern by providing the Community with particularly solid political borders. Jean Monnet's method of moving forward by small steps, which was pragmatic, progressive and well-considered, was a fully justifiable response to the situation at the time. Experience tells us that politicians are loath to commit themselves over the long or very long term, and that nothing is as timely as an issue that does not need to be dealt with immediately.

An Original Ambiguity

It is appropriate to underline here the original ambiguity of the European project. From the very beginning of the Community adventure, with the Schumann Declaration of May 9, 1950 creating the

European Coal and Steel Community, we were confronted with ambiguity. In fact, no one was ready to risk defining what the expression “building Europe” really meant. Does this ambition, carried high and strong by those we rightly identify as the “founding fathers,” mean a definite and irreversible bringing-together of one and the same civilization, of related peoples separated artificially by the follies of states and the disaster of two world wars? Or does it mean recognizing that states beyond the civilizing area of Europe have the vocation to join the Union as soon as they share its values and succeed in putting them into practice? In short, should we envisage the European project as the political expression of a common cultural heritage—or as the organized affirmation of an interdependence of chosen values? This choice, although essential, has never been made.

It is interesting to note that the two great French figures of the European project of the 1950's, Robert Schumann and Jean Monnet, united as they were, really expressed different views about this. Both foresaw the unity of Europe as the remedy for the wars that had ravaged the continent, but their ideal was not quite the same. The first, originating from Alsace-Lorraine, which had known military tragedies born out of the division of the Continent, had always been deeply convinced of the cultural proximity of the two great continental powers, France and Germany. In his eyes, the European Community clearly had a vocation to reconstitute the political unity of a common civilization. The second, on the other hand, saw the project to unite the European continent as the beginning of a progressive but general reconciliation of peoples sharing the same values. According to Monnet, the European Community had a vocation to break down, finally, frontiers born of history, geography, culture or religion to create a vast area of peace and prosperity. Schumann was the man of a Europe deeply rooted in a shared territory; Monnet appeared as a professional intermediary between peoples of indeterminate origin.

The Cold War prevented this original contradiction from having negative effects on the beginnings of European construction. Through its radicalization of what was at stake and the ideological and political freeze into which it plunged the European Continent, the Cold War anaesthetized the entire debate on frontiers. The borders of the nascent European Community were principally those determined by the Iron Curtain—artificial, ideological borders, having nothing to do with

geography. The Continent was cut in half, one part united by very intense links to countries beyond the Atlantic and the other part in the orbit of Soviet power. The two blocs held diametrically opposed values but were united nonetheless in their common desire for universality. These two contradictory concepts of universality permitted the European Community to benefit from firmly established frontiers without even having to identify its cultural or geographic specificity.

The fall of the Soviet bloc and the call for accession launched by the countries of Central and Eastern Europe inevitably revived the old debate on the frontiers of Europe, with the “kidnapped” half demanding its re-entry into the common home, without us really knowing how far the common home should extend—Ukraine, Russia? In Copenhagen in June 1993, heads of state and government decided to ‘kick for touch’ and to fix, in response to the pressure of the candidates, a series of criteria that virtually constituted a number of prior conditions for the accession of new members. These criteria were of a political, economic and ‘*communautaire*’ nature: rule of law, stable institutions, pluralist democracies, respect for minorities, acceptance of a market economy and taking on board the ‘*acquis communautaire*.’ The conclusions of the Copenhagen European Council represented a significant ambiguity. Should we assume that they should only apply, in conformity with the Treaty that set out the specifically European dimension of the Union, to European states alone? Or should we consider that these political criteria are sufficient in themselves, and authorize enlargement to all states that respect them? It is more than likely that the European Council had, in 1993, accepted the first interpretation as its own view and that it was a few years later, when the Turks knocked on the door with renewed vigor, that the second interpretation prevailed, with the risk that any attempt which aimed to give the Union stable and definitive borders would be illusory.

What is Europe?

Today, Europeans find themselves confronted by two distinct questions: should the Union be restricted to the geographic, historic and cultural borders of Europe? How should these frontiers be defined? The advantage of a negative response to the first question is that it dispenses with the need to reply to the second. The disadvantage is that it prevents us from building a Europe that is anything other

than an increasingly vast zone of free trade and inter-governmental co-operation. Put another way, these questions could be formulated thus: will the accession of Turkey result from its belonging to European civilization or, as Turkish Prime Minister Erdogan has suggested, from a will to make the Union a “crossroads of distinct civilizations”? Let us try to find an answer to the question of what constitute the frontiers of Europe.

Traditionally, the definition of frontiers has resulted from an uncertain coming together of geographic congresses and diplomatic conventions. This is, in fact, because the Old Continent—“this little headland of Asia,” according to Paul Valéry—is far from possessing clearly defined natural boundaries. In the north and the west, the Atlantic and Arctic Oceans, the water and the ice, constitute a solid and indisputable barrier, even if the cultural exchanges between the two shores of the Atlantic have been intense. All the other frontiers, however, are rather uncertain. To the south, the Mediterranean is a closed sea; if it has progressively become a dividing line between two different worlds, it is clearly not for reasons of geography. Until the fifth century AD, it was, on the contrary, a link between the scattered elements of a single Greco-Roman civilization. In the east, it is difficult to see a significant dividing line at the Urals range and in the river of the same name that runs through the middle of Kazakhstan.

Thus geography only offers us partial certainties. Let us turn to history. Europe owes its essential features to Greece, to Rome and, by way of Christianity, to the Orient. However, it was only in the middle of the first millennium that these scattered elements, as they say in chemistry, “precipitated” and gave birth to a specific civilization, etched onto a defined territory. The fall of Rome had carried away with it the notion of a universal power, with the enslaving division of society and its crushing by state taxation. Quoting Jean Baechler, Alain Besançon has underlined that “the novelty of the western Roman Empire came in *not* reconstituting itself.” Except in the east, the Empire only survived the fall of Rome as a fond memory, a pipe dream or a violent episode. The princes of Rome reigned over what they thought to be the universe. Their fall brought with it the break-up of the Empire, the territorial division of power, the emergence of kingdoms, and, in their wake, the advent of nation states. These appeared all fully equipped for the European adventure, carried for-

ward by a high-risk mixture of religious emancipation, popular entrenchment, identity fervor and existentialist anguish.

The fall of Rome, which ground to a halt the rising and falling pumps of deductions and of public expenditure, both permitted and required the revenge of society on the state. It permitted it because the reappropriation of financial resources by society, in the midst of the greatest disorder, made possible a sustained movement of investment and innovation. It required it since the disappearance of public beneficence obliged European elites to find the means to survive and prosper locally, through the optimal exploitation of the human and technological resources at their disposal. The Europe of the harness and the watermill is a Merovingian creation, as are, indirectly, the fifteen centuries of uninterrupted progress since then. Growth and progress was the product of the fall of Rome.

This politico-economic revolution was accompanied by a change, still more fundamental, in beliefs, in thought and in their portrayal. The triumph of Christianity consecrated the fertilization of what remained of the Greco-Roman heritage to the most revolutionary of the oriental religions. It was in the fifth century, with the conversion of Clovis and the eradication of Aryanism, that everything moved forward. Aryanism denied the divinity of Christ and subjected the government of the City to the all-powerful authority of God and his Church. The dogma of the Trinity proclaims, on the other hand, the divinity of the Son, his essential equality with the Father, and reestablishes, in this way, a logic of alliance and thus of independence between God and men, inherited from the Old Testament. The political and religious culture of modern Europe is entirely derived from this matrix.

The triumph of Christianity made Europe the crucible of a singular history, characterized by the progressive autonomy of three powers, spiritual, intellectual and temporal. The emancipation of political power, which was becoming progressively democratic, was accompanied by the parallel emancipation of knowledge. From Boèce to St. Thomas Aquinas, from William of Occam to Descartes and to Kant, the great intellectual figures of Europe all proclaimed, each in their own way, the rights of reason and their compatibility with the exigencies of the Faith. "That is of another order"—nothing describes Europe better than the famous words of Pascal. The freedom of the 'Moderns' came out whole from this great and ancient cultural matrix,

which, as a result of separating civil and religious law, made possible reason, progress, religious freedom, the equality of individuals and the sovereignty of peoples.

This particular adventure was etched out on a specific territory: the emigration of the centers of decision to the north in response to the barbarian, the Arab Islamic and Turco-Islamic invasions combined their effects with those of geography to produce a territorial grouping that is clearly circumscribed at its northern, western and southern limits, if it remains, even today, uncertain of its eastern limits, with Russia really representing what Turkey wishes to be: a buffer zone, a crossroads between eastern and western civilizations.

A Difficult Choice

These considerations are incendiary and politically incorrect since they assign a determinative role to religion, in its dual historic and social dimensions, in the territorial designation of European civilization. However, we would need a heavy dose of rashness and naivety to consider that a body of human beings could ignore the weight of the history of which it is made. It is clear that today's Europe must practice religious pluralism and live in an intelligent way with the fifteen million Muslims who are on its soil and who have chosen to live there. The question that is put to us is not that of tolerance towards Islam. To be European does not, thus, mean to be Christian today but to have been ten centuries ago.

The question is of another form: must the European Union welcome the peoples who recognize and put into practice European values, that is to say potentially the whole planet, or should it only bring together the peoples who have invented and developed these values? It is important to note that the enlargement of the European Union does not follow the second logic. It does not seem that the current leaders of the European Union wish to favour historic criteria, as we have defined them, to decide their borders. Their choice is just as legitimate as any other and we should not refuse in an arbitrary way any approach that aims not to make participation in the historical-religious experience of European nations a precondition of accession. We must however be coherent: if we respect the principle which says that the dividing lines drawn from our history should not exclude a state of

the European Union which is secular, and if we recognise that Turkey has the status of a candidate for accession as a result of its European vocation, we will not be able, tomorrow, to refuse Moroccan, Algerian and Tunisian candidacies nor those from the states of the Transcaucasus. These countries cannot be held as being less European than Turkey in the eyes of those who hold the Copenhagen criteria as the exclusive condition of accession. The Union would thus become engaged in a process of enlargement that would be both continuous and undefined.

Confronted by the dead-end in which we find ourselves—the Copenhagen criteria are too universal, geography is imperfect and history is argued over by many—a final approach could be considered: we should no longer try to draw the frontiers of Europe, rather we should seek to determine those of the European Union. This would mean bringing together all those who agree on a similar vision of Europe. The definition of the European project cannot be limited by vague or pious wishes or be content with concepts and aims which are imprecise and not obligatory, such as the promotion of peace, the search for prosperity or the defense of individual and collective liberties. A truly European project requires that the parties committed to it agree among themselves on the federal character of the pact that binds them and on the full extent of the delegation of competences granted to the federal body.

We should note that today, more than yesterday, member states are reluctant to commit themselves to the path of a precise, coherent and binding politico-institutional clarification. The accession of Turkey to the Union will add even more to the heterogeneity of ambition and to the confusion of the institutional construction. The draft of the Constitutional Treaty is not of a nature to lift the numerous ‘mortgages’ which weigh on the nature of the European Union, since it establishes as fact the federal powers of the Union, that is to say what represents the hard core, where the policy truly begins: foreign and defense policy, economic, budgetary and fiscal policy. Even if it represents a clear advance in terms of the comprehension and efficiency of the Union, this text remains obscure about the real objectives of the Union and on the efficient sharing of political roles between it and the member states.

Thus, we are, today, in a paradoxical situation. We are enlarging the European Union but without knowing who we are, what we have

the ambition to make together and how to achieve it. Truly a strange enterprise, worthy of Dino Buzatti, referred to by Jorge Sampaio. In order to continuously enlarge the borders of the Union, it is forbidden to reflect on what it is, what it wants and what it is doing. In politics, at least, post-modernity, particularly the European kind, is rather disconcerting.

Chapter 4

Immigrants in the Heart of Europe: Can A Common European Migration Policy be Avoided?

Roxane Silberman

How will the recent enlargement of the European Union and future enlargement to Turkey and additional central European countries affect migratory flows? This is a central question related to Europe's new frontiers.

It seems natural to question the link between enlargement and migration flows, given the intense resumption of such flows in a Europe that already contains almost 15 million migrants from third countries. This is not a new issue, however. In fact, every time the EU has enlarged the question of migration flows has been raised.

One expects to answer this question with figures—what additional flows, how many potential immigrants? This type of question has often given rise to catastrophic scenarios, mixed with fantastic estimates. I will, of course, refer to figures, but I want to go further and demonstrate how some characteristics of migration policy are becoming visible at a European level and are likely to affect the entire project of European construction, including the nature of its “Space” and its boundaries.

As the European Union deepens and widens, it is continuing a restrictive approach to immigration—despite the daily reality of European life and a growing chorus of European political leaders, from the right and the left, who are calling for change. Can the EU change its approach? How?

I will start with the basic question ordinary citizens ask themselves: how many immigrants will enlargement bring? I will then suggest what the answer to this question may tell us about the nature of the European frontier, about movement in the European Space and,

beyond that, the nature of the European Space itself. The difficulties involved in constructing a European migration policy, other than that of controlling frontiers, are explained by the basic characteristics of this European Space.

For a long time, we have been building Europe without a European migration policy. Member states have been most insistent about retaining their prerogatives in this area. Only border control and asylum issues are subject to common EU policies. As the borders of Europe advance, however, and as immigrants coming from countries near and far continue to enter, work and set up home in the European Space, one can only conclude that the issues surrounding immigration flows will persist. Can the EU maintain its present course without a migration policy? In a larger Europe, this question takes on new significance.

The EU finds itself at a crossroads. Attempts to forge a European migration policy have either been blocked or have registered only modest advances, particularly regarding border controls. A certain sense of powerlessness is evident in the building of a European migration policy. This powerlessness may be traced to the origins of the European Union itself. That states are reticent to hand over their authority in this area is nothing new. Public opinion against immigration, however, has hardened—even though the relatively modest number of legal entries annually, including refugees and foreigners who find themselves in the EU because of persecution, would lead one to wonder why.

Enlargement and its Consequences for Migration Flows

Let us begin with the most obvious and factual questions. What are the real consequences of enlargement in terms of migratory flows? What will be the consequences of future enlargement? These questions have appeared and reappeared throughout the course of European construction each time the prospect of further enlargement arises. Potential immigration is one of the issues that must be faced when considering enlargement.

I will address three aspects of the overall issue: What are consequences of enlargement in terms of migration flows? How has this issue figured in the preparatory discussions and in the implementation

of enlargement? To what degree was this issue taken into account when the extent of EU enlargement was discussed?

a) Enlargement and its consequences for migration

What are the consequences of enlargement in terms of migration flows? Four types of flow should be considered: the movement of citizens of the new member states to other countries of the Union; the movement of people who are not citizens of these states but who are resident there (for example, immigrants in Poland, which historically is a country of emigration but which has also now become a country of immigration); the movement of populations from countries neighboring the accession states, who have now become neighbors of the Union; and finally the movement of more distant populations who pass through these countries to enter the Union. The first category has been discussed every time the Union has enlarged. The others have gained more significance recently.

Let us consider the first type of flow. The 2004 enlargement is not generating either increased flows beyond existing levels, or new flows from countries where none existed. This is similar to previous enlargement rounds. In short, accession is not, in itself, a factor in immigration. Migration flows continue as they were. The destination countries remain largely the same, even if there is always a certain spreading out. As in the past, immigration follows routes forged by historical, political or economic bonds, which are themselves reinforced by the networks that form the very process of migration. Thus, Polish migration to Germany and France continues for essentially the same reasons as in the past. The same may be said for Portuguese migration to the north. It may be interesting to note, however, that traditional emigrant countries, such as Italy and Spain, have also become countries of immigration, and have seen their own immigrant populations grow strongly.

Overall, however, these flows are receding. Polish immigration, notably, began in the 1980s, due to political repression and economic difficulties, and surged to annual levels of 800,000 departures. The opening of borders that accompanied the fall of the Iron Curtain, however, did not bring about a massive wave of immigration. 150,000 annual departures were recorded between 1986 and 1990; 112,000

annual departures were recorded between 1991 and 1995.¹ The figures fall every year thereafter. In other words, the trend in migration is already on a descending slope. This does not mean that such flows are likely to end. It does mean that EU accession is not the reason for such flows.

It is necessary to make a comparison with the past. When Italy became an original signatory to the Treaty of Rome establishing the European Communities in 1957, outward Italian emigration figures were at 200,000, but already on a descending slope. Spain, Portugal, and Greece subsequently joined the European Community when emigration from these countries had also begun to recede. In short, in each of these cases accession did not unleash outward flows of people, it facilitated two-way flows of people.

In fact, the real impact of accession in these countries has been to reduce rather than accelerate migratory outflows. The countries of southern Europe—all of them traditionally countries of emigration—have now become countries of immigration. Moreover, the fact that a country has not acceded to the EU does not appear to prevent outward migration flows. Outward emigration from Turkey, for instance, is continuing.

A related conclusion is that accession always occurs at a moment when outward emigration flows are already on a descending slope. Is this by chance? We will see that it is not.

For the moment, let me simply note the gulf between reality and fear, which is often generated by incredible estimates. When the Soviet bloc collapsed, commentators suggested that western Europe should brace itself for up to 20 million eastern immigrants. The reality was less dramatic. The main movements of people proved to be relatively contained both in time and space, and largely involved movements of ethnic minorities *within* central and eastern European countries, rather than from east to west.

The issue of transit flows from EU neighbors or from further afield took on new significance in the 1990s, as asylum requests accel-

¹ This means, of course, real flows, e.g. entries by people who can leave again (and, in some cases, come in a number of times) and not “stocks.”

erated and EU member states sought to restrict immigration, even as they took steps to dismantle internal borders within the EU through the Schengen accords. Moreover, one consequence of enlargement has been to delegate external border control to new member states.

Candidates for immigration coming from such disparate countries as Turkey, Romania, Iran or Bangladesh have not come to European borders because of enlargement. These flows were present before enlargement and will follow their own dynamic. In fact, the most recent wave of enlargement has been accompanied by tougher external border control measures, which are likely to reduce migrant flows through these states.

Of course, all migration into the Union does not flow through the new member states. Migration is rapidly expanding across the EU's southern frontiers. African migrants arrive via the Canary Islands, Tangiers or Gibraltar. Italy receives Libyan migrants via Lampedusa, and Iranian, Iraqi and Afghani immigrants via Catania. Turkish migrants enter Greece via Patras. Italy and Austria are entry points from southeastern Europe. In northern Europe the world port of Rotterdam has been a significant point of entry for Chinese and Sri Lankan migrants.

b) Migration's role in further enlargement and the further construction of Europe

In sum, enlargement has not been shown either to generate new sources of inward migration or to accelerate already existing flows. On the other hand, the potential for such migration has always been a significant issue in debates leading to each wave of EU enlargement itself. This is my second point.

Each time the question of EU enlargement arises, numerous studies are commissioned to quantify the flows that could be generated by immigration. These forecasts have almost always emphasized that migratory flows are influenced far more by domestic conditions in the source countries themselves than by the prospect of EU enlargement. Such studies have also underscored that enlargement has generally served to inhibit such inward flows. A study by Boeri and

others in 2001,² for example, concluded that the impact of enlargement would be weak, with little impact on the European labor market. The study examined such variables as income differences in incomes and employment levels, using a convergence hypothesis of 2% per year for GDP, with an unchanged level of unemployment for both the EU and the central and east European countries. The study estimated that migration from new member states to old member states would total around 300,000 persons per year, but concluded that after a period of transition the new member states were likely to become countries of immigration themselves, as has happened in southern Europe.

It is striking, however, that most of these studies tend to regard mobility as a problem, rather than as a positive factor promoting greater labor mobility for the economy. I will return to this point.

Migration flows were also a subject of the accession negotiations. In most cases, free movement of people is achieved in stages. Transition rules are negotiated to manage the movement of people from a new member state to the old member states. First, a new member state must align its entry rules (particularly visas) with those of the Union for people coming from third countries. In return, the EU provides financial and other means of assistance (“Schengen funds”) to enable the acceding state to bolster its own external border management operations, since such national frontiers become the EU’s external frontier.

In short, the EU has always sought to manage enlargement by ensuring that not too many people from acceding states come to settle in old member states.

c) Migration and the limits to EU enlargement

The potential impact of further EU enlargement on migratory flows across the European continent will continue to be an important

² T. Boeri, H. Brucker et.al., *The Impact of Eastern European Enlargement on Employment and Labour Market in the Member States*, European Integration Consortium, Berlin/Milan, 2001. See also SOPEMI 2000, OECD. See also H. Hille, T. Sraubhaar, “The impact of the European enlargement on migration movements and economic integration : results of recent studies,” in *Migration Policies and EU Enlargement*, OECD (2001).

factor as EU nations consider the future size and nature of their Union. It is an important issue as the EU considers other candidate countries from eastern Europe. It has been raised consistently with regard to Turkish accession. The potential impact of Turkish migration continues to play an important role in Germany, the principal destination country.

I draw three basic conclusions from these debates. First, I believe I exaggerate only a little if I say that enlargement takes place under conditions of limited or controlled mobility within the Union—a paradox in a Europe committed to create a space in which there is free movement of people. Second, each time enlargement proceeds the Union raises its external borders even further. One might go so far as to say that as the EU pushes its frontiers out, it becomes ever more closed to immigration. This presents a stark contrast with the U.S. border, which advanced with the immigrants. Third, common efforts to control human mobility towards the Union and reinforce the EU's external borders control are the only signs of what might be called the "Europeanization" of migration policies.

The Different Frontiers of Enlargement and of the European Space

I would like now to analyze, from the point of view of immigration, the relationship between this European frontier and the other borders of the European Space, be they provisional or longer-lasting.

Borders delineate an area of autonomous law which defines the area of sovereignty. Granting right of entry is a discretionary power. The right to leave is an acknowledged precept of international law; the right of entry is not. Moreover, it is important to distinguish between the right of entry and the right of abode. As European construction advances, the right of abode raises for EU member states the issue of free movement of people.

The 1957 Treaty of Rome refers to free movement of people, and thus affects the sovereign powers of EU member states, but it is essentially concerned with the free circulation of goods and capital. The first European Space was that of a market, a space in which the mobility of men and women and their freedom to circulate was not a prime

objective. Debates about the free movement of people arose only later, as G. Callovi notes.³

The freedom to set oneself up elsewhere is bound up with economic activity, whether for salaried work, the setting-up of an independent activity or the offering of services. Family members are not mentioned in the Treaty and this issue was not addressed for a long time, other than as a right subsidiary to the activity concerned.

For many years the Treaty of Rome was used mainly to pry open areas of economic activity within member states that were closed or restricted for one reason or another. Ensuring more open access to closed professions has been a long battle within the European Union, and scant progress has been made. The European Court of Justice was compelled to challenge restrictions and exceptions that had been established by member states in the area of public service, for example. Accompanying legislation regarding mutual recognition of diplomas and qualifications was also needed; this is now being extended along with a common framework for higher education. Efforts to ensure equal treatment of nationals and non-nationals when it comes to social benefits have been slow, and were limited at the outset to people with jobs. Finally, for a long time the right of abode for family members was a right derived from the activity of one member of that family.

It was only in 1990 that the right of abode was extended to persons not undertaking an economic activity, with the condition that they possessed sufficient resources to support themselves. This determination introduced a new and very different logic. The fact that the Treaty of Rome included the free of movement of people (as well as goods, services and capital) as a fundamental freedom is a break with the classical concept that accords nations the exclusive right to allow people into their territory and to accord priority to their own citizens when it comes to employment. The Treaty challenges this notion, establishing that this is a right *per se*, a personal right derived from the

³ G. Callovi, the former Head of Unit for “Free Circulation of Persons, Visa Policy, External Borders, Schengen” at the European Commission, Working Paper: *The Europeanisation of the Immigration Policies of the European Union* (“Rencontres du CEDEM”, 11 February 2004). Here, we find a perception that is close to neo-classical theory, which underestimates the issue of movement of people. See G. Tapinos, *The Economy of International Migration*, “Presses de la FNSP,” Paris.

⁴ Callovi, *Ibid.*

Treaty, not an administrative authorization of the receiving State.⁴ Both the Second World War and the Cold War were important influences on the development of this right.

A major step forward came with the Treaty of Maastricht in 1992, which recognized freedom of movement as a consequence of citizenship of the Union, even if a certain number of ambiguities remained, particularly since this freedom remained subjected to a number of instruments of subsidiary law. It was only the EU directive of March 10, 2004, concerning the right of citizens of the Union and the members of their families to circulate and to take up abode freely on the territory of the member states, which finally clarified the situation. Member states have two years to implement the directive, which coincides with the two-year transition period imposed on new member states.

As these developments unfolded, many of the EU's internal frontiers were dismantled. In June 1985, seven EU countries agreed at the tiny Luxembourg town of Schengen to end internal border checkpoints and controls. More countries have joined the treaty over the past years so that there are now 15 Schengen countries, including non-EU members Norway and Iceland but not yet including EU members Great Britain and Ireland. Also in 1985, the European Commission issued a White Paper setting out the goal of creating an internal space without borders, one that would eliminate physical, technical and fiscal frontiers between members - an objective subsequently taken up in the Maastricht Treaty, even though implementation really only began in 1995.

What do these developments mean for nationals of third countries within the space of the Union? To consider this, we must return to the distinction between the right of entry and the right of abode. As far as entry is concerned, the lifting of physical barriers means that once third country nationals are in the Union they may move freely within most of the Union. This circumstance was only achieved after great difficulties, and was at the heart of the discussions leading to the dismantlement of internal border controls. Great Britain, for example, took the view that free movement did not oblige it to abandon controls on third country nationals. The Commission, too, recognized that the process could not lead to a reduction in security and so the elimination of frontiers within the Schengen framework was accompa-

nied by implementation of a harmonized visa policy and reinforced controls on the EU's common external borders. Schengen is integrated into the 1997 Treaty of Amsterdam, which ends many internal controls on the movement of people. Particular provisions are retained, however, for Great Britain, the Republic of Ireland, Denmark, Norway and Iceland. New member states are obliged to conform to the EU *acquis* in this field, although transitional provisions do not allow them to lift such controls immediately.

The result is that an intermediate, variable-geometry frontier has been put in place within the European Union. Schengen, a zone of free movement, is at the same time an area of reinforced closure against potential immigration who would be able to pass through the territory of other member states if their borders are judged to be insufficiently closed.

A second border has also been set up. The freedom of third country nationals to move from one member state to another within the Union does not actually confer any right of abode. As was outlined earlier, this freedom has been closely linked to the issue of economic activity—even for citizens of the Union. States that permitted immigration after WWII were forced to limit the mobility of foreigners permitted to stay and to work, even within their own territories. In Germany, France and Belgium, work permits do not grant entry, in the same way as the work permits of the 19th century, to all areas of national territory. Thus, in France in the 1960s and 1970s, the first entry and work permits obtained by an immigrant restricted movement to a single *département* and to a single sector of activity. This policy, defined completely by the need for labor, intended to control mobility.⁵ This is what was called labor policy, common to the whole of Europe but so different from the policy of immigration of countries such as the U.S. and Canada. Restrictions were lifted first for those who became citizens of EU member states and who acquired freedom of movement with regard to entry and to right of abode within the whole of the Union. They were not always completely lifted for third country nationals within the national spaces—there were limitations, for example, on access for non-salaried professions. Moreover, nationals of third countries who enjoy the right of abode in one member

⁵ Y. Moulier-Boutang, *De l'esclavage au salariat*, PUF, 1998.

state do not necessarily enjoy the right of free movement of abode. Thus, another border opens at the heart of Europe.

Free movement is thus a variable geometry phenomenon. The Treaty provides for nationals of the member states to have all the rights foreseen by the Treaty except for the exceptions provided for in the Treaty. Third country nationals are excluded from these rights, unless there is a specific act of inclusion. By virtue of this second exception, the nationals of Switzerland, Norway, Iceland and Liechtenstein, who are not EU members and thus not EU citizens, benefit from free movement. By virtue of the first exception, however, nationals of new EU member states are subjected to a transition phase for a right linked to citizenship, but cannot take advantage of any specific status in Great Britain, Ireland and Denmark.

In short, for immigrants who have not acquired the nationality of one of the member states, a second frontier separates those who come from member countries and those who come from third countries. Immigration from a third country into a state of the Union does not today give one the right to move and live in another state of the Union. The naturalization procedures that transform immigrants into citizens of member states, and thus into citizens of the Union, are not equally accessible in different member states. Only Germany has just changed its legislation in this regard: many children of (mainly Turkish and Yugoslav) immigrants who have lived for a long time in Germany still do not have German nationality. The Treaty's inclusion clause, however, may open the door for third country nationals in the future.

This brief review underscores the considerable time it has taken the EU to act on the principle of free movement of people even for EU citizens. Such efforts have only recently addressed the issue of immigrants living within the EU. So as the EU has forged a common external frontier, a second, more invisible border has formed within the EU, separating those who have the right to circulate freely, to get a job and set up a home, those who cannot or only with much greater difficulty.

What will the consequences be in terms of enlargement? Once the transitional provisions end, accession makes the citizens of the new member states potential candidates for free movement. It also transforms immigrants living in these states into beneficiaries of the right

to free movement. Enlargement thus contributes to displacing and reinforcing the invisible internal borders between immigrants of third countries and immigrants of member states. This raises, in particular, the issue of what to do with many potential immigrants living on the southern bank of the Mediterranean, who are knocking on the door.

Thus, EU efforts regarding both the free movement of people and enlargement have raised the EU's external borders while generating invisible internal borders between member countries as well as between immigrants.

The paradox is that those who are free to move do not. In the EU today, intra-European mobility remains very weak. In the enlarged Union, only 0.2% of the EU population has moved from one state to another in the course of one year, as compared with 1.5% in the United States between the five major regions of the American census. Inter-regional mobility within EU member states themselves is itself very weak. Only 1.2% of Europeans who are employment have changed residence in this same period.

The upshot is that the European Union is developing as a space of mobility for those who do not move or move very little, and of a space restricted to those who do move. The original concept of the "European space," which was so completely dominated by the issue of controlling mobility in the labor market, remains strong.

Migration Policy: The Failure of Europeanization

One can only be struck by the successive failures recorded by efforts to Europeanize migration policy, which remains one of the least Europeanized areas. The difficulties inherent in developing a European migration policy that could be something other than a border control policy are perhaps best understood by realizing that one of the founding concepts behind European construction was that of a controlled economic space.

The area of migration policy remained largely the responsibility of EU member states. The result is a patchwork of approaches, accentuated by the special treatment various member states accord to third countries with which they share particular bonds.

The Treaty of Rome considers migration of third country nationals to be the exclusive preserve of the member states. The first phase of European construction, from 1957-1973, was a time of high immigration rates and great labor shortages within EU nations. Of the founding states of the EU, only Italy supplied labor, which was absorbed by other European countries, including Switzerland. The 1973 accession of Denmark, Great Britain and Ireland (whose emigration is directed towards Great Britain and the U.S.) did nothing to change this equation. Member states completely retained their authority in this area.

The first oil shock in 1974-75 ushered in a period of awareness of immigration and slowing of migration. The European Commission prepared an action program for families that centred on issues of integration, while the European Council sought greater dialogue on illegal immigration. The accession of Greece, Spain and Portugal, which, like Italy, are still considered to be countries of emigration but are becoming countries of immigration, reinforced divisions within the EU. When the Commission in 1985 issued a Communication on "the Orientations for a Community Policy on Migration," the Council quickly made it clear that issues of entry, abode and work were the competence of the member states. France, Germany and Great Britain challenged the Commission's request for greater information in these areas in the European Court of Justice.

It is remarkable that a common, harmonized policy on migration has not been considered among the measures essential to the abolition of controls on internal borders in the Schengen process. The Palma de Majorca document, adopted by the Madrid European Council in June 1989, confirmed the resistance of EU member states to consider such an approach. When a further Schengen convention was signed in 1990, some months after the destruction of the Berlin Wall, it gave no impetus to the harmonization of immigration policies, even though EU states were preparing to abolish internal borders in a context in which there was growing concern about massive arrivals from the East following the collapse of the Soviet bloc, the break-up of Yugoslavia, instability in neighboring countries and major inflows from the south.

The desire to complete the internal market and achieve an internal space without borders was accompanied by a continual resistance by member states of any movement toward new Commission competencies in the immigration field. The issue remains the preserve of mem-

ber states, with only very limited progress on harmonization in the area of social integration (education, language, housing, equality in work with nationals, racism etc.), which does not extend to core issues of migration policy such as the right of abode and the right to work.

Only on the issues of external border control and requests for asylum is there some degree of harmonization and Europeanization. Even here, however, individual member states retain their own criteria for recognition of the status of refugees.

The 1992 Maastricht Treaty and the subsequent Treaty on the European Union (TEU) represented major steps forward, by institutionalizing the three Pillars that form the European Union: the first Pillar consolidates the '*Acquis Communautaire*,' the second seeks to deepen European political cooperation through the Common Foreign and Security Policy (CFSP); and the third brings together various aspects of cooperation in the areas of justice and internal affairs, including issues relating to immigration and asylum. Authority in this last area, however, continues to reside with member states.

More time is needed to pass from the common interest to the community interest. The first attempt at an overall European policy more comprehensive than that of control of borders and harmonisation of policy on asylum requests already put in place is extremely recent. Although the Treaty of Amsterdam (May 1999) made Third Pillar questions of visas, asylum, and immigration Community procedures, unanimous decision by member states remains the rule.

At the Tampere European Council in December 1999, EU member states indicated a willingness to move from an approach focused on managing the issue of immigration to one that takes both immigration and integration of third country nationals into account. This was reaffirmed at the Laeken Council in December 2001. By 2002, however, member states were preoccupied once again with the problem of illegal immigration in its most restricted sense. The Sangatte crisis between France and Great Britain and September 11 ensured this. In short, except for some initiatives regarding social rights, intentions have not been translated into action.

Europeanization seems to advanced further with regard to a common approach towards admission to stay. The Commission has tried

to make progress on the status of long-term residents, as well as in the area of family regrouping, although this has been the subject of complaints by many states to the European Court of Justice. In January 2005 the Commission released a Green Paper on a EU-wide approach to the management of economic migration in which it stated that “the admission of economic migrants is the cornerstone of any immigration policy and that it is therefore necessary to address it at European level in the context of the progressive development of a coherent Community immigration policy.” Nonetheless, it remained cautious and deferred to member state sensitivities by concluding that “a successfully operating Community policy in this field can only be put in place progressively, in order to facilitate a gradual and smooth move from national to Community rules.”⁶

The Green Paper puts the question out in the open, but until now European policy on immigration has remained essentially one of closed frontiers based on security concerns. Moreover, this issue has become more important as the EU has grown.

Conclusion: Economic Frontier or Citizens’ Border?

The high priority accorded to security concerns in European migration policy does not mean, of course, that there will not be migration. Among OECD nations Europe remains a zone of strong immigration and even of immigration growth. This immigration consists of illegal immigration, asylum seekers and economic migrants, including highly-qualified third country nationals.

There is thus reason to believe that immigration will continue. Demographic projections from Europe and the pressures from the south make this scenario more than likely. The needs of the labor market are not only confined to qualified manpower in such areas as health or information technology), but also to unqualified manpower in certain neglected sectors. Although there is no EU policy in this area, support for a policy of “zero immigration” loses ground each day.

⁶ Commission of the European Communities, *Green Paper on an EU Approach to Managing Economic Migration*, January 11, 2005. Available at: http://europa.eu.int/comm/justice_home/doc_centre/immigration/work/doc/com_2004_811_en.pdf.

Many southern European countries that were formerly countries of emigration are now countries of immigration. In time this reversal could also happen in Eastern Europe. Accelerated immigration in other countries is due to more open approaches to in a range of employment sectors: massive and repeated regularizations in Spain and Italy; sectoral openness in Germany, as represented by the “green card” for computing specialists; and British appeals for higher numbers of qualified immigrants. France has been notably less open.

A debate on greater openness towards immigration has begun throughout Europe, but it remains confused and weighed down by the vestiges of post-WWII European “manpower” policies, which treated migration as short-term and temporary. Europe is still far from the recognition that “we cannot close the doors,” as Kofi Annan said in his 2004 speech to the European Parliament in Strasbourg. Europe has additional needs for immigration, which is also part of the solution as far as the question of the “South” is concerned.

There are also countervailing trends, as countries engage in more repressive policies (closure of the Sangatte camp by France, the multinational proposal for transit camps outside the Union, or the Italian air bridge to Libya for large-scale repatriations) and as governments find themselves pressured by xenophobic political parties (the Netherlands, Denmark), towards even more restrictive approaches to immigrants.

The consequence is that immigrants continue to waiting at the “servant’s entrance” of Europe, the continent’s back door, as Aristide Zolberg calls it, for irregular immigration, gaining admittance as local market needs or rights acquired by work (family reunification) allow.

The EU’s border lacks a front door, however, and remains dominated by considerations of harmonizing security, even as it proceeds from one wave of enlargement to the next.

European construction remains anchored in an economic conception of the “European Space.” To the outside world, it does not represent a space for citizens. Access to abode, and access to European citizenship for third country nationals, remain issues for individual member states.

Let us risk drawing some conclusions about enlargement. If Europe is a market in which goods, capital, and people circulate to the extent

that and where the market needs them, then the Union can probably continue to extend itself indefinitely. If the Union is a space for citizens, where mobility is a right, where the common border has entrance doors that provide access to those with a willingness to establish themselves and to citizenship, then political questions become more central. Can Europe avoid asking itself these questions? Can it avoid a true migration policy? Will it succeed in doing it or is it definitively condemned to powerlessness, even when immigration is destined to remain an important dimension in Europe and when the divide within Europe, between immigrants from countries now in the Union and immigrants from third countries, is growing?

The second generation of migrants, in particular, who have grown up in Europe with these currents, are frequently the subject of serious discrimination in the labor and housing markets. In France, more than 40% of young people of Maghreb immigrant origin said they were victims of job discrimination within the first three years of leaving school. They spent more time unemployed than other young people, despite equivalent diplomas, an upsurge in the labor market, and the fact that the democratization of the school system had enabled them to gain higher qualifications.⁷ Situations of this type are found throughout Europe, creating the possibility of a strong and lasting division.

But will it be possible to create an integrated European migration policy when current approaches are reduced simply to better border controls and thus portray immigrants as a danger? A European migration policy does not mean Europe should stop controlling its borders or fighting illegal immigration. It does mean that Europe cannot continue without a front door to migration.

Changing policy at the European level does not simply mean standing up to the reluctance of member states. It means moving from the prevailing economic concept toward one that is more political—that of a citizen of the European Space. From this point of view, the EU's founding principle linking openness of immigration to employability remains an obstacle to an immigration policy that accepts the immigrant as a future citizen from the outset. It is even an obstacle to a pol-

⁷ R. Silberman, I. Fournier, "Second generations on the labour market: an ethnic penalty which persists. Contribution to a discussion on segmented assimilation" (Forthcoming, 2005).

icy that aims at more qualified immigration, in the simple sense that immigrants move in a world market and cannot be offered short term positions unless they have broader prospects for life, as the failure of Germany's green card system for the information technology sector has shown.

As the level of unemployment remains stubbornly high across Europe, Europeans must face up to the fact that there is a rise in views hostile to immigration—as documented by Eurobarometer, the European Social Survey, and the rise of extreme right parties. In the United States, politicians seek the favor of minorities. In Europe, too many are catering to the extreme right. A start could perhaps be made through rapid, harmonized access to citizenship for third country immigrants—many of them Muslim—who are already living in the heart of Europe. If not, we run the risk that enlargement will come to mean nothing but Europe closing itself off from the rest of the world and racism anchoring itself in the heart of European societies and in the European Union.

Chapter 5

The EU's Federalism Deficit: A Madisonian Perspective

Michael P. Zuckert

Federalism or a federation has been, from the outset of EU's predecessor organizations, one of the voiced aims of the integration process. Thus Robert Schuman proclaimed the Coal and Steel Community, "a first step in the federation of Europe."¹ The theme of a European federation has become pressing in a more urgent way with the arrival of EU expansion. John Pinder made the point succinctly, when he observed that "as the number of member states exceeds twenty, rising towards thirty or more, timely and effective decisions will become less and less feasible in those fields where the intergovernmental element predominates and the veto remains."² The implication of Pinder's comment is that the EU must evolve towards a more purely supranational form of political structure, presumably of the federal type, in order to function effectively as an expanded union.

Of course, it is as true of Europe as it was of the U.S. in the nineteenth century—actually far more so—that not everybody is or has been committed to the goal of a federal union. Although some see EU expansion pointing to a more federal Europe, others see that the addition of a large number of countries, which add markedly to the linguistic, cultural, and economic diversity and disparities of the EU, points even more decisively away from a more federal Europe.³ A federal republic of Europe is thus sought by some, but not by all, and the political conflict over the desirability of a federal republic has tended to color the analytical inquiries into EU federalism conducted by political and other sorts of social scientists.

¹ John McCormick, *Understanding the European Union* (Palgrave, 1999, p 65); Michael Burgess, *Federalism and European Union: The Building of Europe, 1950-2000*. (Routledge, 2000, p 64—76).

² John Pinder, *The European Union: A Very Short Introduction* (Oxford, 2001, p 132-3).

³ See e.g., Leslie Friedman Goldstein, "The European Court of Justice and Euro-Federalism," *Evolving Federalisms: The Intergovernmental Balance of Power in America and Europe* (Campbell Public Affairs Institute, 2003, p 104).

I do not intend to take sides in this debate, but I hope to be able to help clarify the issues by bringing to bear a historically richer model of federalism than, so far as I have been able to tell, normally informs these discussions. In doing so, I hope to be able to provide a solid basis for measuring what we might call the EU's "Federalism Deficit," a concept meant to supplement the now well-known notion of a democratic deficit. We can speak with some confidence of a democratic deficit because we have a fairly clear idea of what a properly democratic polity looks like and thus can (qualitatively) measure EU institutions and practices in this light. Discussions of federalism have much less precision to them as a rule, and thus, while it is frequently noted that the EU is not a federal republic, there does not seem to be a clear enough notion of what a proper federal system should look like to generate an idea of a federalism deficit. I will appeal to James Madison to supply a set of "federalism variables" that will allow the generation of a fairly precise notion of just where the EU is and isn't a federal union (in what Madison would consider a "proper" or effective sense) and thus what would have to be different in the EU for it to overcome a federalism deficit. I appeal to Madison, for it was he who discovered "*une théorie entièrement nouvelle*," which, according to Alexis de Tocqueville, "*doit marquer comme une grande découverte dans la science politique*."⁴ This mode of federalism, Tocqueville judged, must be the basis for all successful federations of the future. "*C'est pour n'avoir pas connu cette nouvelle espèce de confederation, que toute les unions sont arrivées à la guerre civil, à l'assèriment, ou à l'inertie. Les peuples qui les composaient ont tous manqué de lumieres pour voir le remède à leurs manx, ou de courage pour l'appliquer*."⁵

My attempt to apply an American model to the EU is of course neither new nor uncontroversial. Probably as often as the U.S. experience has been found to be relevant to Europe, at least as often its relevance has been denied. Thus Larry Siedentop, following de Tocqueville, identified four "informal or cultural conditions crucial to...[the] success" of federalism in the U.S., conditions which he mostly finds missing in Europe.⁶ Fritz Scharpf seconds the thought,

⁴ Alexis de Tocqueville, *De la Democratie en Amerique*, ed. Eduard Nolla (Paris: Librairie Philosophique J. Vrin, 1990) I 1.8, p. 120.

⁵ *Ibid.*, p. 121.

⁶ Larry Siedentop, *Democracy in Europe*. (Columbia University Press, 2001, p 9—24); cf. *Federalist* No. 2, ed. Clinton Rossiter (Mentor, 1961).

and draws the conclusion even more explicitly: "It is clear by now that a European Union that must be constituted of many nations cannot grow into a large nation-state resembling the United States of America."⁷ Vernon Bogdanor believes that the U.S. and other "confederations which became federations" saw "the development of a common consciousness" among the citizens of the member states, which led them "to feel that the [merely] confederal political structure was a constraint upon their joint activity as a people." He does not see this kind of consciousness developing in Europe.⁸ Michael Burgess does not so much deny the relevance of the U.S. model because Europe lacks the preconditions to achieve it, but rather because in his view, "the EU model has...replaced the much-vaunted American model."⁹ In this judgment he follows the late Daniel Elazar, who was universally recognized as the dean of comparative federalism studies in the U.S.¹⁰

I would be tempted to go even a step beyond those who doubt the relevance of the American model. The trajectories of America and Europe toward a federal union—if that is indeed Europe's trajectory—are completely different. The American federal union was much more typical in its origins and development than the EU has been. The American union began, as Montesquieu, the greatest political authority for founding era Americans, said confederacies do: for the sake of mutual defense, to protect relatively small republics from larger and potentially predatory monarchies and despotisms.¹¹ The American republics followed the confederal model of combining their forces for dealing with the outside world—in the first instance the British, against whom they were revolting. Like members of most historical confederacies they jealously guarded their internal life from interfer-

⁷ Fritz W. Scharpf, "Can There Be a Stable Federal Balance in Europe?" in Joachim Jens Hesse and Vincent Wright, eds., *Federalizing Europe? The Costs, Benefits, and Preconditions of Federal Political Systems* (Oxford, 1996, p 365).

⁸ Vernon Bogdanor, "Federalism and the Nature of the European Union," Paper prepared for "Governing Together in the New Europe," Conference, Robinson College, Cambridge, April 2003, pp. 11-12.

⁹ Burgess, *op. cit.*, 43; 269.

¹⁰ Daniel Elazar, "From Statism to Federalism: a Paradigm Shift," *Publius*, 25(2), Spring 1995, 1.

¹¹ Montesquieu, *Esprit de Loix*, ix, 1-3. Cf. Riker, William H, "European Federalism: The Lessons of Past Experience," in Hesse and Wright, 13.

ence by the confederal authorities. They carefully affirmed the sovereignty of the member states in the Articles of Confederation and never contemplated granting the confederal authorities control over their internal economic life. Indeed, it was a significant moment when a consensus emerged within the union that a power to regulate commerce among the states and with foreign nations would be a desirable addition to the powers of Congress. Even then they did not think Congressional power over internal commerce acceptable.

EU history has been nearly the opposite of this traditional pattern.¹² Although foreign policy concerns figured in the formation of EU predecessor organizations, the danger feared was, above all, each other, not an outside force. (So far as the Soviet Union was a threat, NATO, not the EU was the transnational entity to deal with it). Moreover, the EU did at the outset what the American states would not even think of doing, grant important powers over the internal economic life of the members; but it has still not done what the American states did from the outset, integrate their instrumentalities of war, diplomacy, and foreign policy.¹³ The different patterns on the two continents to some large degree reflect the dialectical impact of the other. Americans sought a union because they wanted to be able to prevent European powers from controlling or reconquering the new states, or from turning North America into a site of great power rivalry. The European pattern, on the other hand, was partly facilitated by the post-war American military presence and leadership, which made a traditional confederation less urgent, and partly by the desire to put together an economic unit powerful enough to rival America's post World War II economic dominance.

I am under no illusion, therefore, that the American model provides a historical paradigm for Europe. If Europe arrives at a federal union, it will be by an entirely different route, and for quite other reasons.

The relevance of the American model may be doubted for two other, quite opposite reasons as well. On the one hand, the original American federalism was arguably a failure, a massive failure. The union split apart, leading to the bloodiest war, to that date, in history.

¹² Craig Parsons, "Introduction," in *Evolving Federalisms*, *op. cit.*

¹³ Though *cf.* Projections for Future Integration: EU Constitution, Part III, Title V, Chapter 2.

Patched together by force of arms, the American federal union, on the other hand, has become far more centralized in the post-New Deal era than many or most proponents (to say nothing of opponents) of EU federal union seek.¹⁴

I do not, then, look to the American model to track the actual past or likely future historical developments of federalism in Europe. My concern is rather to seek out a pattern that can help make sense of what all observers agree is a rather conceptually messy European pattern. Machiavelli once made a distinction between states which receive their constitution all at once, as it were, with a single plan from a single mind (like Sparta) as opposed to those states whose constitutions developed over time in a more unplanned and less coherent manner (like Rome).¹⁵ The U.S. followed the first pattern (more or less), the EU the second. For that reason, as well as others, it is one of the regular complaints of Euro analysts that there is no clear pattern against which to measure EU federalism, no clear set of concepts in terms of which to discuss the federal (and non-federal) elements of EU structure.¹⁶ One recent conference on "Federalism and the Future of Europe" was justified by its organizers in terms of "the need to rescue the term 'federalism' from the mass of misconceptions into which it has fallen."¹⁷ One of the truest observations I have run across in the literature of EU federalism is this understatement by Tanja A. Boezel and Madeline O. Hosli: "Studies have invoked different concepts of federalism."¹⁸

Of course, many analysts before me have held the EU up to be examined in the light of American federalism. My aim is somewhat different: it is not so much to compare the EU either to the original or the current American Constitution but instead to bring to bear the theory of federalism developed but not fully applied by the father of

¹⁴ Cf. Ernest A. Young, "Protecting Member State Autonomy in the European Union," *NYULR*, 77 (Dec. 2002).

¹⁵ Nicolo Machiavelli, *Discorsi Sopra La Prima Deca di Tito Livio*, I 2 in *Tutte le Opere*, ed. Guido Mazzoni and Mario Casella (Firenze: G. Barbera Editore, 1929), 59.

¹⁶ Cf. Burgess, *op. cit.*, 13.

¹⁷ Peter Arengo-Jones, "Federalism and the Future of Europe," *Club of 3 Conference Report*, p. iv.

¹⁸ Tanja Boerzel and Madeleine Hosli, "Brussels Between Bern and Berlin: Comparative Federalism Meets the European Union," 1. Constitutionalism Web-Papers, Con WEB, No.2, 2002, <http://les.man.ac.ur.conweb>.

American federalism. It is not widely known, but Madison was not in fact very positive in his assessment of the product of the Philadelphia Convention. He wrote his friend Thomas Jefferson, then in Paris, that despite the radical departures made from the Articles of Confederation the new constitutional plan “will neither effectively answer its national object nor prevent the local mischiefs which everywhere excite disgust against the state governments.”¹⁹ In other words, the new plan did neither of the two things Madison thought most needed doing in America in 1787: it did not establish a proper, i.e., a lasting federal union, and it did not use the federal structure to repair the failures of republicanism (read, modern democratic government) and rights protection within the member states. Madison did not, therefore, expect the union to last long, and although he did not live to see secession and civil war, he would not have been surprised at events turning that way. The union came apart in just the ways and along just the fault lines he had predicted. Thus it is not the American order itself but the Madisonian theory of federal union to which I intend to appeal. The differences between the two are not often well understood in American discussions of federalism; I have not seen them even adverted to in discussions of EU federalism.

In what follows I will present Madison’s “federalism variables,” which I will then use to describe four constitutional orders or plans: (1) the original American constitution; (2) the American constitution of the 21st Century; (3) the EU, and (4) Madison’s preferred plan. I include the first because that allows me to ground my analysis in Madison’s own application of his variables to the 1787 constitution in *Federalist* No. 39; I include the second because of its greater familiarity to a European audience. In my treatment of the third I will include both current EU structures and proposed modifications under the recently drafted proposal for a “Constitution for Europe.” The goal will be to locate the EU in terms of the variables, to understand Madison’s position on what value those variables have to take on to achieve an optimal federal union, to understand the reasoning behind Madison’s model, and finally, to formulate the “federalism deficit” for the EU (and for that matter, for the US constitutions of 1787 and 2004).

¹⁹ Madison to Jefferson, Sept. 6, 1787; in *L.A. Madison*. 136. *Writings*, Library of America.

The Federalism Variables

One of the threshold issues that has hindered clear discussion of EU federalism is a mere, but telling terminological one. In his classic analysis, Madison presented the following thought, which has become more or less unintelligible to us in the intervening two hundred years: The American constitutional plan was being challenged in its struggle for ratification because it did not, in its critics' opinion, "preserve the federal form, which regards the union as a confederacy of sovereign states."²⁰ What confuses us today is Madison's interchangeable use of the terms "federal" and "confederal" or "confederacy." We are inclined to consider these as separate and different forms of union, with the American constitutional union the paradigmatic example of a "federal" system, and the precedent union under the Articles of Confederation as a paradigm of a confederacy. Rather than describing the proposed constitution as a federation, Madison calls it "neither wholly national nor wholly federal," it is "in strictness, neither a national nor a federal constitution, but a composite of both."²¹

As Martin Diamond pointed out long ago, the American founders did not distinguish "federal" and "confederal" from each other, and did not think of their plan as an example of a "federal" union. Federal and confederal were simply synonyms.²² It helps to return (for the moment at least) to the older usage Madison employed, both because it conduces to a more accurate understanding of his federalism variables, and because it puts much of what is often said today about federalism in a different light. For example, in discussions of the EU its intergovernmental aspects are often contrasted with its federal aspects. As we shall see, this is not the way Madison would discuss it, and I tend to think that Madison's version is clearer and more illuminating.

Madison's presentation of the federalism variables is governed not by a contrast of total systems, but by the contrast between the federal (or confederal) and the national principles. Alexander Hamilton brings out the two principles in *Federalist* 15 when he speaks of the different

²⁰ *Federalist* (Hereafter F) 39, in Jacob E. Corke, ed., *The Federalist* (Hanover, NH: Washington UP, 1961), 257 (Hereafter C).

²¹ F 39, R 246.

²² Martin Diamond. "What *The Federalist* Meant by Federalism," *As Far as Republican Principles Will Admit* (AEI Press, 1992).

ways in which, or bodies to which, governments may relate. If one government legislates for or otherwise relates to other states or governments “in their corporate or collective capacities,” then we have an instance of the federal principle at work. If a government legislates for or relates directly to the individuals who are its citizens and subjects, we have an instance of the national principle at work. A government may of course be all one or all the other. The American union under the Articles of Confederation was a quite pure instance of the federal principle working through all the federalism variables. Most unitary nation-states are examples of the other. This much is familiar.

Madison identifies five variables in the constitutional plan, which he proceeds to investigate in terms of the operation within them of the federal or national principle. It is evident that in theory, at least, various mixtures are possible, as different of the variables take on different values. It was that recognition that allowed Madison to pioneer the development of a new form of union that was to be a combination of the two principles or systems. It seems as though all (or almost all) forms of the combinations have come to be called “federal” rather than “confederal,” a term now reserved for the form in which all the federalism variables are characterized by the operation of the federal principle in them.

In addition to disaggregating the system elements and thus identifying his series of federalism variables, Madison also had a clear theory of the optimal combination. He came to see not only that a range of combinations was possible in theory (an exercise in political taxonomy), but also and more importantly he had worked out a theory of the necessary characteristics of a lasting and successful combination. Just as he believed that a confederacy of the old type was doomed to fail, and that a unitary government for America was not possible or desirable, so he believed that several of the theoretically possible combinations were doomed to fail or were highly undesirable. According to his theory of what a proper combination should be, he thought the proposed constitution very defective and thus unlikely to endure. Madison sought an even more revolutionary departure from the old model of federalism than Tocqueville.

Madison’s five variables are the means by which we may “ascertain the real character of the government.” They are: (1) the *foundation* on which the government is to be established; (2) “the *sources* from which

its ordinary powers are to be drawn;" (3) the *operation* of those powers; (4) the *extent* of the powers; and (5) the amending authority.²³ Madison's agenda in *Federalist* 39 is to measure the proposed constitution according to these variables. Before we consider what he says there, we must notice that he labored under a certain rhetorical imperative. The constitution was being widely criticized for being too national, or not being federal enough. It was not being criticized (at least in politically significant ways) for not being national enough. His political situation left Madison with an incentive to interpret the variables in as federal a manner as possible. As we will see, whenever there is an ambiguity he (over) emphasizes the federal value of the variable. On several occasions, therefore, a modification of his own discussion is warranted.

Variable I: The Foundation

The above comments are nowhere more applicable than in his discussion of the first variable, the "foundation on which" the government of the union "is to be established." By "foundation" he means the juridic authority which establishes and stands behind the constitution. The issue is thus who ratifies the constitution; on whose authority does it rest. He concludes that "the act...establishing the constitution will not be a national but a federal act," because ratification is to be given "by the people...as composing the distinct and independent states."²⁴ Thus only those states which ratify the new constitution themselves will be considered members of the new union. Neither a majority of the states nor a majority of the individuals of the total union bind states which have not individually ratified. Madison is correct to say that ratification is not simply a manifestation of the national principle, which would, at the extreme, treat the total population of the union, taken "as individuals composing one entire nation," as the ratifying body, by a majority of which all would be bound.

Madison has, however, deliberately failed to mention the purer mode of federal ratification: the governments of the existing states could ratify, just as they would ratify an ordinary treaty of alliance. The Articles of Confederation had been ratified in this manner.

²³ F 39, C 253.

²⁴ F 39, C 254.

Madison considered the ratification by the people of the states rather than by the governments of the states to be a difference of immense significance, at least as significant as the fact that ratification was not by the undifferentiated mass of citizenry. The ratification by the people was necessary to render the general government “paramount to the state constitutions,” a quality lacking in the Articles government, “ratified as it was in many of the states.”²⁵ The states were juridically superior to the government of the union so far as the state constitutions derived authority from the people of the states, but the government of the union only from the state governments. Later on, when he faced the challenge of the theories of nullification and secession put forward by John C. Calhoun, Madison emphasized the illegitimacy of secession, precisely because the Constitution was ratified by the people of the states. Not even a popular deratifying convention (as most of the Southern states convened when they adopted secession resolutions in 1860-1861) would legitimate secession, for according to the Madisonian theory, the citizen body of each state had become one with the citizen bodies of the other states with regard to the constitution they had adopted together. That is to say, the mode of ratification contained in the Constitution had a much more national character to it than Madison admitted in his *Federalist* 39.

The procedure he defended was the one adopted for the Constitution of 1787-1788 and remains the underlying basis of the American Constitution of 2004. It is not the procedure underlying the EU, either as it currently exists or as it is proposed to be revised under the new Constitution. The EU has been built entirely on “treaties” heretofore, and Article IV.8 of the new document provides: “The *treaty* establishing the Constitution shall be ratified by the High Contracting Parties in accordance with their respective constitutional requirements.” That is to say, the EU constitution is according to Madison, entirely federal, on the same footing essentially as the Articles of Confederation or any treaty. Accordingly a right of unilateral withdrawal, implicit in its status as a (mere) treaty, is explicitly reorganized.²⁶ The fact that some EU countries have employed referenda to govern national decision for accession or ratification makes no

²⁵ *The Records of the Federal Convention of 1787*, ed. Max Farrand (New Haven: Yale UP, 1966) p 19.

²⁶ Draft Constitution. Title IX, Article 59.

difference to the status of the treaty vis a vis its members in general. This is a procedure adopted by member governments as a matter of internal policy, but from the perspective of the treaty is no different from ordinary parliamentary ratification.

From Madison's perspective this is a powerful item of "federalism deficit." It is no accident that he placed this variable first in his list. The centrifugal tendencies of federal unions are so powerful, he thought, that only a juridically equal derivation from the ultimate source of authority, the people of the member states, could reliably provide for endurance and the necessary supremacy of the constitution and acts of the union government.

It is worth noting, at this point, however, that Madison's position on this variable was developed in the context of a clear and strong commitment within the American states following the revolution to the proposition that the people were the sole and ultimate source of authority. The new governments for the states were increasingly subject to special popular ratification procedures as well. These special procedures were put in place for a reason very similar to the one Madison appealed to in order to defend popular ratification of the union's constitution: to make the constitution unambiguously supreme to ordinary acts of legislation enacted under it. To the degree that EU members do not share the commitment to popular sovereignty and popular derivation of legitimate authority, perhaps this first variable of Madison's would have a different bearing in Europe. If the member state governments rest on no superior foundation, or on an unclear foundation, then perhaps it does not matter so much that the EU constitution rests on governmental rather than special popular ratification. Nonetheless, Madison would insist that the EU agreement leaves the EU in the last analysis a creation of the member states' governments, a status which endangers the permanence and the supremacy of the union.

Variable II: "Sources of Ordinary Powers"

Madison's second variable is "the sources from which the ordinary powers will be derived,"²⁷ by which he means, the appointing power for the chief institutions of the general government. In the case of all

²⁷ F 39, C 253.

four of our constitutions the application of this variable is rather complex. The U.S. Constitution of 1787, according to Madison's own analysis, has a "mixed character." The House of Representatives, selected by the people themselves on the basis of population, is a national institution. The Senate, however, is a federal institution, for it is selected by the states in their corporate capacities, and representation in the Senate is calculated on a formula of equality for each state. The Senate is another case, however, where Madison has overstated the federal character, for he fails to bring out in his analysis two differences between the way the Senate is constructed and what a thoroughly federal arrangement would be. Although the Senators are selected by the states, they are selected for fixed and fairly lengthy (six year) renewable terms. They are not recallable by their states and thus are nothing like mere delegates from their states, as would be the case with a purer federal arrangement. They are, in a word, officers of the general government, not officers of their states. That status is underlined by the fact that they receive a salary from the general government, and not from their states. Moreover, although the states are equally represented in the Senate, voting there is not by state. Each of the two Senators from each state has his or her own vote and they in no way vote as a delegation from their states.

That executive head, the President, is "derived from a very compound source," which is something of an understatement. The selection is, in a sense, made by the states, acting as states, via the electoral college. The formula by which the states are weighted in the presidential vote is itself a compound—the number of representatives (a national feature) is added to the number of senators (a federal feature). As Madison puts it, this electoral formula "considers [the states] partly as distinct and coequal societies, partly as unequal members of the same society."²⁸

Once again, however, Madison understates the national character of the selection procedure for the executive. Three features of the procedure are more national, or at least less federal than his treatment would suggest. The state legislatures determine how the electors are to be selected, but the electoral college is a select *ad hoc* body, not a part of the on-going state governments. Although Madison says that

²⁸ F 39, C 255.

the selection is by the states, that is not quite so either. The practice that later evolved in the U.S. has obscured the actual operation of the electoral college as planned. The electors of each state were to meet on a day set by the U.S. Congress in their own states and were to cast their ballots for two persons, one of whom must not be from their home state. The historical practice in the U.S. has been, for the most part, that all the states' electoral votes would go to the winning candidate(s) from that state. This is not, however, the system originally conceived in the Constitution. According to Article II, Section 1, the electors "shall make a list of all the persons voted for, and of the number of votes for each," which list is then transmitted to the national capital to be counted along with all the votes cast elsewhere. Clearly, the constitutional expectation is that the electors will vote as individuals for their own preferred candidates, and the aggregating of votes is to occur at the national level in a straightforward one-elector, two votes system. The constitution gives the states discretion in structuring the selection of electors and they have used this power for the most part to impose the far more federal system of state winner-take-all voting, a system which maximizes the impact of the state (or of its majority) in the presidential election. The process outlined in Article II, Section 1 was modified by the Twelfth Amendment, adopted in the wake of the Election of 1800, which had resulted in a tie between Thomas Jefferson and Aaron Burr, a result produced by the rise of political parties and party discipline in the electoral college. The amendment provided that electors shall designate one of his selections as President and the other as Vice President. Nonetheless, on the central matter, the system was the same as in the original Article II, Section 1: the electors are expected to cast their ballots as individuals, and the result is to be aggregated at the national level. The actual constitutional provisions raise serious questions about the constitutionality of the present arrangement in the U.S. Be that as it may, the selection procedures for the presidency are less federal than Madison portrays them.

The conclusion is reinforced when we reflect that the electoral college, no matter how federal in character, is an entirely temporary body—if it can be called a body at all—which can exercise no supervisory power over the president, except what may be possible at reelection time four years hence when a new electoral college once again selects the president. As with the Senate, even though the states have a

hand in selection of the executive head, the institutional arrangement carefully minimizes any ability of the states to control the behaviors of the officer once in office. The President has no responsibility to the states as such.

Madison does not mention the selection procedures for the judiciary or the lower parts of the executive branch. Judges and high executive officers are to be nominated by the President and approved by the Senate. The states as such have no role in the process, no power to control these officials. The federal principle is at work only in the very attenuated form that the Senators owe their election to the states, and the President owes his to the even more indirect involvement of the federal elements, such as they are, of the electoral college. We would have to conclude that on Madison's criteria, the judiciary and executive branch are both essentially national with regard to source.

The modern U.S. Constitution has changed formally in one respect, and informally in another. The Senate is now popularly elected, giving the states as organized bodies less role in the general government. This change makes the Senate somewhat more national in source. The electoral college, however, is dominated by the principle of winner-take-all in each state. Although this gives the state governments as such no role, it does make the system slightly more federal in character than the original constitution contemplated.

Before we turn to examine the EU on Variable II, let us consider Madison's original scheme for a government of the union. Although this scheme is the recognizable seed out of which the proposed Constitution grew, nonetheless it differs considerably from that constitution on this variable. The lower house of the legislature is to be selected in the same manner as in the final constitution: by the people voting for representatives in (roughly) equipopulous districts. This is, according to Madison's criterion, a national element. The upper house of the legislature differs most widely from the final constitution, for the members are to be selected by the lower house, and representatives in it, too, are to be apportioned by population. This arrangement makes the source of the Senate's powers national also. The executive head is to be selected by the national legislature, again a purely national arrangement. The judiciary was also to be selected by the national legislature.

What is striking about Madison's plan, as opposed to the Constitution that was adopted, is how strict it is in attempting to avoid all elements of state action in the selection of officials for the general government. The basis for the commitment to separateness and independence of the government from the states is Madison's perception that allowing states agency is to admit sappers into the new system, for despite the agreement by the member states that an effective union was in their interest (else they would not join in) they also have more immediate interests and goals which impel them to undermine the union.

With this much insight into Madison's thinking we can begin to construct a federalism index for the various American constitutional schemes we have examined. Although I am going to put numbers to the phenomena, it must be recognized that mathematical exactness is not to be attained. In the case of many of the complexly compounded elements this caveat must have special force.

Let us begin by taking Madison's theoretical proposal as a baseline. There are four main institutions of governance in this plan: two branches of the legislature, the executive head, and the national judiciary. On the variables we are examining now, Madison's theory holds that a proper union requires that the national principle underlie the selection (or "source") of all the regular powers in the government. Let us then give 1 point for each element that is national in character, 0 points if wholly federal, and estimate values between 0 and 1 for compounds. The Madison Plan itself rates a 4 on Variable II.

It is much more difficult to calculate the Federalism Index Score (FIS) for Variable II in the U.S. Constitution of 1787. Let us look at it institution by institution:

House of Representatives: 1 (it is clearly constructed according to the national principle).

Senate: 0.25 (Senators are selected by the states and each state has equal representation. Yet it is far from a purely federal institution, for the reasons brought out above).

Presidency: 0.80 (Although Madison sees the institution as mixed, nonetheless it is far from an equal mix. The truly and effectively federal elements in the constitutional arrangement are relatively few).

Judiciary: 0.90 (The state agency is exceedingly attenuated in the Constitutional arrangement).

Total: 2.95.

The American Constitution of 2004 has a somewhat higher index score:

House of Representatives: 1.

Senate: 0.65 (Direct election of Senators, even if by state, makes it a far less federal institution)

Presidency: 0.70 (The prevalence of the winner-take-all model gives the states more agency).

Judiciary: 0.80 (I am giving the judiciary of 2004 a lower score than the Constitution of 1787 on this sub-variable because the practice of Senatorial Courtesy for lower judicial appointments has evolved and has played a role for much of American history).

Total: 3.15.

The EU is more complex even than the Constitution of 1787. Its institutions do not follow the neat pattern of the Montesquian model of the separation of powers and it is therefore difficult to identify with certainty which are the chief governing institutions to be considered. Nonetheless, there seems to be a consensus that five institutions are of especial significance: the European Commission, the Council of Ministers, the European Council, the European Parliament, and the European Court of Justice. Let us look at each of these in turn in its relation to Madison's second federalism variable, attempting while doing so to assign to each a FIS.

European Parliament: Selection occurs by direct popular election; seats are apportioned to states according to a formula based on population, but not on a "one person, one vote" formula ("digressively proportional"). (See Constitution, Part I Article 19; III-232; Protocol on Representation of Citizens, Article 1) The Parliament meets Madison's criterion for an effective federal structure. *FIS: 1.*

European Council: Members of the council are "heads of state or government of the member states," together with the President of the Commission. Each member state has equal representation and deci-

sion is “taken by consensus,” i.e., so far as one can speak of votes, unanimity. With the partial exception of the President of the European Commission, the European Council is clearly a federal institution. It earns a *FIS: 0*.²⁹

Council of Ministers: The Council of Ministers is very clearly a federal institution. The council is in a way misnamed, for it is really a set of sixteen different formations, differently constituted depending on the agenda items under discussion. But each council formation is constituted identically as relates to the second federalism variable: “each Council is composed of the relevant minister from each member state.”³⁰ The EU Constitution quite precisely provides that “only this representative may commit the member state in question and cast its vote.”³¹ The representatives are office holders in their home states, and only in that capacity serve on the Council of Ministers. They thus have no term of office for their EU office as such, and no institutional independence from their home governments.³² It is tempting to see the Council(s) of Ministers as to some degree parallel to the U.S. Senate, but the differences in selection and conditions of tenure highlight how far from the pure federal principle the U.S. Senate was, even in the original 1787 Constitution.

Voting rules in the Council(s) of Ministers are complex, and vary by the type of issue. Three different voting rules are in use: simple majority, where each state has one vote, and a simple majority of votes carries the issue. This procedure is normally used for procedural issues.³³ Unanimity is required for decision-making in some policy areas.³⁴ Finally, there is also the Qualified Majority Voting (QMV) system, according to which states have different voting weight, depending on population; at the same time special majorities are required, insuring that states possessing at least some (high) percentage of the total population of the EU commit to a policy before it can

²⁹ Constitution, Part I, Articles 20-21; III 244.

³⁰ Fiona Hayes-Renshaw, “The Council of Ministers,” in John Peterson and Michael Shackleton, eds., *The Institutions of the European Union* (Oxford, 2002, p 50).

³¹ Draft EU Constitution. Part I, Article 22, ¶ 2.

³² Cf. Goldstein, *op. cit.*, 105.

³³ Hayes-Renshaw, *op. cit.*, 56.

³⁴ *Ibid*, 56.

be adopted. One implication of QMV is that a blocking minority can be formed, composed of a population bloc considerably less than a majority. According to Hayes-Renshaw, the post-Nice blocking minority for an EU of fifteen member states could be formed by states containing about 30% of EU total population. Under a projected EU of twenty-seven states, the blocking minority could include states with only a little more than a quarter of total EU population. In the EU-15 model this means that any three of the largest states can form a blocking majority, or any two of the largest plus almost any two of the others. In the EU-27 model, any four of the six largest states, or any two of the largest plus almost any three of the others can form a blocking minority. On the other hand, on the EU-15 model the nine smallest states can block a majority, a numerous coalition to assemble, but a possible one if the smaller state feels particularly disadvantaged. Under the EU-27 model, the ten smallest can block. Under most conditions, in a word, the QMV system imposes the requirement that policies must have the support of both the majority of states, regardless of size, *and* a majority of the large states. To some degree, then, the idea of QMV is to produce in one body the effect of the composite voting rule that arises under the U.S. Constitution: a majority of states (Senate) and a majority of the population (House of Representatives).

The QMV provisions are to be seen in the context of the prevalence of unanimity or consensus decision-making, and thus should be seen as moves in the direction of recognizing a national principle in the source of ordinary powers of the union government. Nonetheless, since the weighted votes are to be cast by representatives so thoroughly constrained by their home states, the QMV can hardly add much to the FIS for the Council of Ministers. The FIS for the Council of Ministers should thus be somewhere in the neighborhood of *FIS: 0.10*. (The weighting of votes and requirements of special majority are due to change in 2009 under the provisions of the new Constitution, as they have been changed under the treaty of Nice. Nonetheless, these details are not essentially relevant to assigning the Council of Ministers a FIS.)

The European Commission: The Commission is a remarkably hybrid structure.³⁵ It consists of the EU bureaucracy (directorates) and the

³⁵ See John Peterson, "The College of Commissioners," in Peterson and Shackleton, *op. cit.*, 72.

cabinet-like College of Commissioners. The draft constitution provides a perspicacious account of the “sources” of the College of the European Commission. The selection of the Commission President occurs in a two-stage process: The European Council, operating under QMV, selects a President who must be approved by a simple majority of the European Parliament. Like the system for selecting the American President, this system combines national and federal principles: the highly federal European Council has the decision, but it must be ratified, or, perhaps better, can be vetoed by the more national European Parliament. Since there are many members of the European Council and only one President, even this part of the process tends in a national direction because a nominee must satisfy a broad coalition of states.

The Commissioners who compose the college are selected via a procedure that also combines national and federal elements. First, “strictly equal footing” is mandated in the Constitution for each member state in membership in the college over time. Even though there are only thirteen voting members of the college, these memberships are to be allocated on the basis of equal time in office for representatives of all member states. The federal character of the requirement is reinforced by the actual selection procedure. “Each member state determined by the system of rotation shall establish a list of three persons...whom it considers qualified to be European Commissioner.”³⁶ The President-elect then selects one person from each of the lists to make up the college. The Constitution mandates that the persons shall be selected for “their competence, European commitment, and guaranteed independence.” In order to guarantee independence, the commissioners have a fixed term of office (five years). The entire list of commissioners must then be approved by the European Parliament. The commission as a body can be removed by censure vote of the European Parliament, and individual commissioners by the President of the Commission. It is significant that neither member governments nor the Council of Ministers has any share in the removal power. That is indeed a great force for independence.

The provisions for selection, tenure, and removal of the Commission thus reveal to a higher degree than any of the other institutions thus far

³⁶ Draft EU Constitution. Part I, Article 26.

canvassed a will to transcend the federal principle. In source, the Commission remains a highly hybrid structure, with its national and federal elements almost equally counterpoised for a *FIS of 0.50*.

(I have omitted from the discussion the Union Ministers for Foreign Affairs, a Vice President of the Commission. The initiative in appointment of this officer is taken by the European Council, which, “with the agreement of the President of the Commission,” makes this appointment (using QMV). It too must be approved by the European Parliament. Unlike the other positions, the European Council may remove the Minister for Foreign Affairs. This procedure is somewhat more federal than the procedure for the rest of the Commission, but I am largely leaving it out of this account—for the sake of simplicity mostly.)

The European Court of Justice: The treaties and draft constitution provide that judges “shall be appointed by common accord of the governments of the member states,” with one judge per country. In practice this means that “the judges are effectively national appointees.”³⁷ The appointment is to a six year renewable term, which would seem to encourage dependence on the appointing authority. That is to say, method of appointment and conditions of tenure of office are—or seem to be—thoroughly federal. Yet there is a formal provision for “common accord by the governments of the member states.”³⁸ Likewise, there is a firm statement of criteria for appointments: appointees “shall be chosen from persons whose independence is beyond doubt and who possess the ability required for appointment to high judicial office in their respective countries or who are juristconsultants of recognized competence.”³⁹ This provision represents an attempt to overcome the working of the federalist principle in the appointment process by insisting on independence, i.e., independence from the national governments which are responsible for the judges coming to the Court. The Constitution provides a special panel to see to it that appointments accord with these criteria. The panel is to consist of former judges and other distinguished jurists or lawyers. The idea is that the federalist bias of the office will be overcome via the application of professional, legal standards, as interpreted and administered by representatives of the profession. The drive toward judicial independence represented by the panel and the criteria for selection is reinforced by the unremovability of the judges. Likewise, although

judges are in effect appointed by national governments, they are not dismissible mid-term by the appointing country. Thus although the “source” of the ordinary judicial powers is highly federal, some efforts have been made to qualify and diminish the federal character of the office. The judiciary thus earns a *FIS of 0.25*.

The EU FIS on Variable II: Recalling that the FIS numbers are imprecise, but not arbitrary estimates, we can tally up the raw FIS for variable II:

European Parliament: 1.0

European Council: 0

Council of Ministers: 0.1

European Commission: 0.5

European Court of Justice: 0.25

Total: 1.85

This score is based on five institutions, as opposed to the various American plans, all of which are based on four items. It is necessary to calculate an adjusted FIS so the figures are genuinely comparable. The simplest way to make the scores comparable is to reduce the EU FIS by 80%. The adjusted EU FIS, then, is 1.48. This is well below the U.S. Constitution of 1787 (2.95); the U.S. Constitution of 2004 (3.15); and, of course, the Madison Plan itself (4.0). In fact, it is almost midway between the FIS of 0 that one would attribute to the Articles of Confederation on Madison’s second variable, and the Constitution of 1787.

We might retroactively go back to assign a FIS on Variable I (foundation). This variable is, of course, much less complex, for it does not have an array of sub-variables within it, and it is not as capable of hybrid models as Variable II is. The real issue with respect to Variable I is comparability to FIS on Variable II. It would be arbitrary to assign it a total value of 1.0 because it has no sub-variables. The significant

³⁷ McCormick, *op. cit.*, 110.

³⁸ Draft EU Constitution, Part III, Article 261.

³⁹ Draft EU Constitution, Part III, Article 26.

question is, rather, how important is this variable in defining the nature of a proper federal arrangement as opposed to the other variables. Madison has made it clear, I think, that the mode of ratification, or juridic foundation of the union is exceedingly important. He puts it first on his list of federalism variables. The argument suggests that Variable I may be nearly as significant as Variable II. I propose therefore to count Variable I as worth half as much as Variable II: 2 points. On this scale, then, all three of the American constitutions receive a FIS of 2 and the EU a FIS of 0.

Variable III: Operation of Powers

Madison describes the third variable as follows: the “federal principle” recognizes that “the powers operate on the political bodies composing the Confederacy in their political capacities.” According to the national principle, on the other hand, “the powers operate...on the individual citizens composing the nation in their individual capacities.” The proposed constitution of 1787 “falls under the *national* not the *federal* character” on Variable III.⁴⁰ Madison identifies a place or two where the proposed government operates in the federal way, for example, “in the trial of controversies to which states may be parties, they must be viewed and proceeded against in their collective and political capacities.” What he has in mind is straightforward and the application is clear-cut. The new general government legislates for individuals and has its own institutions—executive and judicial—to bring its policies directly to the individual citizens. The only ambiguity in the assessment of this variable concerns the relation between the judicial systems of the two levels of government. There are many instances in which the relevant U.S. constitutional or legal provisions will be applied in and by the state court systems. The Constitution provides for this situation in two ways: first, by clearly describing the legal enactments of the general government as supreme over those of the states, and by decreeing judges in the states to be “bound” by that mandate, no matter what a state law or constitution may say.⁴¹ Moreover, provision is made for appeal of cases involving the Constitution, laws, or treaties of the general government to the court

⁴⁰ F 39, C 255.

⁴¹ U.S. Constitution, Article VI.

system of the U.S.⁴² Since it is the judiciary that pronounces “what the law is,” Articles III and VI together mean that state courts are constitutionally required to follow the determination of the relevant U.S. courts on the meaning and application of the Constitution or enactments of the general government.

This provision could be considered a federal element in the construction of the system, but Madison does not identify it as such. His failure to do so could stem from either of two causes. First, the constitution leaves the character, even the existence of a lower U.S. court system (below the Supreme Court) up to Congress. Under the Constitutional mandate most enforcement of U.S. law could well occur in state courts (if there is no lower court system), or perhaps nearly all could occur in U.S. courts (if Congress established a very large and extensive lower court system and an extensive executive establishment). The system had the potential to be either heavily reliant on state courts or not reliant on them at all; Madison may have conceded to the constitution’s anti-Federalist opponents that the system may indeed operate in a fully national manner, and he just considered it as such.

More likely, I think, is that Madison saw a significant difference between the two levels of government interacting via their Court systems, as here, and the kind of interaction he thought typical of federal systems *per se*. Under the Articles of Confederation, for example, the government of the union (the Articles Congress) legislated for the states as such, and directed themselves solely to the State legislatures, i.e., to the states “in their political capacities.” While the state courts are agents of the states they do not represent the states “in their political capacities,” at least not to the degree that state legislatures and executives do. Among other things, Madison seems to have in mind the same sort of appeal to legal professionalism that the EU provision for judicial appointment appeals to in looking toward immersion in legal/juristic culture as a force for independence and commitment to the law as a countervailing force to parochial loyalty to home state.

I would be inclined to say that on the basis of Madison’s own reasoning, however, we should slightly modify his assessment of the new

⁴² U.S. Constitution, Article III.

constitution under Variable III. Operation of the powers completely via agencies of the general government or individuals with no intermediation or involvement of state agencies should be construed as the pure form of operation of the national principle (FIS = 4). Operation of the powers entirely on and through agencies of the states other than state judiciaries, should be construed as the pure federal principle in action (FIS = 0). Operation via state judiciaries should be construed as a mixed mode, with the relative weight of national and federal difficult to assign in the abstract, for it will depend a good deal on the legal culture of the society. With this array of considerations in mind, I would assign the Constitution of 1787 a FIS of 3.60 rather than the 3.95 or so to which Madison's own discussion points.

Structurally the U.S. Constitution of 2004 seems much the same as that of 1787, but there has been a significant change that makes the system *as a whole* more national, but Variable III less so. I refer to the development of the use of the spending power to induce state legislatures to adopt policies that Congress wants, but arguably lacks direct authority to impose. Thus, federal money is used to "encourage" states to enact speed limit laws, or federal educational aid is used to induce states to adopt favored educational policies. Although not all Constitutional scholars would agree with my judgment, I believe this use of the spending power is contrary to the original constitutional scheme, not only as a circumvention of the very idea of enumerated powers, but also because it leads to much greater levels of operation of the powers of the general government in the federal manner. Strangely, then, even though the entire Constitutional system is far more national now than it was in 1787, I would nonetheless give the 2004 Constitution a lower FIS on Variable III, say, 3.40.

Madison's original plan was to operate much as the Constitution of 1787 provided. It thus earns the same FIS: 3.60. A brief remark on the significance of Variable III in Madison's constitutional thinking is in order, however. It would be no exaggeration to say that Madison's insight into the ineffectiveness of the mode of operation of the powers of preexisting confederacies was the germ from which Madison's invention of a new kind of federalism grew. His study of previous federal unions led him to see that their "great and radical vice" was "the principle of legislation for states or governments, in their corporate or collective capacities...as contradistinguished from the individuals of

whom they consist.”⁴³ Madison’s idea, which outstripped all other ideas for reform at the time, was that the government of the union could be successful if and only if it could legislate for individuals. That is, strange to say, a successful federation required that the national principle of operation characterize its actions.⁴⁴ Given American theories of legitimacy, the general government could rightly legislate for individuals only if the source of its ordinary powers was also the individuals for whom it would legislate and tax. All the major features of the U.S. Constitution as a federal union followed from these basic insights of Madison. It had to be ratified by the people, not the state governments; it had to forbid unilateral withdrawal by member states; it had to break with all federal principles of internal decision-making, by, for instance, rejecting unanimity of states as a decision rule, and even rejecting QMV for most matters.

The assessment of the EU on Variable III is difficult, because like much else its mode of operation tends to be complexly hybrid in character. The various pillars further complicate matters. I am going to simplify to ease treatment of the subject. The EU has law-making bodies, it has a kind of executive (the directorates of the Commission), and it has a judiciary. It certainly goes well beyond the kind of institutions typical of historical federations. However, the EU “executive,” if that is the proper term for it, is not actually an executor of laws. It plays a role, in part a technical role, in developing proposals to be made into law and adumbrating regulations as part of the law. It does not, however, in most instances enforce EU law—the member states do that.⁴⁵ Thus, although the EU law and rule-making structures are highly developed (some complaints are heard that they are over-developed), the EU operates in the manner Madison identified as federal: the general government legislates for its member states in their corporate or collective capacity and is dependent on the executive actions of the member states to bring EU law home to citizens of EU states. This is a mode of operation Madison considered deadly for federal unions.

⁴³ F 15, C 93.

⁴⁴ See Michael Zuckert, “Federalism and the Founding,” *The Review of Politics*, Vol 48, No. 2, Spring 1986, 166—210; Michael Zuckert, “System Without a Precedent,” in E. Levi and D. Mahoney, *Framing and Ratification* (MacMillan, 1988).

⁴⁵ Neill Nugent. “The Commission’s Services.” In Peterson and Shackleton, *op. cit.*, 152-3.

The EU has been far more effective than Madison or Tocqueville would have predicted on the basis of that feature alone. In part the EU success must be attributed to EU judicial institutions. The EU courts contribute to effective federal governance essentially through jurisdiction over infringement actions, and the preliminary ruling procedure. The EU court operates quite differently from U.S. courts in relation to member state courts. The U.S. Constitution provides for appeal of cases from state courts to U.S. Courts if there is a “substantial federal question” involved. This procedure allows the U.S. courts to enforce the Supremacy Clause, i.e., to apply U.S. law over law in the states and it allows it to establish a degree of uniformity of interpretation and application of U.S. law in the states. In the EU, on the other hand, compliance with EU laws and regulations is left to member states. In the EU, “the Commission is vested with the primary responsibility for ensuring the member states comply with both the applicable treaty provision and community legislation.”⁴⁶ Since Maastricht there is also in place a provision whereby the Commission may return to the Court to seek disciplinary measures in the form of a fine against recalcitrant states which refuse or neglect to rectify earlier adjudged failings under EU laws.

The EU provides for a preliminary ruling procedure, whereby EU related issues arising in member state court systems are to be referred to the European Court for a determination of EU law. That determination is to be accepted as the authoritative meaning of EU law by the state court, and is to be considered supreme over state law in case of conflict. By all accounts, the ECJ has been forward in asserting its powers and has been on the whole quite effective in helping the otherwise unwieldy and (as Madison would see it) overly federalized operation of the EU take hold. The role of the judiciary has been much enhanced by the famous decision in the case of *Von Genen Loos* (1963), which decreed individuals to have the right of direct appeal to EU provisions in cases being adjudicated in national courts.⁴⁷

According to Madison’s formal description of Variable III the EU would have to be judged fully federal in operation, even in the opera-

⁴⁶ Kieran St Clair Bradley, “The European Court of Justice,” in Peterson and Shackleton, *op. cit.*, 123.

⁴⁷ Goldstein, *op. cit.*, 94.

tion of its judiciary, for the EU court operates on member state courts and other parts of their governments rather than on individuals. Nonetheless, the EU mode of operation goes beyond the purely federal principle. For one, the treaties and proposed Constitution contain a strong supremacy clause: "The Constitution, and law adopted by the Union's institutions in exercising competencies conferred on it, shall have primacy over the law of member states."⁴⁸ Although the ECJ does not have appellate jurisdiction over member state courts, the preliminary ruling procedure accomplishes much the same thing, with what is, in effect, an appeal in advance. As Lisa Conant makes clear in her study *Justice Contained*, a full assessment of the effectiveness of the EU judiciary requires accounting for political and other aspects of EU interaction with member states, a task that goes beyond my task here. Judging the operation of the EU on Madison's third variable we would have to conclude that although it looks like the Articles of Confederation more than a unified state or any of the various U.S. constitutional plans, yet it merits a FIS well above the "0" that might seem to belong to it. Powers of the Commission (or other states) to call member states before the ECJ for non-compliance is a federal device, but one with some teeth. The preliminary ruling power goes beyond the mere federal principle, in that it involves Court to Court interaction in cases involving individuals. Although it is very difficult in this case to fully justify any given numerical FIS, I estimate that a 1.0 would not be out of line.

Variable IV: Extent of Powers

"The idea of a national government," Madison wrote in *Federalist* 39, "involves in it not only an authority over the individual citizens, but an indefinite supremacy over all persons and things, so far as they are objects of lawful government. Among a people consolidated into one nation, this supremacy is completely vested in the national legislature." In such governments all local or municipal authorities are juridically inferior to or even creatures of the central government. Unions of a federal type differ in these two respects from a purely national government: the more local authorities are not creatures of the central government, but have their own foundation, sources of

⁴⁸ Draft EU Constitution, Part I, Title III, Article 10.

powers, and means of operation of powers; in such systems there is also a division of legislative authorities between the center and the members. Neither the structure nor the powers of the members depends on the center.

Here, finally, Madison identifies elements of a federal union that the popular mind also identifies as federal. It no doubt struck the attentive reader that in all three of the previous variables the optimal FIS designating the optimal federal arrangement was allocated to the value of the variable associated with the *national* principle. This is no longer the case when we come to the fourth variable.

Thus, in the Madison plan, we may notice that he projects a general government which rests its authorities on a popular source, draws its ordinary powers from the people in the national manner, operates on individuals in the national manner, but does not dominate the member states and governments as a national government would, nor does it possess the full range of governmental powers over “all objects of lawful government” as a national government would. These two differences, related to the fact that the union has only a limited set of purposes, are the factors that lead Madison to consider his plan as a federal plan, a new kind of federalism to be sure, but nonetheless a federalism, a “state of states,” as Montesquieu put it. To be an effective “state of states” a federal union must adopt much of the ways of the national system—it must be national in foundation, source, and operation. The Madisonian federal plan projects a government national in every respect except these crucial two, a government sitting side by side with the governmental structure of the member states. The key idea in Madison’s plan was that the general government was to rise and act in near complete independence of the member states; or, put in another way, member states were to have no, or as little as possible, agency in the structure or operation of the general government. In Madison’s plan the general government has almost as little agency in the member states. Complete independence of the two—two systems touching each other nowhere at all—was not in Madison’s opinion desirable or optimal.

Regarding Variable IV, extent of powers, there were in effect four sub-dimensions of the variable. First, there must be an allocation of powers between the center and the independently constituted member states. Just what powers ought to belong to which level of government

was not altogether to be settled in the abstract, however, for that depended a good deal on the purposes the member states meant their partial, federal unions to serve. However, there were certain powers which it was indispensable that the central government possess. As developed in the *Federalist* these were the tax power, and the power to raise and deploy armies, or more generally, the powers to provide for national (or federal union) defense. The need for an independent and adequate revenue power flowed directly from the imperative driving Madison's thinking on federal union: the government of the union needed to possess all the essential instrumentalities of action in itself, and could not be dependent on the member state for any of the essentials. The need for military and defense powers was a bit more ambiguous. In the American case, the union existed first and foremost for the sake of meeting foreign and defense needs. But Madison also understood the core of the state and of law to be the power to coerce, to impose sanctions. Therefore, any government of any union would require coercive powers, whether the union existed for the sake of defense primarily or not. Finally, the general government required a power to police the borders between its powers and prerogatives and those of the member states. This power required that the two levels of government, finally, touch.

Thus the Madisonian constitutional plan contained a division of authorities, including a grant to the general government of a power to raise both revenues and armies, and a power, to be vested in Congress, to negative state laws that infringed on the powers and prerogatives of the union or on the rights of fellow member states. The last, never adopted by the constitutional convention, was an echo of a power the English Privy Council had possessed over legislation in the colonies prior to independence. Maintaining our practice of using the Madison plan as the benchmark for calibrating FIS, we once again allocate a FIS of 4 to this plan. It divides authorities between independently constituted center and member governments (1 point); it provides revenue powers for the central government (1 point); it establishes power to create, support, and regulate a military force (1 point); and finally, it provides a power to keep the member states "in their proper orbits," as Madison liked to put it.

The Constitution of 1787 differed in several respects from the Madison plan. It divides authority as the Madison plan does (1 point);

it grants a revenue powers (1 point); military powers (1 point); but does not contain some other powers (of a means sort) that Madison considered important, e.g., the power to incorporate. The most important difference, however, is that the Congressional negative on state acts is replaced by the Supremacy clause and judicial enforcement or umpiring of the federal system. The Constitution of 1787 thus earns a slightly lower FIS: 3.80.

The Constitution of 2004 is very much like the Constitution of 1787 with regard to this variable, but it earns a lower FIS for a very different kind of reason: the boundaries between the general government and the member states are much blurred, and the authority of member states powers much compromised. Measured against the Madison model, the Constitution of 2004 tilts too far toward a national government, thus earning a 3.5 FIS.

On Variable IV, the EU meets the first sub-criterion very well, for it has an elaborate division of “competences” between the general government and the member states, which are very definitely constructed independently of the EU structures (1 point). The EU has some revenue powers but these are limited. There is no general power to tax, as in the U.S. Constitution, but revenue is not limited to requisitions on the member states, an EU commitment underlined by the tendency to speak of revenue sources as “own resources.”⁴⁹ Sources of revenue can be set, apparently, by the Council of Ministers acting unanimously.⁵⁰ As a system intermediate between the general power of a majority rule (or QMV) legislature to tax, and confederal power of mere requisition, the EU revenue power has a FIS of 0.50. There is no EU military power to speak of, although there is talk and perhaps promise of this developing in the future (FIS = 0.10 for promise).

Finally, the EU does have a series of devices to police the boundaries between EU and member state powers, including a careful delineation of exclusive, and concurrent competencies, the supremacy clause, and the role of the ECJ in enforcing the distribution of competencies (FIS = 0.95).

⁴⁹ *cf.* Draft EU Constitution, Part I, Title VII, Article 53.

⁵⁰ *Ibid.*

To sum up Variable IV FIS:

Madison Plan: 4.0

U.S. Constitution of 1787: 3.8

U.S. Constitution of 2004: 3.5

EU: 2.35

Variable V: Amending Procedure

The last variable concerns the question of how the constitution is to be altered. The national way would be by a majority, or a super majority of individuals of the whole union. The purely federal way would be unanimous consent of the member states. According to this test the U.S. Constitution of 1787 was a mixture, leaning toward the federal principle. The amendment process noticeably attempts to mix the national and federal modes, for it involves two steps, the first of which involves a largely national mode and the second a largely federal mode. The first stage of the amendment process is the proposal phase; amendments may be proposed either by two thirds of both Houses of Congress, or by a congressionally convened special convention, to be called on application of two-thirds of the states. While both methods have some admixture of federal elements, they are on the whole national modes. The ratification is more nearly federal in character, for three-fourths (not all) of the states, acting either through their legislatures or through special conventions must ratify. The Constitution of 2004 has the same amending process. Madison's original plan had little to say about amendments, other than to mandate that the national legislature not be part of it, a mandate partially fulfilled by the convention route to proposed amendments. That route leaves Congress the non-discretionary role of convening a convention, although it also leaves Congress with the potentially significant powers of establishing the character of the convention. Madison seems to have had no fixed notions of what the amending procedure should look like in his ideal federal plan other, perhaps, than that it would not suit for the arrangement to be either wholly federal or wholly national in character. By that standard all three of the American constitutional plans achieve a 2.0 FIS (2.0 rather than 4.0 for this does not appear to be as central as the last three variables.)

EU procedures for amendment of the proposed constitution are typically complex, as outlined in Part IV, Article IV-7. The proposal phase has four stages, allowing initiation by any member state government, the E.P., or the Commission. At the second stage the European Council considers proposals and by majority vote decides whether to move forward to the third stage, a special convention, to be composed of representatives of member state Parliaments and governments, as well as representatives from the EP and the Commission. The Convention then “by consensus” will decide whether to formally propose amendments to member states for ratification. The ratification phase proceeds according to the procedures in place under member state constitutions; ratification must be unanimous. The EU procedure is, like the American procedure, a mix of national and federal elements, but here the mix leans in a much more decidedly federal direction. The requirement of unanimous ratification indicates that we have a process hardly removed from ordinary treaty-making. The FIS on Variable V for the EU can be no more than 1.0.

Conclusion: The Federalism Deficit

Our first order of business is to tally up the total FIS (FIS_T) for the various plans we have considered here:

Constitution	Variable					Total
	I	II	III	IV	V	
Madison Plan	2.0	4.0	3.6	4.0	2.0	15.60
U.S. Constitution of 1787	2.0	2.95	3.6	3.8	2.0	14.35
U.S. Constitution of 2004	2.0	3.15	3.4	3.5	2.0	14.05
EU	0.0	1.48	1.0	2.35	1.0	5.83

The FIS is, of course, an excellent example of deceptive precision. The FIS_T is much less precise than it appears. I have counted the five variables of unequal overall weight. This is a rather arbitrary choice at least across the entire array of variables, but it reflects my estimate of the contribution of each variable to the effectiveness of the federal union.

Federalism Deficits

We may now calculate Federalism Deficits using the Madison Plan as the benchmark model. The deficit **D** is the difference between the federalism model we are taking as the standard (the Madison Plan) and the percentage of that standard achieved by each constitutional scheme. Thus

$$\mathbf{D} = [\text{FIS}_{\text{T}(\text{cn})} / \text{FIS}_{\text{T}(\text{cm})} - \text{FIS}_{\text{T}(\text{cn})} / \text{FIS}_{\text{T}(\text{cm})}] \times 100.$$
 (Where cm = Madison's Plan; cn= the nth Constitution)

We thus arrive at the follow values for the Federalism Deficits of the Constitutional models we have been considering:

Madison Plan: 0

U.S. Constitution of 1787: 8

U.S. Constitution of 2004: 11⁵¹

EU 2004: 66

Conclusions

Our first conclusion is that the EU suffers a substantial Federalism Deficit. That deficit is not spread equally among the Federalism Variables, however. From the perspective of Madisonian theory the most serious deficit is that in Variable III, operation of the ordinary powers of government. Indeed, one can only marvel at how successful the EU has been, given its weakness on this central variable. The EU seems to have hit upon a substitute mode of operation that is far more successful than Madison's theory would predict, suggesting that a modification of Madisonian theory may be in order. The modification could move in one or both of two directions. First, it could be that as a structural matter, the EU operational mode is more effective in itself than Madison thought any federal mode of operation could be. It is

⁵¹ It may seem odd to the observer that the U.S. Constitution of 2004 has a greater federalism deficit than the U.S. Constitution of 1787 because it is evident to all that the 2004 constitution is more centralized than the 1787 Constitution. It must be recalled the national principle (i.e., centralization) is the optimal value only for two of the five variables. The greater degree of centralization of the 2004 Constitution is one factor that contributes to its lower FIS_T.

certainly true that the EU mode is more sophisticated than any of the federal modes of operation of which Madison was aware. Perhaps we should conclude that a much lesser modification of the federal mode of operation is necessary for a successful federal system than Madison believed. If that is true, then the EU may indeed (as some have held) have hit upon a superior federal model, in that it is less likely to succumb to the centralization that lowers the U.S. Constitution FIS on Variable IV (extent of powers).

A second possible modification of Madison's theory would be to emphasize more than he did non-structural elements. For example, specially pressing consciousness of common interest, which can overcome the collective action problems Madison saw as underlying the centrifugal tendencies of standard federations, may have more impact than he expected. Sub-political commonalities of culture, identification, and so on, may also play a larger role than he thought.

The EU also has an importantly large deficit on Variable II (source of ordinary powers). This aspect of the Federalism Deficit overlaps with the Democratic Deficit, for the deficit derives from the heavy dependence of EU authorities on member state governments rather than peoples. When and if the EP rises in prominence in the EU, the EU's ranking on this variable may come to look very different. The worry about the EU Democratic Deficit is strongly related to Madison's parallel identification of the need for direct connection to the people rather than the member states; legitimacy (and therefore federal effectiveness) requires that powers exercised over the people be derived from them.

Looking at the EU and the Federalism Deficit through a Madisonian lens, what appears to be the prospect for the future of the EU? First, the theory suggests that EU expansion is likely to cause severe strains and undermine union effectiveness. The EU is not structurally sound, and has relied, it seems, on non-structural elements to make up, in the past, for EU structural deficits. The addition of more states, which introduce more differences of interest and culture, undercuts the non-structural factors that have contributed thus far to EU effectiveness.

Likewise, EU expansion makes genuine structural reform less likely. Member state governments will probably be even more eager to

keep Variables II and III in their own hands, and these are the variables requiring the most reform to produce a sound federal structure in the Madisonian mode. It is quite possible that even in the area where the EU has had the greatest success, in the creation of a large free-trade area, expansion will have problematic consequences. The creation of the "common market," while certainly not without its bumps and rubs, was an achievement where the strong overall common interest of EU member states was able to override structural weaknesses. EU expansion introduces greater economic and market disparities than has been the case heretofore, with the almost inevitable result that differences of interest will play a larger role than they have.

Madisonian theory also suggests that EU hopes and ambitions to become a yet more integrated trans-national entity as in the second and third pillars are likely not going to go smoothly. The EU Federal Deficit is too great to sustain the ambitious plans and projections of post-Maastricht Europe.

I put forward these somewhat sobering conclusions very tentatively, however. They rest on my judgment, itself open to question, that the EU has not in fact supplanted the Madisonian federal model or the analysis underlying that model. I might, however, be mistaken about the powers of the Madisonian model, and close with the usual caveat of social scientists: further research is needed to conclude with any finality whether EU experience points to or requires substantial modification of Madisonian theory. Until such research is conducted, my conclusions remain necessarily tentative.

Part II: Cultural Perspectives

Chapter 6

Culture or the *koine* of Europe

Antoine Compagnon

“The idea of culture,” Paul Valéry wrote in the 1920’s, “is for us in a very ancient relation with the idea of Europe.” Culture is the “common language of Europe,” asserted Fernand Braudel, the historian of the Mediterranean. “If it had to be done again, I would start with culture,” Jean Monnet allegedly said. “Europe will be cultural, or it will not be!” the message bursts forth from more than one European bureaucrat in the peroration of a speech on European agricultural, economic or monetary policy. Just as numerous, however, are those who do not cease to broadcast the opposing message, such as Julien Benda in 1946: “Europe, or more precisely a consciousness of Europe beyond the diversity of its parts, never existed, as there exists a consciousness of the United States beyond the diversity of its [...] states.”

Europe, the idea of Europe, of a European consciousness, or of a European cultural identity, does not exist. The culture of Europe is essential, according to some; it is but an empty phrase, according to others. Let us surf between these clichés as we discuss Europe and culture in the context of Europe’s new frontiers.

Europe and Culture

Europe and culture: the two words are often associated, but both remain ill-defined. Which Europe? Which culture? From a vantage point outside of Europe—for instance in the “Travel Section” of “The New York Times,” or as expressed in the phrase “Travel to Europe,” once common to French North Africa prior to decolonization, Europe being a nickname for the center of the colonial power—one could glean a vague impression of what the word Europe refers to. But which Europe have we in mind today? The Six, the Nine, the Twelve, the Fifteen, the Twenty, the Twenty-Five, since May 2004? The European Union? The Council of Europe? The Conference on Security and Cooperation in Europe? The extension of Europe to the four candidates from central and eastern Europe (Bulgaria, Croatia, Romania in 2007, later Turkey), a population that will approach 500 million by 2007?

At the time of the Cold War, Europe could be defined as the part of the world whose probability of obliteration was highest in the event of a nuclear conflict, but this description is no longer valid, and the perplexing task of marking out Europe in geographical terms still looms before us, as demonstrated by the present controversy on Turkey's plea to join Europe. Aside from economic, social and demographic issues, "concerns about Turkey's cultural and religious differences with the rest of Europe are the strongest currents underlying European resistance to its membership."¹

Hence our temptation to speak of Europe in terms of culture. The frontiers of Europe would not be natural but cultural. "It is a spiritual accomplishment, a model society, a worldview; Europe is a civilization," stated Lionel Jospin, then France's Prime Minister. Europe's spiritual geography results from a series of founding historical and ideological oppositions: the West and the East, then Christianity and Islam, then Latin Christianity and the Byzantine world, then, internal to Europe, the Catholic world and the Protestant world. Europe, said Stendhal, Ernst Robert Curtius, and more recently Remi Brague, is Christianity, Latinity or Romanism.² But today, what is a cultural definition of Europe worth in a largely de-Christianized continent, as the long-drawn-out argument about the preamble of the European constitution recently illustrated?³

¹ "During a parliamentary debate in France in October 2004, Philippe Pemezec, a member of the rightist Union for a Popular Movement, argued that accepting Turkey in the union would empty Europe 'of all its cultural and historic references' and 'cut us off from the Greco-Roman roots and Judeo-Christian heritage that make up the richness of our identity.' All of that is shorthand for an abiding European fear that Islam threatens the foundations of European culture. Mr. Pemezec said that Turkey's strong secular tradition since the fall of the Ottoman Empire had been maintained only because of the Turkish military's dominant role in political affairs and that Islamic influences in the country might increase as the military withdraws from politics as required for union membership. 'Paradoxically, the closer Turkey comes to entering Europe, the more it is threatened by Islamic radicals,' Mr. Pemezec said." *The New York Times*, 22 October 2004.

² E.R. Curtius, *La Littérature européenne et le Moyen Âge latin* (1948), trad., Paris, PUF, 1956; Rémi Brague, *Europe, la voie romaine*, (Paris, Critérium, 1992).

³ The influence of the Catholic Church and Christian tradition in the new Union of 25, long discussed during the negotiation on the future European Constitution between the defenders of a European identity based on Christian values and the champions of a secularized universalism, was again under fire after the incoming European Commission President, José Manuel Barroso, decided to maintain the attributions of Italy's nominee for Justice Commissioner Rocco Buttiglione, who called homosexuality a sin and said marriage was intended "to allow women to have children and to have protection of a male."

Europe, culturally speaking, would not exist. It is identified neither with an idiom nor with a race, in the sense that philologists gave to the word in the 19th century. How, objected Benda, does one propose a definition of Europe by its cultural unity when Europe is made of the irreducible peculiarities of national identities that asserted themselves and affronted each other in the course of the 19th and 20th centuries? After half a century of European Community, the mutual assimilation of the national identities in Europe seems unlikely as well as undesirable. The same for the dissolution of these national identities in an emerging European identity—unless, whisper the defeatists and sovereigntists, all the national identities are destined to blend in a global identity, or non-identity, dependent only on the idiom and culture, mass-culture, of the United States. Ironically, what remains to this day undeniably European is the nation-state, the historical construction of national identities, of national differences, and their resistance to globalization.

A national identity requires a whole binding symbolic apparatus, whose elements include: a long and continuous history; exemplary heroes; an idiom, illustrated with a literature; emblematic monuments; folklore; sites and landscapes; a mentality; an anthem and a flag; a currency; plus a cuisine and costumes. In want as it is of such an indispensable apparatus, Europe now looks at itself as a new and transnational entity and finds itself as lacking as the often artificial nations that decolonization produced in Africa, notwithstanding natural and ethnic frontiers. A unified Europe is missing the inherited patrimony, the collective identity that fosters attachment to a territory or to a shared ideal. The absence of a European identity became cruelly obvious on the bills of the euro that started circulating in January 2002: in order to harm no one, they expose fictions, not real places but abstract architectural styles. Will its Constitution ever give Europe an identity, as it did in West Germany after 1945? In order to believe that, one has to forget that Germany had a past that its Constitution aimed at warding off. Such is not the case with Europe.

From European Civilization to European Cultural Identity

The term culture is as opaque as Europe. In Romance languages in the 19th century, as well as in Latin, the word only applied, in the metaphorical sense, to a quality of the mind, not to specific goods. Since the Renaissance, it referred to the condition of the *“bonnête*

homme,” or the gentleman, the man of breeding, to the *cultura animi* or *cultura mentis* of those who kept the company of books. The set epithet was “*esprit cultivé*,” cultivated mind, that of one who “has reaped the fruit of reading the good books.” Culture was individual and personal, whereas civilization was societal or even universal—a people are more or less civilized.

Two influences determined the evolution of the word culture from the quality of the cultivated individual to the attribute of a cultural community. On the one hand, German usage of the word *Kultur*, since the beginning of the 19th century, placed it in opposition to civilization. Whereas the notion of civilization was infused with the ideals of Classicism and the Enlightenment, a philosophical, universalistic and progressive conception of humankind, *Kultur* relied on a relativist, historicist and romantic worldview. It was collective, deep-rooted, authentic and popular, while civilization was seen as acquired, artificial, or even refined and aristocratic, as good manners. *Kultur* was identified with the spirit, the *Geist* of a community, specifically the nation, rooted in its traditions, its folklore, its legends; it refers to a substance that imbues all the vital manifestations of a people. *Kultur* is differential: unifying a group, it separates it from others.

The second influence was that of the English, or rather American, language. Anthropologists and later sociologists, in search of a less romantic and more pragmatic definition, defined culture as the set of values and representations shared by a society, its ways of thinking and living. Thus defined, the term distances itself both from the idea of progress implied by civilization, and that of a collective soul entailed by *Kultur*.

As a result, culture now drifts between the humanist definition of the values that shape the ideals of all cultured men, and the sociological definition of the traditions specific to a community—hence frequent misunderstandings. When one says culture in French, does one mean the democratization of the culture of the mind, that individual process of discovery formerly reserved for the elite (this was still the meaning of the word when André Malraux invented the Ministry of Cultural Affairs in 1959), or does one think of the management of cultures as a plural, at present less national than regional, local, “societal” in general, whichever community be united by a way of life, as in the French new coinages *culture jeune* or *culture gay*?

This ambiguity is further amplified by two other expressions, mass culture and cultural identity. Europe, according to the philosophy of the Enlightenment, was identified first with a civilization, or even with civilization *tout court*, with “the rights of man.” Then, under the influence of romanticism and anthropology, it became identified with a plurality of cultures, either organic or functional. Finally, the term lost all relation with tradition, in any sense of the word. “Mass culture” contradicts “culture” in the humanist, romantic and anthropological sense—*cultura*, *Kultur* and *Culture*, as it depends neither on good books, nor on a national soul, nor even on transmitted values and behaviors. Hence it fuels an anxiety linked to the forgetting of the past and the loss of collective memory. This fear of alienation started in the U.S. as early as the 1950’s: mass culture, as any culture in the functional sense, indeed promotes social integration, but it purges regional and ethnic cultural diversity. Europe, at the end of the 1960’s, experienced its own anxiety: it did not yet apprehend a cultural leveling or annihilation of its specificities, but became concerned with a division of culture into degrees of legitimacy, high and low.

As a reaction to that anxiety, the notion of cultural identity caught on during the 1970s and 1980s. Imported from social psychology, where it was used to evaluate the affective participation of an individual in the values of his/her community, its lack would characterize a people uprooted. Thus conceived, “cultural identity” was popularized by the anti-colonial resistance to imperialism and against Western ethnocentrism. Emerging states appropriated the term in order to strengthen the integrative potential of new national identities, but ethnic minorities also re-appropriated it in order to survive within these new national entities. Cultural identity thus became a solidly anti-Western, or anti-American, catchphrase of the UNESCO.

It was not long before the former colonial powers took up the slogan as their own, and Europe reclaimed it in order to protect its own alleged identity, increasingly challenged by globalization. Cultural identity provided the keyword in the project of the European Cultural Charter, elaborated by the Council of Europe in 1978 in Athens. While in the U.S. the deliberation on cultural identity was taking the form of multiculturalism as a requirement for the coexistence of diverse communities within the national territory, in Europe, where multicultural immigration was, at the time, as pronounced, if not more pronounced, the

debate instead focused primarily on the preservation of a dominant, majority identity. The vogue of books on memory in France in the 1980's, as well as the inflation of European colloquia and anthologies on cultural identity in the early 1990's, can be explained in this context.

This preoccupation led to the principle of cultural exception, summarized plainly by Jacques Delors, then the President of the European Commission, before the GATT negotiations of 1993: “*La culture n’est pas une marchandise comme les autres*” or “Culture is not a commodity like the others.” Every European politician asks today, “How should Europe open up to globalization without diluting its identity?” France, represented by the European Commission, succeeded in promoting this principle in order to maintain the right to impose quotas against the invasion of American sitcoms on television, as well as the right to grant national and European subsidies for television and film. Even though this position was not shared by the rest of Europe, the Commission did not submit a proposal for the liberalization in the sector of audiovisual industries. But nothing was settled, and at the OMC negotiations of 1999, the European Commission, having deemed cultural exception too defensive and protectionist, substituted it with cultural diversity, which allowed it to oppose the spirit of free trade to its letter, that is, the de facto monopoly of Hollywood. Cultural diversity, in tune with U.S. multiculturalism and identity politics, is the present doctrine of the European Union on culture. Even though it has thus far survived the EU’s shift to qualified majority vote from unanimous vote, as adopted by the Treaty of Nice in December 2000 (applicable to future negotiations on international trade), this doctrine is nonetheless challenged by the EU—as evidenced by the controversy initiated by the European Commissioner for Competition about the imposed price of books in France, Germany, the UK, and about continental copyright. The Constitutional Treaty would, if adopted, remove the unanimity condition for decisions in the field of culture. Sooner or later, member states will have to renounce their national competency for education and culture.

Europe Between Cultural Unity and Diversity

The Treaty of Rome that instituted the European Community said nothing about culture. It was only the Treaty of Maastricht, in 1992, which gave the community a competency in cultural cooperation.

“Increased awareness by Europeans about their common cultural heritage has led the Member States to confer on the Community a specific competence in the field of cultural affairs. By including provisions for cultural policies in the Treaty on European Union, the Member States demonstrated their resolve to mark a new stage in the process of European integration, to deepen the solidarity between their peoples while respecting their history, their culture and their traditions, and to establish a citizenship common to nationals of their countries,” volunteers the web site of the European Commission.⁴

Article 3 of the amended Treaty establishing the European Community now states among its objectives, “a contribution to education and training of quality and to the flowering of the cultures of the Member States,” (*épanouissement des cultures des États membres*) cultures being spelled in the plural also in the French version of the Treaty, thus underlining their multiplicity in each Member State. Article 151 circumscribes the objectives for Community cultural action in its first paragraph: “The Community shall contribute to the flowering of the cultures of the Member States while respecting their national and regional diversity and at the same time bringing the common cultural heritage to the fore.” The draft Constitutional Treaty retains this wording, then adds that one of the objectives of the Union shall be to “ensure that Europe’s cultural heritage is safeguarded and enhanced” (Article 3.3).

The domains of action are then specified by the Treaty: 1. Improvement of the knowledge and dissemination of the culture and history of the European peoples; 2. Conservation and safeguarding of cultural heritage of European significance; 3. Non-commercial cultural exchanges; 4. Artistic and literary creation, including in the audiovisual sector; 5. Cooperation with third countries and the competent international organizations in the sphere of culture, in particular the Council of Europe.

Finally, “the Community shall take cultural aspects into account in its action under other provisions of this Treaty, in particular in order to respect and to promote the diversity of its cultures.” Culture should be taken into consideration in all Community policies, because it con-

⁴ http://europa.eu.int/comm/culture/eac/index_en.html

tributes to European citizenship, to personal and human improvement by education, to economic and social cohesion between the Member States, to the rise of employment in Europe, to the elimination of exclusion, to the enrichment of the quality of life, etc.

In concrete terms, however, the budget for culture and the audiovisual represents only 0.1% of the total budget of the European Union, and it is essentially devoted to subsidizing the audiovisual and film sector. Apart from that, the program "Culture 2000," established for the period of 2000-2004, and extended for two years to 2006, "grants support for cultural co-operation projects in all artistic and cultural sectors (performing arts, visual and plastic arts, literature, heritage, cultural history, etc.). The objectives of the programme are the promotion of a common cultural area characterized by both cultural diversity and a common cultural heritage. Culture 2000 looks to encourage creativity and mobility, public access to culture, the dissemination of art and culture, inter-cultural dialogue and knowledge of the history of the peoples of Europe. The programme also views culture as playing a role in social integration and socio-economic development." This sundry list bears witness to Europe's difficulty in reconciling the diverse national cultures of culture. But if there is no consensus among the member states on a politics of culture, the marginalization of literature in their composite vision of culture is nonetheless striking, and especially distressing.⁵

The Future of Literary Culture

It is from this vantage point that I find it instructive to consult the list of the 55 cultural projects (out of 410 applications) that the Commission funded in 2000, in anticipation of the Culture 2000 program. "Improvement of the knowledge and dissemination of the culture and history of the European peoples" was little rewarded in comparison to other fields of action, namely the preservation of the

⁵ See in particular: "Designed to "contribute to bringing the peoples of Europe together," the European City of Culture project was launched, at the initiative of Melina Mercouri, by the Council of Ministers on 13 June 1985. It has become ever more popular with the citizens of Europe and has seen its cultural and socio-economic influence grow through the many visitors it has attracted. [...] in 1990, the Ministers of Culture created the European Cultural Month, an event similar to the European City of Culture, but lasting for a shorter time and intended mainly for the central and eastern European countries."

cultural heritage, cultural exchanges and creation, which received the most support. For literature itself, long the core of culture, Culture 2000 does little. And for all that which does not correspond to its tacit intention of furthering culture through administration—*animation* in French—or social aid, it does nothing. Only 4 or 5 out of the 55 funded projects had to do with books:

- The Cities of Asylum Network, an initiative of the International Parliament of Writers, based in France, with German, Austrian, Spanish and Italian partners, planned to create a network of asylum cities to welcome censored writers from all countries, to supply aid for creation and publication, to foster a reflection on democracy and creation.
- The prize for tactile book for youth, an initiative of the French Association “*Les Doigts qui rêvent*” [The fingers that dream], intended to help underprivileged children and youngsters with learning to read problems resulting from eye troubles, by regrouping professionals in the field of tactile book, improving innovative fabrication techniques, and awarding the Tactus prize.
- Young translators on the Internet for the Millennium, an initiative of the British Council, planned an innovative and creative union between translation, writing and the Internet. Young translators (under 30) were invited to translate young authors (under 30); a Web site was created to test the potential for publication; the project was implemented by schools, universities and colleges.
- Pain, a thematic multicultural and interdisciplinary study assembling Spanish, French, German, British academics, aimed at “a thorough examination of pain by the study of its diverse manifestations in literary and artistic works. [...] The action proposes to focus on illnesses that trigger physical, but also moral, pain.” This was the only specifically literary project, cultural in the conventional meaning of the word, yet its selection was hardly incidental, given that it plans to create a “series of cultural events that would help the sick to reintegrate society.”

In 2003 only one multi-annual project was supported in the sub-field of Literature, Books and Reading, on children's literature: "*Réseau européen des centres et instituts en littérature de jeunesse*," in order to develop a website and organize workshops. In 2002, two projects related to literature were supported, with these objectives:

- To create a window on contemporary European writing in a way which makes the work easily available to readers and will encourage interchange between the different literary cultures (creation of interlinked websites featuring work by contemporary writers, in addition to biographical and critical materials and the translation of this work into several European languages).
- To promote exchange between readers, poets, translators and writers; make good poetry from a large number of European countries available for a large public; stimulate translation of poetry; offer an international directory and information on poetry.

One-year projects since 2000 deal almost exclusively with translation, often linked up with the new media. One of the three major themes of Culture 2000 is "Tradition and innovation: linking the past and the future," but over the years very little has been funded on that front.

These examples underscore that the European Commission understands culture in the third millennium as cultural administration (*animation* in French) and social assistance; its conception of culture is applied, utilitarian, and instrumental. The mid-term evaluation of the Culture 2000 Program carried out in 2003 stated that the socio-economic impact of the program had been restricted. The Commission now proposes "developing European citizenship" as a main priority for EU action, by "fostering European culture and diversity." The decision of the European Parliament and the Council establishing the Culture 2007 Program for 2007-2013 (14/7/04), focusing on "the development of a European identity from the grass roots," insists that the number of objectives should be reduced to three: the transnational mobility of people working in the cultural sector; the transnational circulation of works of art; intercultural dialogue. Support will go to projects, organizations, and activities that favor intercultural cooperation. There is less insistence on socio-economic added value, which

led to a dispersal of the financial resources available and reduced the effectiveness and legibility of the program. The stated ambition is “a common search for shared values and interpretations,” which should “play a fundamental role, particularly in integrating new Europeans from a range of cultures.”

Nonetheless, the program is not changing dramatically, and such is in Europe (or at least in Brussels) today the meaning of culture as a “common language.” In the face of this obliteration of literature from the new European economy of culture, two reactions can be observed.

The first is that of the “widowers of Europe,” as I will call those nostalgic of the humanist significance of culture. Their whining is familiar. According to Hilton Kramer and Roger Kimball, *The Future of the European Past*⁶ is in jeopardy in the U.S. as well as in Europe. Let us listen to them for a minute: Europe meant Christianity, but 9 out of 10 Frenchmen or women do not go to mass even once a year; Europe meant the “Grand Tour” of festivals and museums, but the European spirit exhausted itself in the democratization and “museification” that have transformed the living past into a lifeless commodity. It meant French being spoken in Berlin and Vienna, Lisbon and Cairo, New York and Rio de Janeiro, but French is no longer spoken anywhere but in France, and the erosion of culture, when viewed from Paris, is all the more dramatic in that it is seen as carrying the literature along with the language.

The death of Europe has been a cliché since Romanticism. “Europe is the past,” wrote Dostoevsky. Paul Morand, returning in 1948 from Venice, where he had seen “the fireworks thrown by a moribund Europe,” exclaimed: “I am left Europe’s widower.” In the U.S., where the European past is suspected of racism and sexism, and threatened by historical revisionism, the institutions that were formerly guardians of cultural traditions, so goes the *prosopopeia*, have to adapt to recent identity politics, and the priority of European traditions is in danger in schools, museums, theaters. The crisis of identity confidence is also rampant in Europe, in the face of the breakdowns of integration, the growth of ethnic and religious fanaticisms hostile to the universalistic

⁶ Hilton Kramer and Roger Kimball ed., *The Future of the European Past*, Chicago, Ivan R. Dee, 1997.

tradition of the rights of man, the degradation of education systems, while the ubiquity of American popular culture at its most industrial is the most obvious symptom of globalization.

As high culture is besieged by popular culture and elevated to “lifestyle” status, the question of culture in the singular has been forever disqualified, replaced by “cultures” in the plural, in its prosaic sense of collective behaviors. There is no longer any incentive to ponder the past in a DSL-connected world where new technologies render history a bore. Temporal shock increases with the frequency of silicon chips: the rhythm of reading is incompatible with the acceleration of digital existence.

Finally, the democratization of culture has trivialized literary culture. In France, the Ministry of Culture, backed up by the Direction of Culture in Brussels, has become a superintendent of collective entertainment. Just as the “*Fête de la musique*,” invented by Jacques Lang in France, gives place to an annual night of noise, the “major operation of the European Union” since 1985, termed “European Cities of Culture,” makes “thousands of cultural actors of the European Union and of associated European countries collaborate around a living spectacle, theater, heritage, urban culture, street arts, and new forms of artistic expression using new technologies.” In short, culture in Europe is carnival.

The second, alternative reaction is that of those whom I would call “moderantists” (there are no gung-ho’s, no utopians of the culture of Europe). Without enthusiasm, they concede that the word culture is no longer used in the singular, and that the culture of the mind—*cultura animis* or *cultura mentis*—retired in favor of community cultures. They are resigned to the erosion of literary culture, but they argue that this observation can be given several meanings: literacy is declining, vulgarization cancels art, the past withdraws to a distance, national identities crumble away. But, they say, each of these propositions can be separately challenged, or at least tempered.

Is literacy really on the decline? The share of historical knowledge in school curricula has probably been abridged; the multiplication of knowledge taught probably leads to its simplification; the democratic reaction against academic elitism probably gives rise to an evasion in the face of difficulty. But, on average, do more young Europeans not

know much more today when they leave high school than they did a couple of decades ago?

European culture should be built from the ground up, a fine example being the Erasmus Program and the European Credit Transfer System (ECTS), which now allow European students to hit the road and spend a year away from their home universities, as they used to do during the Middle Ages but on a broader demographic basis. A recent mainstream French film, *L'Auberge espagnole* [The Potluck], by Cédric Klapisch, tracking the life of a group of Erasmus students in Barcelona, proves the success of the program in that it has become a cliché of entertainment culture.

Derrida's *Other Cape* offers a fine example of this reasonably anti-Eurocentric and wisely pro-European discourse. After summarizing Valéry's dignified vision of the European mind, he situates himself in "the beyond of this modern tradition" and delineates a "counter-program opposed to this archeo-teleological program of all European discourse on Europe." The romantic concept of the nation ruled for too long. "The distinctive feature of a culture," Derrida recaps, "is that it is not identical to itself. [...] There is neither culture nor cultural identity without this difference with oneself." It is a matter of recognizing the other within the same, the foreign within the self.

This vision of Europe as an emerging post-national democracy was endorsed by Jürgen Habermas at the beginning of the 1990's, in order to prevent the return of nationalisms in Europe after the fall of communism. Even if a unified public sphere does not yet exist in Europe, Habermas perceives its premise in the mobility of Europeans and the intensification of their contacts⁷. "In the future," he foresaw in 1991, "diverse national cultures could converge towards a common political culture," while the other cultural formations, such as the arts, philosophy and literature, would remain national for a long time. The unified European political culture should be founded on the idea of the universal rights of man, while the cultures, religions and traditions of "specific ways of life" should be protected in their diversity, insofar as they would not be contrary to the democratic principles of the public sphere. Habermas speculates on a double culture or double truth of

⁷ Jürgen Habermas, *Citoyenneté et identité nationale. Réflexions sur l'avenir de l'Europe*.

Europe, unified in the political realm—Europe, we might want to remember, is “the only political organization where the death penalty no longer exists”—but plural and diverse in the Community space.

Habermas now describes this double cultural truth or way of life as a postmodern variant of the religious freedom of the moderns: “On the model of liberty of religion, cultural rights should be understood as subjective rights, giving all citizens equal access to cultural environments, to interpersonal relations and to traditions, in as much as these are essential to the development of their personal identities. Cultural rights do not simply mean ‘more difference’ and more autonomy. [...] a well thought multiculturalism is not a one-way street for groups that each has a unique identity to assert. The egalitarian coexistence of different forms of life ought not to entail segmentation. It requires the integration of citizens—and the recognition of their cultural belongings—in the framework of a shared political culture.”⁸

Less sour and more generous, this alternative discourse on Europe sounds more attractive. Even so, it has its problems. Is it not artificial to divide public and community spheres, as though the principles and values of a “specific way of life” do not rub off on the public and political jurisdiction? And is it not yet again a means of imposing upon everyone a specifically Western political culture, with its universalistic claims inseparable from its values? Lastly, is it not a manner, an ultimate stratagem, of consigning the other cultural formations—the arts, philosophy and literature—at the level of attributes of the “specific way of life” that saw them occur?

⁷ Jürgen Habermas, *Citoyenneté et identité nationale. Réflexions sur l'avenir de l'Europe*.

Chapter 7

Culture, Knowledge and European Unity

Josef Jařab

Culture: So often “Last but not Least,”—and Yet Last

When Europe, for nearly half a century after World War II, was politically and economically divided into West and East it was the language of *culture* that still had the potential of remaining the common bond for nations on the continent. Especially for many people in the less lucky European countries knowledge of culture and cultural heritage, as well as recognition or awareness of common cultural values, served as *a living link to the freer world*. In those countries an outlet or outreach into the better, freer, world could be directed into the region’s history (such was the “rebellious“ emphasis on the tradition of pre-war Czechoslovakia of the first president of the country, T.G. Masaryk, or the embracement of the humanist legacy as embodied in the stories and essays of Karel Ěapek; it could also take one of various forms of admiration for modernist achievements of a number of artists who all became disowned by the official regime); another possibility was to reach out into “the other“ world in geographical terms (numerous, and often desperate, attempts to appropriate something relevant in the arts and cultural phenomena in the luckier Europe outside the “Iron Curtain”).

It may be worth a reminder that to Poles, Czechs, Slovaks or Hungarians the identification with an artistic heritage represented by Shakespeare, Villon, Goethe, Beethoven, Cézanne and other European geniuses came as a very natural attitude, often expressing their suppressed aspirations and ambitions. No wonder, then, that the dogmatic ideological reading of the continental as well as national cultural histories forced upon the public by the communist authorities through censorship, propaganda and educational programs turned this natural identification with great European and world culture into something

politically rather suspicious. And when it came to an interpretation of modernist art, from the western part of the continent and from America, as well as phenomena from the national cultural histories (such as the nonsensical ideological preference of Smetana to Dvořák and Janáček in Czech music) culture turned into a battleground for differences not just of taste but of political views as well—in other words, for many individuals and groups of people *culture became alternative politics*.

It should not be surprising, then, that the leading dissidents in the totalitarian world of the East were intellectuals, artists, musicians and writers who also, for decades, served as the “conscience of the nation,” in some cases intentionally and programatically, other times even against their own will. The persecuted musicians of the Plastic People of the Universe, the Charter 77 group of political activists which defended the rock band and protested against their persecution, and the Jazz Section organization which published western or forbidden books “for members only” thus bypassing censorship regulations are only a few examples illustrating the drama within the cultural and political battlefield. After all, the “Velvet Revolution” of 1989 in Prague was immediately launched not by the masses of citizens but by students and theater people (which even our politicians have to be reminded of only fifteen years after the historic liberation took place).

Obviously, and understandably, western culture and the common European artistic heritage and presence were more important for nations within the “Iron Curtain” than those outside. Culture for those lacking freedom served more objectives and needs. And when the writers and artists from the East occasionally caught the attention of Western media and audiences, as it happened in the cases of Václav Havel, Jaroslav Seifert (the first Czech Nobel laureate for literature) or Milan Kundera (who later decided to comment on the situation back home from France) it was more for the authors’ political courage and the authenticity of their moral testimony on life experience unknown and possibly unimaginable for those enjoying liberty as a natural element of everyday reality than for their undeniable contribution to European cultural wealth.

There is still much to be learned from the body of literature and other artistic forms on the scope and depth of the European experience all through the continent in the decades of the immediate past—

hopefully to contribute to the development of a deeper and more authentic European identity. The vicarious human existence presented by artists in compelling stories should not be discarded as useless for our practical lives—they may be telling us of lives some people lived for us (so that we did not have to live them ourselves), lives worth emulating or following, but also fates definitely and happily to be avoided. Anyway, they offer numerous and various reflections on human life experience not to be forgotten—reflections on Europe as the cradle of some shining human values but also a place where barbarism of hardly imaginable scope took place.

So today, after the radical physical and geographical enlargement of the European Union, we should give proper consideration to the potential that culture and the arts of the previously divided parts of the continent can offer to the process of shaping also an *enlarged European mentality*.

What we expect as an outcome of such a process has been clearly and repeatedly described, even defined: we want a more united continent (peaceful and economically and politically more powerful), a continent capable, in every part of its vast territory, of a general respect for the existing cultural diversity which could and should be understood both as manifestation of a wealth storing human experience and a tool to be used to conciliate differences and overcome prejudices, even tensions. The diversity should be perceived less as an end in itself than a starting point for a possible outreach, and not just within but also beyond our continent. As for art, I believe that there is a natural tendency to *include rather than exclude* (unless it is abused for political or ideological reasons), that it is natural for culture to be ready to share its wealth with others. Thus, if we can introduce a sensible and generous cultural policy, culture can serve as a force, an undercurrent, in the process of political, economic and social unification. The basic tenor and general purport of such European *cultural* policy, however, should not be a cultural unification or creation of a new “European“ culture but a promotion of a larger sharing of Europe’s rich cultural diversity.

How are we doing so far? Not very convincingly, it seems. A 2004 article in the *International Herald Tribune* warned that unless a Europe moving toward “ever closer union” also “communicates culturally, popular taste will inevitably become ever more American.” The aut-

hor, Alan Riding, was astonished by the fact that Europeans show practically no interest in each other's contemporary art. And he was not referring only to movies, where the interest in American as against European films is simply overwhelming (not to mention films from eastern Europe, which do not practically exist in western distribution—and yet they could offer for relevant empirical and esthetic comparative experience). I would be the last person wanting to declare war on American popular culture, or even fall for superficial forms of anti-American feelings. As President of the European Association for American Studies for the past four years I kept prodding colleagues to study the phenomenon and reflect on its easy/uneasy relationship to democracy, both in the United States and in Europe. The Prague conference of European Americanists in April 2004 was to a large degree preoccupied, and dealt in scholarly seriousness, with exactly such complex issues.

In late summer of 2004 the Dutch Nexus Institute hosted a seminar in Berlin. Although the name of the event sounded quite encouragingly, namely, "Europe. A Beautiful Idea?" (the caution being expressed in the question mark), skeptical judgements and views tinged the debate. Accusations and self-accusations could be heard—as if we really did not believe in the relevance of culture, as if we gave up on belief in cultural values, perhaps on values in general. Or at least, as if we could not see any longer the vital connection between culture and quality, i.e. also variety and richness, of life. Questions were asked whether communities of people were not giving up on creativity and originality, on creative and inventive use of knowledge, whether there is not a danger of people giving in to intellectual laziness and emotional apathy, to pleasure, comfort and entertainment as primary goals of existence, whether humanity today is not too ready to accept the fact and the consequences of growing commercialization of all paths of lives.

Do we witness a crisis of civilization, of Western civilization, of American civilization, of European civilization? Or do we suffer a crisis of democracy when a steadily shrinking number of citizens bother to come to the ballot when given a chance to decide about their and their society's future? Such questions may sound unnecessarily negative, even desperate, yet they cannot easily be brushed away. Who is responsible for the state of affairs and what and who can help change

it for better? Would a stronger identification with Europe and the European idea (the idea of peace, prosperity and progress) be of help, and can it be enhanced and achieved? What role, in such a process (in such a campaign, if needed), would go to politicians, journalists, intellectuals, artists, teachers, educationists, researchers, citizens ...? I myself have arrived at one conclusion, namely that if we are indeed faced with critical situations, such as mentioned above, there certainly exist more than one entering point into the vicious circle that needs to be broken in search of a healthy solution, which means that hardly anyone can be absolved from participation in such a search.

But we can also take a more positive view of where we are at the moment in Europe, and project a future along a more optimistic perspective. There is the aspiration as expressed four years ago in the Lisbon agenda. There is the political ambition as expressed in the text of the Constitutional Treaty. There is the good will of many to pursue the vision of a European future. The effective and fruitful ways to be taken in such pursuit will certainly have to include culture and education. Intellectuals, artists, schools (above all universities) and media will have to help in presenting Europe as a challenge, societies and communities of citizens and their political representations will have to actively decide on priorities of ways to be followed and values to be pursued. Empty proclamations on the importance of education and culture will no longer do.

Here is just one example to think about. The recent enlargement of the European Union seems to be creating a lot of headaches for the European Parliament and other bodies having to provide translations and interpretations into more than twenty languages. It is found to be costly and demanding, which it certainly is. But do we have to see the situation as a problem only, could we not take it as an interesting challenge and consequently use it for launching a massive campaign for teaching and learning European languages, from English and French to Portuguese, Finnish and Slovak? (Probably also Latin). Additional philology departments and language schools would not just produce greater numbers of people able better to communicate outside their community and nation, the knowledge of other languages and thoughtfully designed educational programs would open new paths to the knowledge of other cultures. Such a large-scale program would certainly become self-generating in the future, it would also be a con-

tribution to the process of mind-opening still needed in many quarters of the continent. And as far as the practical outcome is concerned, I would dare predict that in a decade or so there would not necessarily be a need and demand (neither practical nor political and/or psychological, which is quite understandable today) for the use of all the languages at all times and for all purposes. Expensive program? Only if we think in short-term investments. If taken as one of the objectives in an “Education for Europe” project (and here we could discuss a whole list of items that would ensue from the targets stated in the Lisbon Agenda) such proposal should not be viewed as extravagant.

The vitality of culture will not be fully exploited if, in political and economic statements, projects and programs, culture remains relegated to marginal positions. If it continues to be a mere adornment, a “last but not least,”—and yet the last item on blueprints for the future. The “European educational and research area” (including such instruments as the Bologna process, the Erasmus mobility program, or the European Science Foundation projects, to name a few) seems to be already taken more seriously. But so will have to be perceived the shaping and creation of a *European cultural area* (through a massively promoted support of creativity, distribution and exchange of cultural products and values) as a *relevant political objective*, including the availability of necessary resources to be guaranteed. After all, why not agree that a certain obligatory, percentage of the GDP from all member states in their national budgets as well as from the European commission will be devoted to culture (and, for that matter, to education and research)?

Unless culture, in its complexity, is considered a key to life and the continent’s identity, instead of being a mere substitute for it, I am afraid that the European integration process cannot reach its true maturity, and the competitiveness of the European Union in all its facets will not be allowed to flourish fully. Such is my faith in the relevance of our cultural heritage and the knowledge and preservation thereof. Such is my faith in the cultivating and connecting force of culture—including not just Shakespeare, Rubens, Mozart and the wealth of national artistic traditions and fruits of regional folk lore, but also its contemporary forms and messages.

Part III: Economic Perspectives

Chapter 8

EU Enlargement: Challenges and Opportunities

Jean-Claude Trichet

I will focus on the economic aspects of EU enlargement and the main challenges and opportunities that the new member states are likely to face on their way to the euro. In many respects, the experience of Portugal appears to be of relevance when thinking about the implications of joining the European Union and later on the euro area. Portugal's accession to the EU in 1986 was a major step for the country, probably similar to the experience that the new member states from central and eastern Europe and the Mediterranean currently make. Portugal clearly benefited from joining the EU, as this promoted macroeconomic stability and facilitated structural changes that the country had to undertake. Thus, EU membership was a decisive factor for economic growth and a higher standard of living in Portugal, and consequently for Europe as a whole.

The accession of ten new countries to the European Union on May 1, 2004 was in many respects the largest enlargement round in European history. Let me illustrate this with some figures. In geographical terms, Europe's territory expanded by around 23% following accession. With 75 million people living in the new member states, the population of the EU increased by about one fifth to 455 million people in total. The enlarged EU has consolidated its position in the first league of the world's biggest unified markets, accounting for about one fourth of world trade and global income.

In some respects, the 2004 enlargement should not be over-dramatized. The economic weight of the new member states in particular is still rather limited, amounting to only 4.6% of the GDP of the enlarged EU. Just for comparison, this is well below the increase in the EU's total GDP following the accession of Spain and Portugal in 1986, which amounted to more than 8%. The small economic weight of the new member states is mainly a consequence of the low per-

capita income levels that most of the countries had at the beginning of the transition process to a market economy. This, however, will change gradually in the future as the catching-up process progresses.

I will concentrate on three main aspects that are of particular relevance for the European Central Bank. First, I will focus on the main implications of EU enlargement for growth and welfare in the European Union as a whole. Then, I will address the perspectives of monetary integration of the new member states. Finally, I will touch upon the challenges facing the new member states as they seek to follow and adhere to stability-oriented policies.

Enlargement will have Positive Implications for EU Growth

What are the main economic implications of EU enlargement for Europe? In the public debate, there seems to be widespread agreement that the enlargement of the EU will be particularly beneficial for the new member states, while the implications for the “previous” Member States are expected to be less positive. In fact, some people seem to be afraid of mass migration, abuse of western European welfare systems or wage and tax dumping. Most of these concerns remind me of the discussions we were confronted with in the past when there were similar reservations against the southern European countries joining the EU. I strongly believe that the concerns regarding the most recent enlargement round are largely exaggerated, and not only because of the very positive experience we made after the southern enlargements of the EU in the 1980s. More generally, I believe that the benefits of enlargement are often ignored in such discussions. I am convinced that EU enlargement has created a win-win situation, with positive implications for economic growth and welfare in both the new and the previous member states. Of course the benefits to be expected by the new entrants will be very substantial, given their low starting point in per-capita income. But for the European economy as a whole, EU enlargement will not only foster economic and financial integration. It will increase competition, promote structural reforms and lead to higher productivity and potential growth. Such economic benefits of EU enlargement are confirmed by several studies estimating that over the long term EU enlargement will improve real GDP in the previous member states by up to 0.8 percentage points.

When identifying the main benefits of EU enlargement for the EU as a whole, it is important to stress that the prospect of EU accession has already had positive implications. This becomes especially apparent when looking at the degree of trade integration between the previous and new member states, which increased significantly during the past decade. Trade integration was largely supported by the removal of tariffs and quantitative restrictions for some industrial products well before accession. Consequently, the new member states re-oriented their trade flows to the existing EU member states. At the same time the previous member states were attracted by the potentially large markets in the new member states, given the size of the population and the ongoing catching-up in living standards in these countries. Currently the new member states' share of export to the EU on average amounts to 67% of their total exports, while the share of imports coming from the previous member states is about 60% of total imports. In comparison, ten years ago the respective shares of imports and exports were below 50%. With respect to the euro area countries, their export and import shares with the new member states also increased significantly, standing currently at around 11% of total exports and imports, respectively, compared to 7% ten years ago. It is not sufficiently known that the new member states as a group are now one of the main trading partners of the previous EU countries. The trade shares of the euro area with the new member states are only slightly lower than those with the United States (11% versus 14%) and are significantly higher than euro area trade with Japan (8%).

Financial integration also intensified between the previous and new member states prior to accession. All new member states recorded large and increasing capital inflows in recent years, reflecting their limited capital stock, a high marginal return on capital and on average low saving ratios. Financial integration was also supported by the liberalization of most capital movements, which took place well before accession, thus already anticipating the treaty obligations of EU member states. By far the largest component of capital flows was foreign direct investment. Around 80% of FDI in the new member states originated in the previous member states. Looking at it from the perspective of the previous member states, around 12% of their FDI outflows are currently directed towards the new member states, which is three times higher compared to five years ago. Compared to other important FDI recipients from the EU-15, FDI flows to the new

member states are still lower than those directed to the United States, but considerably larger than those to Japan. An additional indicator of the advanced degree of financial integration between the new and previous member states is the very substantial level of FDI in the banking sector of the new member states coming from the EU-15.

Moreover, the prospect of the ten countries joining the European Union has anchored the design of economic policies in the new member states and thus also helped to frontload a number of important reform measures. In this way the European Union has served as a catalyst for structural and institutional changes in the new member states. In my view, the most important examples in this respect were the orientation of their monetary policies towards price stability and the willingness to grant their central banks independence long before entering the EU. The statute of the European System of Central Banks was very helpful in this regard.

In addition to these past achievements, economic and financial integration is intensifying further now after accession, contributing to more growth in the EU as a whole. In fact, additional trade and investment opportunities arise in the EU following the removal of remaining technical barriers to trade between the previous and new member states and the extension of the Single Market. In the past, some economic and legal uncertainties in the new member states have apparently prevented in particular small and medium-sized companies of the EU-15 from investing more in these countries. With accession, however, this has been changing. In fact, one can already observe that small and medium-sized companies are becoming significantly more active now in the new member states, as they take advantage of mostly high-skilled labor force and the favorable cost situation.

In addition to more integration, enlargement leads to greater competition in the EU and enhances the scope for economies of scale. The previous member states will also be affected by higher competition in the EU. This consecutively could accelerate structural reforms in the previous EU countries, thereby improving the outlook of potential growth in the EU as a whole and contributing to the implementation of the Lisbon agenda. In fact, overall the new member states seem to be rather competitive and have already made large progress in implementing structural reforms in some areas.

Monetary Integration of New Member States Will be Carefully Prepared

Let me now turn to the process of monetary integration in the new member states, which is also likely to have positive implications for Europe as a whole by fostering economic and financial integration. Accession to the EU is only the beginning of the monetary integration process, which ends with the eventual adoption of the euro, as these countries have fully subscribed to the Maastricht Treaty without asking for an opt-out clause. The path towards euro adoption is embedded in a well-defined multilateral institutional framework and comprises a number of phases. The first phase for the new member states is the period after EU accession and before joining the exchange rate mechanism (ERM II). This mechanism defines a regime characterised by fixed, but adjustable, exchange rates, with a central rate against the euro and a standard fluctuation band of ± 15 percent. The second phase is then the period of ERM II participation, which is destined to end with the adoption of the euro.

What is the framework in which monetary and exchange rate policy will evolve in the new member states on their way to the eventual adoption of the euro? Upon accession and before ERM II entry, the new member states are required to treat their exchange rate policies as a matter of common interest and pursue price stability as the primary objective of monetary policy. Yet, the full responsibility for monetary and exchange rate policy is still with the new member states. With respect to ERM II participation, there are no formal criteria to be met prior to the entry. Nevertheless, a successful and smooth participation in the mechanism requires that major policy adjustments—for example relating to a sound fiscal policy framework and price liberalization—are undertaken before joining the mechanism.

Depending on the monetary and exchange rate strategies in place, ERM II can help orient macroeconomic policies to stability and anchor inflation expectations. At the same time, the mechanism allows for a degree of flexibility, if needed, through the wide standard fluctuation band and the possibility of adjusting the central parity. Eventually, the new member states are expected to adopt the euro. Let me stress that joining the euro area is a far-reaching step for any country. To be able to join the euro area each country will be assessed on the basis of a deep and precise analysis of their performance with

respect to the Maastricht convergence criteria. At the same time, it has to be ensured that the achievements in terms of nominal convergence are sustainable and can be maintained over the long term.

So far progress towards nominal convergence varies widely across the new member states, which implies that the new member states will join the euro area at different times. Each country's performance in relation to the convergence criteria is examined in "Convergence Reports" regularly prepared by both the European Commission and the ECB.

It is important to keep in mind that the process of monetary integration is based on some general principles that guide the process of euro adoption. They are defined by the Maastricht Treaty and other key documents. One key principle is that there is no single trajectory towards the euro that can be identified and recommended to all new member states at all times. This principle reflects the fact that the new member states differ substantially with respect to the size and structure of their economies, the present state of their fundamentals, and the monetary and exchange rate regimes currently in place. In fact, the new member states currently display a variety of exchange rate regimes, ranging from currency boards to free floating regimes.

The wide diversity across the new member states implies that the economic situations and strategies of countries will have to be assessed on a case-by-case basis, i.e. on their own individual merits and their particular situation. Given the different situations and strategies of the new member states, it is clear that both the timing of ERM II entry and the preferred length of participation in the mechanism will differ across countries. Some currencies have already entered the mechanism. Following the mutual agreement between the participating parties, three new member states—Estonia, Lithuania and Slovenia—joined ERM II on June 27, 2004.

Another key principle is that of equal treatment. This means that comparable situations and cases will be treated in a comparable manner, both across countries and over time. With respect to the examination of nominal convergence in the ECB Convergence Report 2004, this implies that the same convergence criteria laid down in the Treaty have been applied as was the case in the past. Thus, no new criteria were added, while the existing criteria were not relaxed. With respect

to the exchange rate criteria, which requires participation in ERM II for at least two years without severe tensions and without devaluing at the country's own initiative, the assessment of exchange rate stability against the euro is made on the exchange rate being close to the central rate, while also taking into account factors that may have led to an appreciation.

New Member States Need to Maintain Stability-Oriented Policies

To ensure that the process of monetary integration will be successful, it is important for the new member states to conduct generally consistent and stability-oriented economic policies. Moreover, a stable macroeconomic environment and progress in structural and fiscal reforms are also essential to take full advantage of the benefits of EU enlargement and to support the catching-up process in per-capita income levels. Thereby, stability-oriented policies and structural reforms will ensure that real and nominal convergence can be achieved in parallel. I would like to focus on two challenges that I believe are of crucial importance to the new member states in view of monetary integration and real convergence, namely the challenge to ensure price stability and the challenge to foster fiscal consolidation.

Price stability is an essential requirement for a successful monetary integration process. Moreover, by fostering trade and investment, it can contribute to a more rapid catching-up process in real income levels. Where do countries currently stand with respect to price stability? As I mentioned earlier, the new member states have already made considerable progress in terms of disinflation in past years by bringing the average inflation rate in the new member states closer to the one in the euro area. Recently, however, inflation rates have started to pick up again in most of the new member states. The recent increase in inflation was mainly related to supply-side factors such as developments in food and energy prices and indirect tax changes in the context of EU accession. In addition, it should be born in mind that further upward pressures on prices are expected in the context of the catching-up process of the new member states and the liberalization of administered prices.

Against this background, the new member states will be confronted with the task to contain the pick-up in inflation rates in a controlled and moderate fashion, without substantial adverse effects on inflation expectations and future wage developments. Moreover, for those countries that have not yet fully completed the disinflation process the main challenge will be to contain inflationary pressures in a lasting manner. Besides solid macroeconomic policy frameworks and prudent wage policies, progress in structural reforms can be regarded as being conducive to price stability by improving the supply side of the economy and enhancing growth potential. Moreover, sound fiscal policies are also crucial with respect to price stability.

This brings me to the second challenge, namely the need to foster fiscal consolidation and achieve sound fiscal positions. Although the fiscal situation varies across countries, fiscal deficits are on average high and even very high in a number of new member states. It is clear that fiscal consolidation is a major challenge for most of the new member states. Their governments are confronted with competing expenditure demands, including *inter alia* public investment in infrastructure and the need to strengthen the effectiveness of public administration and the judicial systems. Consequently, policymakers have to design and implement a credible consolidation path based on durable and growth-enhancing structural reforms. It is important to bear in mind that fiscal consolidation in the new member states becomes increasingly important in view of their further monetary integration and is particularly essential for smooth participation in ERM II.

Conclusion

First, it is important to stress the historical importance of this enlargement. It proves that the visionary founding fathers of Europe were right in trusting political democracy, human rights, civil liberties and market economies, were right in sticking to their common beliefs during half a century and in inventing a bold, unique and highly successful concept of Union which has no historical precedent. It is a formidable historical achievement.

Second, I want to share a very profound belief that I have acquired progressively over the last fifteen years. Let us not underestimate the

rapidity of the present pace of history. When we negotiated the Maastricht Treaty we were still 12. The negotiators did not realize that we were potentially much more numerous. We all had difficulty in understanding that we were experiencing an acceleration in the course of history. In the fall of 2004 a new Constitution was signed in Rome by 25 European governments. And the EU will soon be even more numerous: 28 and even more. Europe—and the entire planet—is advancing, changing, transforming itself much more rapidly now than was the case in the 1950's, 1960's, 1970's and 1980's of the last century. This undoubtedly increases uncertainties and challenges, for uncertainty is the very mark of history in the making. But it also multiplies chances and opportunities, including within the economic sphere. It is up to us to make the best of these opportunities.

Chapter 9

European Enlargement and Transition from Plan to Market

László Halpern

Eight new member states¹ (the “Eight”) of the European Union transformed their centrally planned economies into market economies during the last decade. They created the necessary basic infrastructure of a market economy. This creation was accompanied by destruction in different fields. The trade reorientation from Comecon to the EU disrupted established business contacts. Production and network capacities were scrapped. New capacities and business relations were required. These countries successfully and quickly reoriented their trade. The Eight used their resulting trade structure, which is similar to that of the old member states, as a first proxy for their readiness for economic and monetary integration.

State owned enterprises were privatized, and new private and foreign owned firms entered the corporate scene, shifting the share of output from state owned to private firms. This transition was accompanied by a major fall in output in all eight states—a phenomenon János Kornai has described as transformational recession.² These countries have recovered from this recession and their income level is now far above that of late 1980s and early 1990s.

Transformational recession and the subsequent recovery changed the structure of these economies considerably, with major consequences for each nation’s society. Labor markets underwent deep restructuring: professions, occupations and age cohorts were dramatically affected. Regional development was rather uneven, mostly determined by the location decisions of foreign investment enterprises. Technology changes followed the requirements of the

¹ Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

² See J. Kornai, “Transformational Recession: The Main Causes,” *Journal of Comparative Economics* 19(1) 39-63 (1994).

new market orientation and were influenced by the destruction of old capacities and the creation of new ones by foreign direct investments.

Two important questions arise. Are these structural changes temporary, that is, specific to the transformational recession and the following recovery, or are they likely to be sustained over the long term? Second, what impact will these structural changes have on the catching-up process? This paper seeks to answer these questions in order to understand how the Eight will participate in the Lisbon process.

Papers dealing with similar issues start with the presentation of the income gap. Assessments of the income gap's role on integration are rather mixed. Some say that it is a new engine for future integration as larger and more heterogeneous markets lead to more efficient allocation of resources. This view is based on the dominant role of access to new markets and resources, which may compensate for the marginal economic size of the Eight within the EU. Others claim that much poorer countries are not able to contribute to the enhancement of integration, because trade and capital transactions flow mainly between developed countries and the future weight of the Eight remains rather small. This view seems to underestimate the past and the expected speed of catching-up.

There is also a widely shared view that the Eight will divert EU funds and FDI from poorer countries of the EU15, and that rivalry between these two groups of countries could undermine the functioning of the EU. Other strong voices argue that the monetary integration of these countries is not even beneficial for themselves, because it will eliminate their most important shock absorbers—an independent monetary policy, the exchange rate and their own currency.

This paper does not try to answer these issues definitively, but rather to present a few special features of these countries that will affect their future development within the EU.

Catching Up

In 2003 the Economic Policy Committee of the European Commission published a report on the key structural challenges in the acceding countries.³ The main conclusion of this assessment was that the challenges facing acceding countries were not fundamentally different than those facing the old member states. Consequently, the major lines of reforms and the means by which to assess them should not be different for old or new member states.

There is a certain degree of optimism in these conclusions. It is obvious that this round of enlargement was significantly different than previous ones, as a large number of much poorer countries entered the EU. But even though some institutional changes have been introduced, this enlargement should not lead to the creation of specialized institutions dealing with the Eight within the European Commission or other EU institutions.

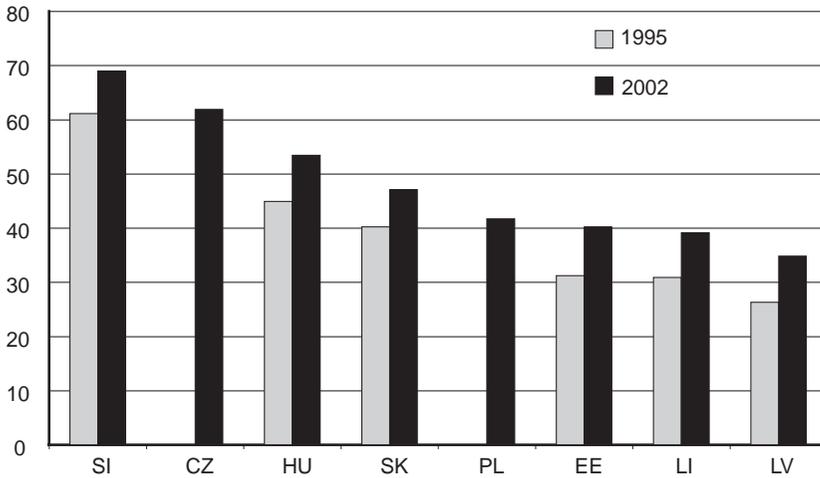
The income level of the Eight varied between 1/3 and 2/3 of the EU15 in 2002 (See **Figure 1**). It is worth noting that this level was achieved after a very quick catch-up process between 1995 and 2002, which closed the income gap by about 10 percentage points.

More or less the same relative development may be measured by looking at labor productivity (See **Figure 2**). The catch-up rate is the same as in the case of national income.

The catch-up rate depends on different factors. These are related to the nature of structural reforms, as well as how a country is able to introduce measures to ensure that the economy becomes more competitive and more capable of responding to present and future challenges from inside and outside the country. Competitiveness is to be understood in a wide sense; it is determined by the interaction between the corporate sector, labor markets, households supported by welfare, education and government administration systems.

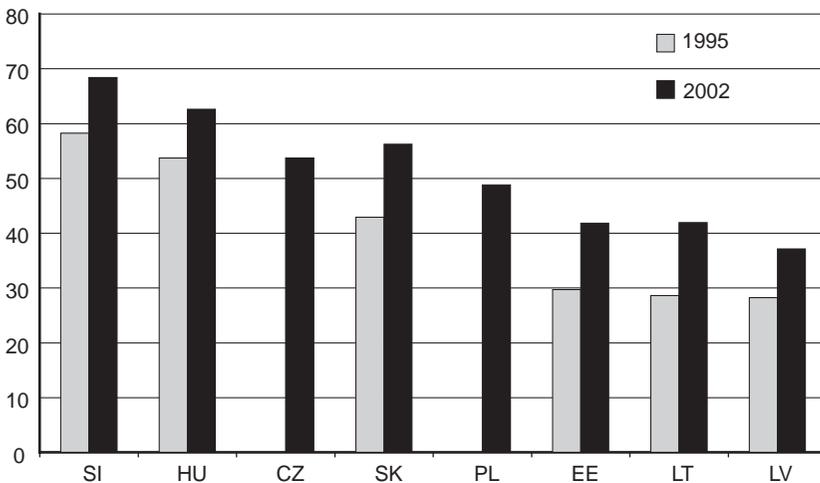
³ *Key structural challenges in the acceding countries: The integration of the acceding countries into the Community's economic policy co-ordination process*, European Commission, Economic Policy Committee, *European Economy*, Occasional Papers No. 4 (2003).

Figure 1. GDP per capita at PPP (EU=100)



Source: J. Gács, A. Havas and P. Valentiny, "A Lisszaboni Folyamatba történő magyar bekapcsolódás lehetőségei, különös hangsúllyal a versenyképesség javítása, az IT, az innováció és oktatás, a teljes foglalkoztatottság és társadalmi kohézió területén (The Lisbon Process and Hungary. Competitiveness, IT, innovation, education employment and social cohesion), IEHAS Budapest (in Hungarian, 2004).

Figure 2. Labour productivity (EU=100)



Source: Gács et al (2004).

Labor markets deserve special attention. Employment and its restructuring have short and long term effects on welfare and competitiveness. Different policies affect employment and their design should take into account its special features during the catch-up process.

Less developed countries may leapfrog their more developed partners if the replacement of old with new technologies implies huge social costs. The larger the stock of physical and human capital, the higher the replacement costs. This inherent non-linearity of the process is enhanced by the nature of the progress of technology. The analogy is the relative ease with which a building can be erected on a green field, compared to the hurdles involved in replacing an existing building with a new one in the heart of the capital. A more relevant example, perhaps, is the faster dissemination of mobile telephones were disseminated more quickly in the Eight than in some more developed countries, in part because the existing network of fixed telephone lines in the Eight was simply inadequate.

There are other two key fields, however, where the ability of the society as a whole to keep up with the pace of international trends and integration has an impact on the economy's long term development: information-communication technologies (ICT) and innovation, research and development.

ICT introduces new ways and new methods, with far reaching effects for services and leisure as well as for production. Its effect on labor markets is already obvious; non-traditional forms of employment may help solve the highly praised gain in flexibility of employment. The explanation behind these processes is the restructuring of transaction (transportation) costs. In many fields these costs become significantly lower, while in other fields major investments are needed and substantial operating costs emerge.

Needless to say, the role of R&D and innovation is critical. Countries and companies are only likely to catch up in the long term if these activities are part of corporate strategies and policies to support them.

These themes play a central role in the Lisbon Agenda. **Table 1** compares the relative position of the United States and the EU15 according to the so-called Lisbon scores and try to assess the position of the Eight.

Table 1. Lisbon Scores

	U.S.	EU15	The Eight	Best of the Eight
Information society	5.94	5.42	-0.91	0.09
Innovation, R&D	5.99	5.15	-1.27	-0.64
Liberalization	5.06	4.78	-1.27	-0.56
Network industries	6.17	5.30	-0.81	-0.01
Financial services	5.75	5.13	-1.84	-0.44
Business environment	4.40	3.48	-0.44	0.22
Social segregation	4.75	4.85	-1.04	0.06
Sustainable growth	5.72	5.45	-1.28	-0.56

Source: Gács et al (2004).

According to seven criteria (information society; innovation, R&D; liberalization; network industries; financial services; business environment; sustainable growth) the U.S. is ahead of the EU15, while the EU15 is slightly better off than the U.S. in dealing with social segregation. The Eight lag behind the EU15; the closest they come is in the business environment. Neither the EU15 nor the Eight are a homogeneous group of countries, of course, but it is quite interesting that the average score of the best three of the Eight exceeds the EU15 average in three indicators (information society, business environment and coping with social segregation) and is almost the same for network industries.

Labor Markets

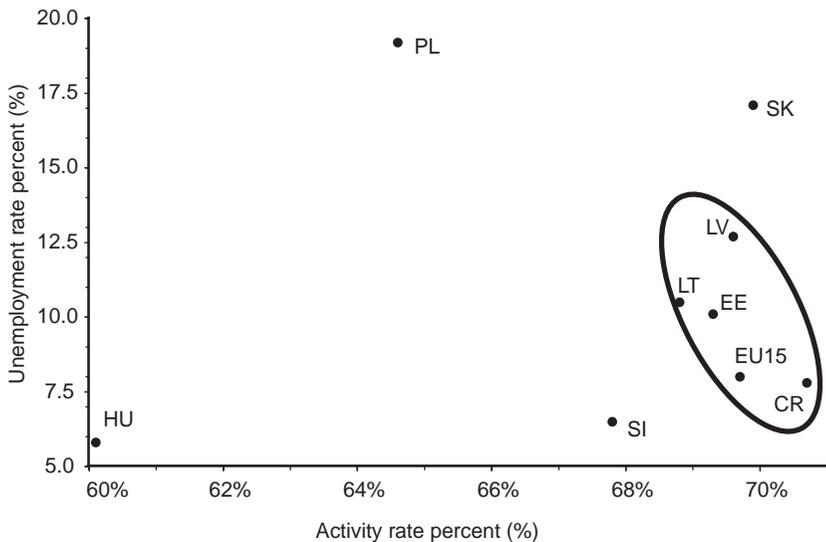
The most obvious impact of transformational recession was massive unemployment generated by the collapse of state-owned firms, mainly in heavy industries. New jobs were created in different industries, services and in different regions. Job creation and job destruction are normal phenomena of a market economy. The intensity of such phenomena, however, differs from country to country, affecting each nation's net position. Even similar intensities may refer to different outcomes. If competition is strong, for example, then high flows may reflect the intensive changes in the corporate sector. If high intensities are mainly due to other incentives (eg.: tax evasion), however, then job security may be quite low.

The most important issue is whether working age unemployed still play a role in the labor market or have already left the labor pool. The most threatened groups are those with low skills, the elderly, minorities, and those living in distressed regions.

A common assumption is that labor mobility clears the market. It is supposed that whenever there is excess demand, wages rise and supply responds or—vice versa—excess supply is eliminated by lower wages. Extending basic models to account for wage rigidities and labor market institutions renders the adjustment mechanism a bit more realistic and plausible for policy design. The adjustment mechanism is costly: searching for new jobs or for new employees is expensive and mobility requires effort. Mobility costs consist of different components, such as transportation costs associated with periodic migration, as well as housing costs and other social costs associated with the concept of mobility itself.

The Eight differ from one another in their present level of unemployment and activity rates. There are two extreme cases: high activity rate with high unemployment associated with high intensity of job search; and low activity rate with low unemployment with relatively low job search (See **Figure 3**). Poland and Slovakia are rather close to the former, while Hungary seems to be better described by the latter.⁴ It is important to understand the reasons behind these differences in order to craft effective policies.

Figure 3. Activity and unemployment rates in 2002



⁴ For a review of the Hungarian situation, see K. Fazekas, J. Koltay and Z. Cseres-Gergely, "The Hungarian Labour Market. Review and Analysis," *IEHAS* Budapest (2004).

Countries differ in the composition of their unemployment pool. Analysts share the view that this is as important a feature of the labor market as the unemployment rate itself. If the inflow and the outflow are low then the unemployment tends to concentrate on the same group of people by lengthening their period of unemployment and increasing the probability that some will leave the labor market. Other features, such as age, skill, schooling and region, also determine the duration and frequency of unemployment.

In general, EU labor markets are characterized by rigidity. How do the Eight fare in this respect? The answer consists of two parts. Real wages seem to be more flexible in the Eight than in the EU15, due to much weaker unions and lack of efficient tripartite wage negotiation systems. On the other hand, mobility (commuting or migration) is much lower than in the EU15. The lower mobility can be explained by relatively high transportation costs and by the rather rigid housing market. This situation calls for targeted policies on different levels. The design of such policies, however, requires careful planning, since interventions may modify the markets and create fundamentally different arrangements and outcomes than the starting situation. There are different examples: housing subsidies affect real estate prices and, depending on the structure of these subsidies, may not affect overall mobility but instead modify income distribution in favor of those who can have access to those subsidies and enjoy the benefits of a housing boom.

It seems that fears of international migration are unfounded. High international mobility is characteristic of only a very narrow group of workers. The excess labor supply in the Eight is structurally different than the excess labor demand in the EU15. However, large wage gaps for the same kinds of jobs may modify the propensity to migrate within a particular country and may exert downward pressure on wages of those jobs in the EU15.

Labor should not be separated from other factors of production. It seems that it is much cheaper to move capital to those places where labor is available. International production cost differences (transport and transaction costs included), strategic interactions, proximity of markets and availability of input factors are all major factors in location and relocation decisions. They are very specific to industries and technologies, upstream and downstream connections. International

production, distribution and sales networks are constantly in flux, with continuing effects on labor markets.⁵

Information-Communication Technologies

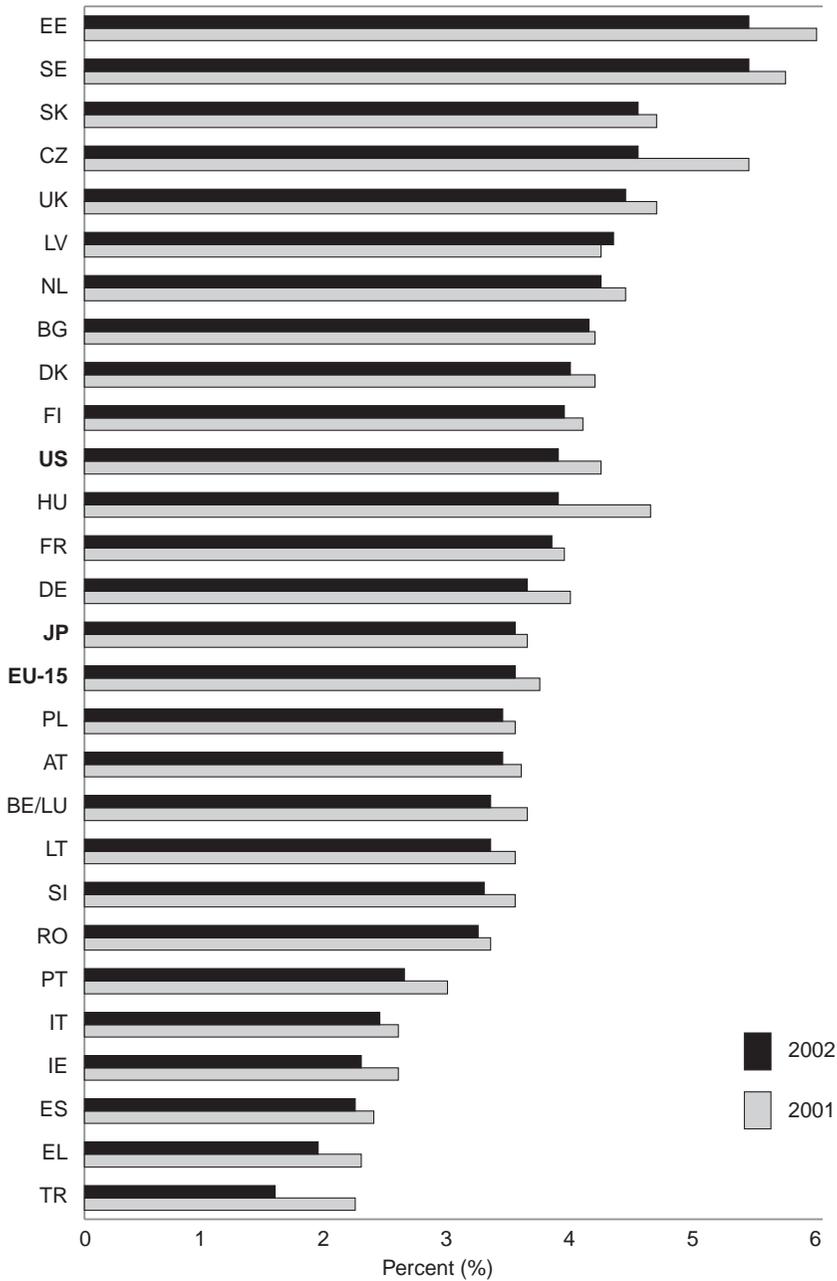
It is generally believed that the recent widening of the productivity gap between the U.S. and the EU is mainly due to ICT. ICT should be examined from two angles—its production and its use. The U.S. gain in producing ICT products is quite explicit and somewhat better than in disseminating ICT either in production or in household applications. **Figure 4** shows how the share of expenditures on ICT was higher in the U.S. than in the EU15 in 2001-2002, and that the gap has even widened further. The expenditure statistics, however, show that quite a few countries spent more on ICT per capita in 2002 than the U.S.: Estonia, Sweden, Slovakia, the Czech Republic, the United Kingdom, Latvia, the Netherlands and Hungary. Expenditure figures, of course, only tell one side of the story—efficient use of those funds is also required if all the benefits of ICT are to be realized.

The user side is illustrated by two measures. First, the index of digital access reveals that leading countries of the Eight are rather close to the EU15, and that the difference between the EU15 and the least developed countries of the Eight is not that big (see **Figure 5**).

The other measure is the share of households with internet. It is obvious that this measure is skewed by income level, since households tend to acquire internet connections if they can afford them; hence it is not obvious how this measure differs from any indicator of income. Anyway it shows much larger difference between the EU15 and most of the Eight, the only exception being Slovenia with a share comparable to the EU15 (see **Figure 6**).

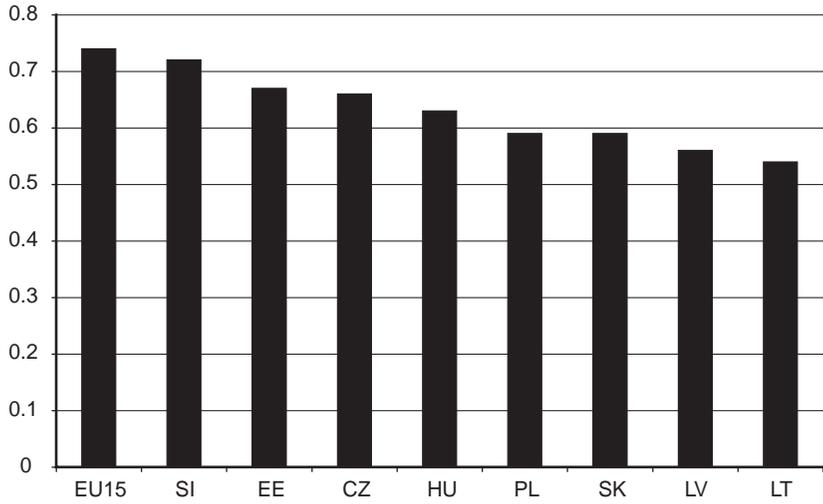
⁵ Other factors may also explain the slow opening-up of labor markets in the EU25, such as the expected pressure on the welfare system in richer countries, which in turn is linked in many ways to labor markets; this paper does not cover these issues.

Figure 4. Expenditures on ICT (% of GDP)



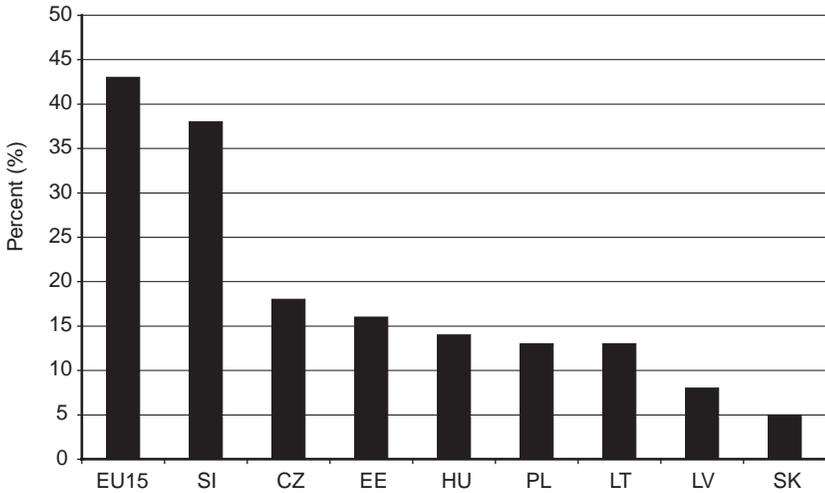
Source: Gács et al (2004).

Figure 5. Index of digital access



Source: *Revue elargissement* No. 58, January 26, 2004.

Figure 6 Share of households with internet

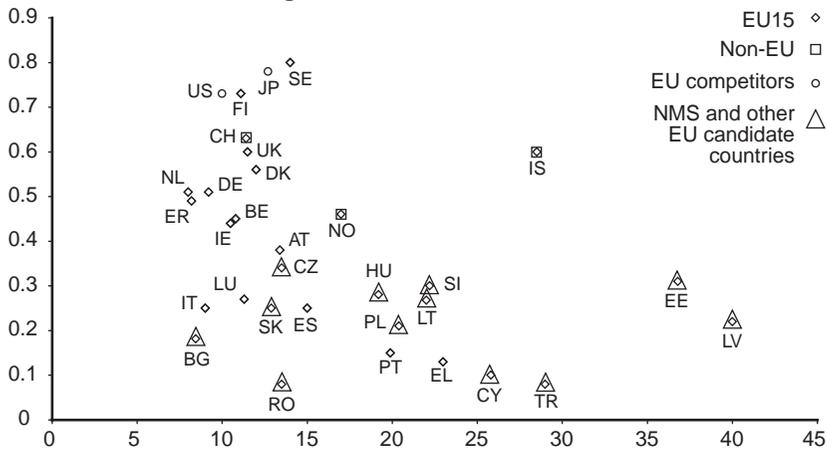


Source: *Revue elargissement* No. 58, January 26, 2004.

R&D and Innovation

The aggregate indicator of innovation indicates that while developed countries perform better, there are exceptions, such as Austria, Italy, Spain, Portugal and Greece (see **Figure 7**). The dynamics reveal that six of the Eight registered dramatic improvements in this indicator—Estonia, Latvia, Slovenia, Lithuania, Poland, and Hungary. Only two EU15 countries—Portugal and Greece—kept pace with this group. If those innovations translate into economic performance through increased competitiveness, then one of the conditions for long term catching-up is met.

Figure 7. Aggregate indicator of innovation (SII2) in 2003 and its change

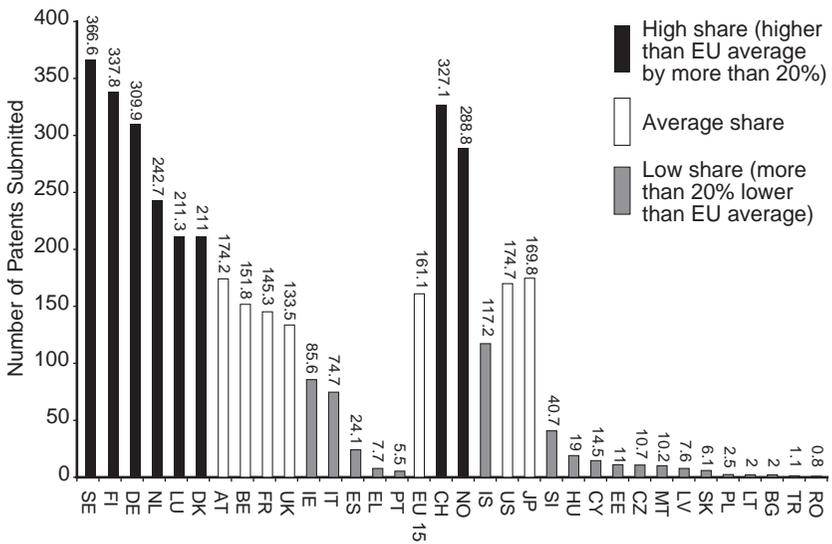


Source: Gács et al (2004).

One output indicator of innovation and R&D is the number of patents. In this respect the gap is quite substantial between the EU15 and the Eight (see **Figure 8**), although Slovenia is ahead of Spain; Hungary Estonia and the Czech Republic are better off than Greece; and Latvia and Slovakia outperform Portugal.

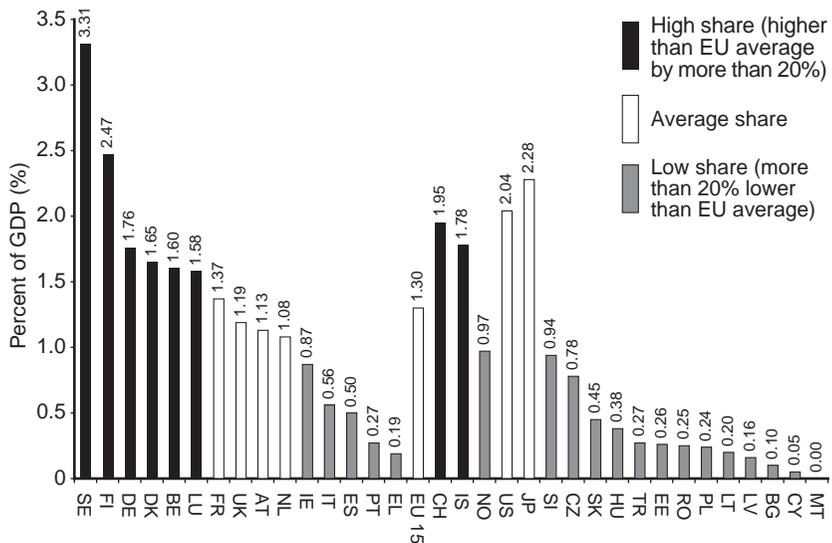
One of the major weaknesses of European R&D is the low share of corporate R&D expenditures; it is only 1.3% for the EU15 to be compared with 2.04% for the U.S. and 2.28% for Japan (see **Figure 9**). Few of the Eight fare very well: Slovenia and the Czech Republic are comparable to Ireland; Slovakia is at par with Italy and Spain; and figures for Hungary, Estonia, Poland, Latvia and Lithuania are quite close to that of Portugal and Greece.

Figure 8. Patents submitted to European Patent Office in 2001 (per million inhabitants)



Source: European Innovation Scoreboard 2003, Technical Paper No 1, Indicators and Definitions, p. 21 (Gács et al, 2004).

Figure 9. Corporate R&D (in percent of GDP)



Source: European Innovation Scoreboard 2003, Technical Paper No 1, Indicators and Definitions, p. 15 (Gács et al, 2004).

R&D and innovation activities are closely related to the strategic decisions of multinational firms, particularly where to locate such activities outside the country of the parent company. These activities require superior human and capital resources. Their composition varies substantially across activities and sectors. The location decisions take account of these features.

The nature of these activities offers a large number of niches for catch-up countries. There are obvious examples of start-ups, where the initial capital was a concept or an excellent idea. An appropriate environment is necessary to ensure that such visions result in corporate success. This environment is still in short supply in many EU countries and in most of the Eight.

Conclusions

The leading countries of the Eight are quite close or even ahead of lower-tier EU15 countries. This analysis indicates that there is considerable potential for the Eight to catch up further, given that they are recording higher growth in many indicators crucial elements of the Lisbon Agenda, such as labor (education), innovation and ICT.

The ambitious targets of the Lisbon Agenda can only be met if policies support them. Policies should ensure a more flexible labor market with due respect to the overall welfare system. A few of the Eight have already progressed in their efforts to reform their welfare systems by increasing the role of the fully funded pillar of the pension system, or by introducing some elements of co-financing into health care.

Among the Eight the business environment needs further support, the financial fragility of small and medium-sized enterprises requires serious attention, and there is a need for private venture capital. It is widely misunderstood that this capital should be provided by government agencies or the EU. Governments and EU institutions can help to regulate such capital; make the early phase of start-ups easier; reduce entry costs and remove entry barriers erected by incumbent firms sometimes in monopolistic position—but the private economy must drive the process.

The Eight are lagging behind in their infrastructure and social capital. They appeal for help from different sources. Here again EU

funds will help, but learning from the experience of other catch-up countries is indispensable. It is important that elites within the Eight familiarize themselves with best practices and learn how to avoid traps common to this phase of economic and social development. Corruption is the number one public enemy in the Eight, because the petty corruption of communism—which was sometimes the survival technique—has rendered the public less sensitive to large scale corruption. Different forms of corruption have even survived. Taxes and public expenditures are not associated with each other, for example, and consequently tax evasion is perceived differently than other types of economic crimes.

The Eight tend to reveal a dual character. While some regions and social classes are enjoying the benefits of EU integration and economic growth, others are somehow not able to grasp these opportunities. The welfare system may ease the resulting tensions, but this is not a long term solution. Targeted education programs and regional development policies may offer a way to tackle the dangers of social exclusion and segregation. They are easy to write about, but much more difficult to implement.

Chapter 10

The European Research Area and EU Enlargement

Boris Cizelj

The economic and technological gap between the EU and the United States continues to grow despite the commitment made by the European Council in Lisbon in 2000 to create the world's most competitive knowledge-based economy. EU member states face a more demanding task than they realized in implementing their "Lisbon Strategy." More innovation, research and technology is the key to a dynamic and creative, knowledge-based society. The future of the European economic and social model hangs in the balance. Many reforms will have to be undertaken to establish the conditions needed for the European Research Area (ERA), which is an important instrument to achieve the ambitious goals of the Lisbon Strategy. Recent EU enlargement adds to the EU's research and technological development capacity and will contribute to the successful development of the ERA.

The Growing Gap between the EU, U.S. and Japan

During the last two decades the difference in GDP per capita between the EU and the U.S. increased dramatically. The 20% gap in favor of the U.S. in the early 1980s widened to 40% by 2002. The recent growth of euro-dollar exchange rate disparities in favor of the euro has reduced this gap in monetary terms, but in purchasing-power-parity (PPP) terms the gap remains painfully wide. The disparity in growth rates during the period 1997-2002, when the U.S. grew 3% annually and the EU only 2.4%, aggravated the problem even further.

Productivity in the U.S. during the period 1997-2002—measured in value of hour worked—was 13% higher than in the EU, and Americans officially work 15% longer than Europeans.

Most industrial knowledge creation and absorption still takes place in the manufacturing sector. In the EU the manufacturing sector's

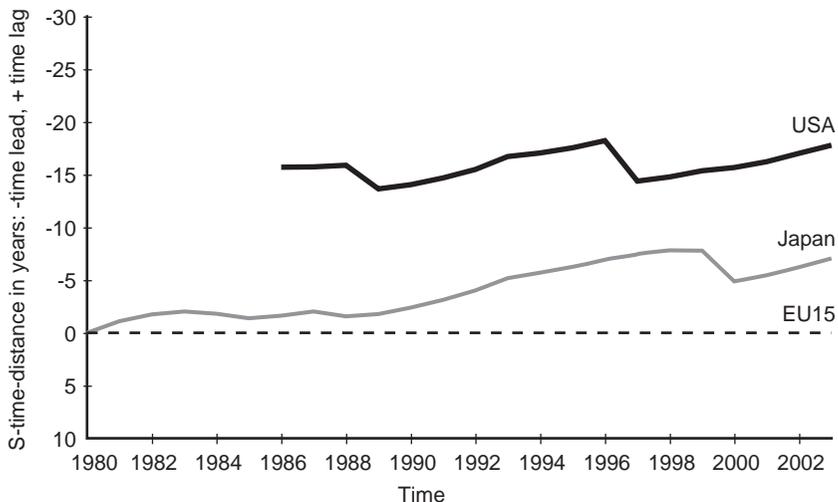
share is 84% and that of services only 13%, while in the U.S. the share of the manufacturing sector is 64%, and services 35% (almost 3 times higher than in the EU). These figures underscore a striking fact: in terms of innovation only the United States is really a post-industrial society.

It is worth mentioning, however, that the contribution of high- and medium-high technology industries to the total gross value added in the U.S. (7.9%) is slightly lower than in the EU (8.3%). The share of workers in these industries in total employment is 5.3% in the U.S. and 7.6% in the EU.

At the same time, high-tech products represent 29% of total U.S. exports and only 20% of total EU exports. The shares of world exports in these products are 24% for the U.S. and 20% for the EU.

The implications become even clearer when charted with the time distance method, as shown in the graph below. Time distance measure is a novel way of describing the magnitude of gap(s) between coun-

Graph 1. Time distances: how many years earlier was the respective GDP per capita level for EU15 attained by the USA and Japan



Source: Pavle Sicherl, research paper commissioned by Eurochambres, Brussels, 2004.

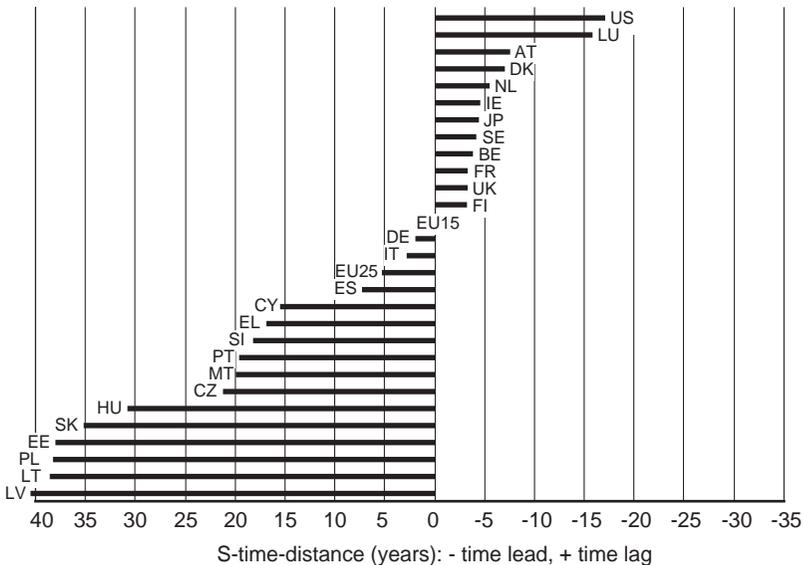
tries, regions, socio-economic groups, etc. It measures the difference in time when compared units attain a given level of the indicator.¹

Perhaps the European economic and social model needs to be redefined in the context of the Lisbon Agenda. Of course, Europeans don't have to copy everything American, but if they fail to become more competitive in the global economic environment, can they sustain their way of living and working habits, as well as the level of social security, income redistribution and solidarity? Probably not.

The Gap between the EU-15 and the EU-10

The 10 new EU member states face an even more demanding challenge: they have also accepted the Lisbon Strategy, but still have a lot of catching-up to do with the EU-15.

Graph 2. GDP per capita (ppp): time distance for selected countries from EU-15 average for 2003



Source: Pavle Sicherl, Time distances between countries in the enlarged European Union (graphs for the EU25 member countries), Sicenter, Ljubljana, October 2004.

¹ A new dimension is added while no earlier results are lost or replaced. Expressed in time units S-time-distance is an excellent presentation tool easily understood by policy makers, managers, media and general public and can support decision-making and influence public opinion. For further details see www.sicenter.si.

The calculation shows that in terms of GDP the gap of EU-10 vis-a-vis EU-15 represents 15-35 years. In other words the average GDP per capita of the EU-10 was reached by the average EU-15 between 15 and 35 years ago.

These are of course calculations on the basis of averages. But if we take the two extremes—Luxembourg on the one hand and Latvia on the other—the real time distance widens to 56 years.

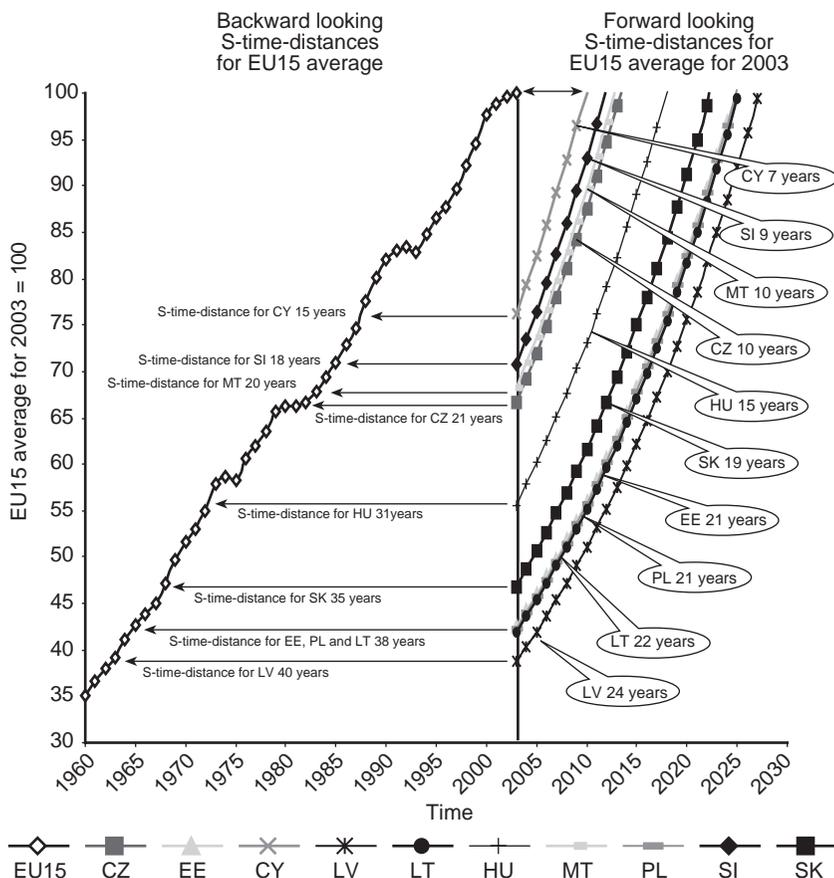
Even under a rather optimistic scenario—EU-10 countries growing on average 4% annually—it would still take them 5-20 years to reach the EU-15 average level of 2003. However, the latter countries will continue growing, and thus it will be very difficult to close the gap between the two groups of countries, unless the the EU-10 register at least 3% higher annual growth rates than the EU-15—an extremely demanding, if not impossible challenge over such a sustained period of time.

No doubt one purpose of the European Union is to reduce differences between member states, which would require extraordinary efforts by the new member states. But the new members are also entitled to expect appropriate support and assistance from the more advanced and richer member states. This has always been accepted in the Union, and EU cohesion policy has been very successful in the cases of Spain, Portugal, Greece and Ireland. In the short run, cohesion policy funding seems to be a sacrifice on the part of the richer member states, but in the longer run it is a smart investment in the purchasing power of the less developed economies.

In discussions of the new EU “Financial Perspective” between the European Commission and member states for the period 2007-2013, the net contributors to the EU budget (Germany, France, Sweden, Austria, the Netherlands) and ironically the UK (which insists on keeping its famous “rebate”—making its payment position always neutral) resisted any budget proposal that went beyond 1% of the combined GDP of member states. This is below the limit of 1.27% set years ago, and illustrates the weak political will on the part of too many European national politicians to provide more resources at EU level for common programs and initiatives. Yet without additional resources it is difficult to imagine either the future cohesion policy

or the successful implementation of the Lisbon Strategy. The Barroso Commission is fighting energetically to win support for its 1.14% proposal, which is crucial to advance the Lisbon targets. Acceptance of higher budget resources will be a test of European strategic wisdom.

Graph 3. Estimates of time distances for the past and time distances (projected) at the level of EU15 average GDP per capita for 2003 (Scenario: growth rate in selected countries is 4%)

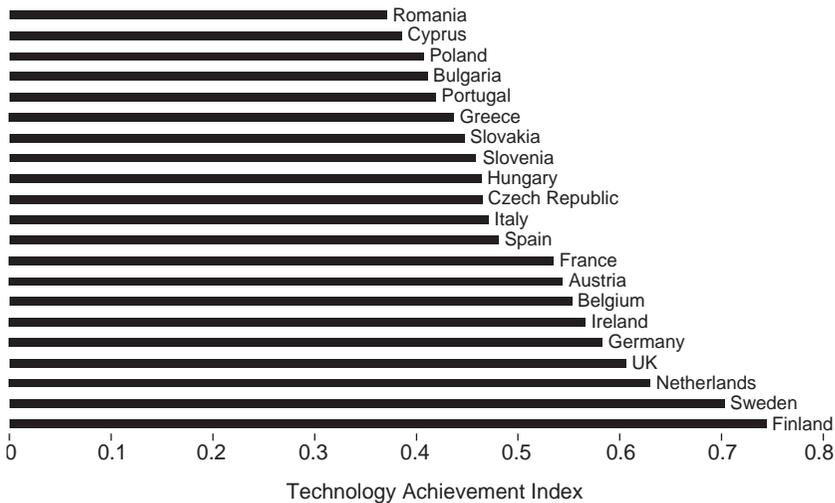


Source: Pavle Sicherl, Time distances between countries in the enlarged European Union (graphs for the EU25 member countries), Sicenter, Ljubljana, October 2004.

The central challenge for the enlarged EU is to help upgrade productivity levels in the new member states. The lag for EU-10 countries (measured in GDP per person employed) in time distance ranges from 17 to 38 years vis-a-vis the EU-15 average. The situation regarding intellectual property is also rather dramatic. The EU-10 share of patents registered with the European Patent Office in the year 2000 was only 0.27% (exactly 100 times less than the share of the U.S., which was 27.5%). This is a major challenge for the new EU members as they strive to become equal members of the big European family.

Another indication of the EU-10 countries' weakness is the Technology Achievement Index, shown at the graph below:

EU-25 Countries Technology Achievement Index



Source: Lucija Žok, Slovenian Minister for Education, Science and Sport, Presentation at Launch of FP6, organized by the European Commission, 2002.

This can be explained in part by the fact that in EU-10 countries only 1/3 of the total number of researchers (172,000) are employed in the corporate sector, while in the EU-15 countries—with over 1.7 million researchers—this proportion is 50%. At the same time the gross annual expenditure per researcher in EU-10 countries is on average less than 20% of the expenditure in EU-15 countries. Therefore it is not surprising that patent applications per million of population are at the moment still 20 times lower for EU-10 than for

the EU-15 countries. All the patent applications from the EU-10 countries in 2001 were less than from Belgium alone, and represented just 1% of the total number of applications from the EU-15 countries.

The main instrument for EU-10 countries to reduce their disadvantage vis-a-vis EU-15 is basically the same as for the EU as a whole, i.e. to make research, innovation, and technology the prime focus of their development efforts.

There is real human potential for success: in EU-10 countries 81% of the population has at least a secondary education, while in the EU-15 this percentage is only 64%. In 2001 22% of all university graduates in the EU-25 came from EU-10 countries, a share more than 4 times higher than the EU-10's share of the EU-25's combined GDP.

It is also worth mentioning that the EU-10 accounts for over 10% of the EU-25's total researchers, double the EU-10's share of the EU-25's combined GDP.

Measured in scientific publications the output of EU-10 countries is quite comparable with EU-15, as shown in the table below:

Number of scientific publications per million of population, 2002

Country	No. pub.	Country	No. pub.
Sweden	1,598	Spain	567
Denmark	1,332	Italy	545
Finland	1,309	Czech Rep.	415
Netherlands	1,093	Estonia	379
UK	1,029	Hungary	374
Belgium	929	Portugal	339
Germany	731	Slovakia	291
Slovenia	726	Poland	266
France	712	Luxembourg	196
EU-15	673	Bulgaria	182
US	774	Japan	550

Source: Towards a European Research Area—Science, Technology and Innovation: Key Figures 2003-2004, European Commission, 2004, Table I-1a, p.23.

As with many other indicators the 3 EU Scandinavian countries—Sweden, Finland, and Denmark—are almost a separate category within the EU-15, with performance almost double that of Germany or France.

The Lisbon Strategy and the Creation of the European Research Area

It is difficult to imagine Europe becoming a knowledge-based society without better functional integration of its knowledge-production sector. That is why the initiative to create the European Research Area (ERA) is as logical as the Single Market or the Common Agricultural Policy. Several conditions must be met, however, if ERA is to become a functioning reality and therefore an engine of higher European competitiveness.

At the moment, the vast majority of publicly funded research in EU member states is not open to European competition, and the recommendation of the European Commission that national research programs gradually become open to researchers from other member states is not regarded as a priority. Therefore even the insufficient resources invested in Europe are not engaged optimally, there is too much fragmentation and duplication of research, and the involvement of private sector end-users of innovation is much lower in European processes of selection and prioritizing of research topics than in the U.S. Particularly in the smaller EU countries evaluation of publicly funded research results is not sufficiently transparent, rigorous or competitive. It often suffers from lack of objective peer review.²

Also in Europe, and particularly in EU-10 countries, there is very limited circulation of high caliber experts between the corporate and research domains. Finally, patenting procedures are too cumbersome and expensive, and the whole social environment does not encourage researchers to develop their innovative achievements into the business domain, while the careers of researchers are generally not socially recognized as favorably as in the U.S.

In 2002 the Barcelona European Council recommended that member states devote about 3% of their GDP to R&D by 2010. There has been little progress toward this goal over the past few years, except in countries such as Sweden and Finland, which had already exceeded the goal, or Denmark and the Netherlands, which were making very systematic steps towards the goal. Countries making positive progress

² According to Vito Turk, this problem could be resolved by scientific evaluation at international level. See *EMBO Reports*, Vol.5, October 2004, p.938.

toward the Barcelona targets also include Belgium, UK, Austria, Slovenia and the Czech Republic. Unfortunately, one-third of EU-15 countries are below 1.5% with no sign of improvement in the short run. Therefore, the EU-15 average is still below 2.0%.

EU member state commitments to R&D expenditures are illustrated in the table below:

EU-27 Gross R&D Expenditure as GDP Percentage (GERD), 2001 (except Malta)

Country	GERD	Country	GERD
Sweden	4.27	Italy	1.07
Finland	3.49	Spain	0.96
Germany	2.50	Hungary	0.95
Denmark	2.40	Estonia	0.79
France	2.20	Portugal	0.77
Belgium	2.17	Lithuania	0.69
Austria	1.94	Greece	0.67
Netherlands	1.94	Slovakia	0.65
UK	1.83	Poland	0.65
Luxembourg	1.71	Bulgaria	0.47
Slovenia	1.57	Latvia	0.44
Czech Rep.	1.30	Romania	0.39
Ireland	1.17	Cyprus	0.27
EU-15	1.98	U.S.	2.80
EU-27	1.93	Japan	3.06

Source: Towards a European Research Area—Science, Technology and Innovation: Key Figures 2003-2004, European Commission, 2004, Table I-1a, p.23.

Unfortunately for Europe, resources invested in R&D within the U.S.-EU-Japan Triad vary not only in volume, but also in growth. During the period 1995-2001 the total amounts of GERD for EU countries grew from 124 to 175 billion euro, for Japan from 109 to 143 billion euro, and for the U.S. from 141 to 315 billion euro. Calculated per researcher the resources spent in Japan were 20% higher, and in the US 30% higher, than in the EU-15.

This gap has very serious cumulative effects: comparing the GERD for the EU and the U.S. for the whole period of 1992-2001, the difference in favor of the U.S. amounts to an enormous figure of 629 bil-

lion euro.³ If only a part of this difference was spent for the acquisition of the most advanced instruments and research equipment for laboratories, research institutes and universities, one can understand why many top European researchers decide to move to the U.S. As has often been emphasized, salary differences are not the only, and often not even the most important reason for the brain drain Europe continues to experience.

Taking into account the high growth of R&D stock in the U.S. (estimated by Griffith, Harrison and Van Reenen at 33% during the technology boom in the 1990s), quick transformation of innovation into marketable products, and indeed the whole environment creating higher knowledge spillover levels in the U.S than in Europe, Rachel Griffith claims that European companies can expect great benefits from R&D investments in the U.S.⁴ This claim is substantiated by a recent study showing that UK companies following such advice gained 5% in productivity. But Griffith at the same time proposes that companies should also have an active repatriation strategy for their R&D personnel.

Besides pooling financial resources to be invested in R&D, the argument for Europe to intensify the process of creating the ERA is also to better utilize its human capital by avoiding unnecessary duplication of research and by focusing on priority areas selected with stronger participation of the corporate sector. This is important since the share of private R&D funding in the EU (56%) is lower than in the U.S. (66%). How can this be achieved? The private sector either spends on its own in-house R&D efforts, or commissions research to universities and research institutes. Much depends on the regulatory framework and tax regime granted by governments to encourage companies to spend their resources for basic and applied research at the national and international level.

It is interesting to note that some countries whose spending on research trails the EU-25 average in terms of GERD actually spend a higher share of their GERD on basic research than countries such as

³ In PPS, 1995 prices.

⁴ Rachel Griffith, "Why Europe should consider sending its R&D labs to America," *Research Europe*, No. 179, p. 7.

the U.S. In 2001 the Czech Republic, Poland, and Hungary each invested between 30 and 40% of their GERD in basic research, compared to 20% in the U.S., 24% in France, and only 12% in Japan. This contradiction could be interpreted in view of the modest tradition of industry-led research in the first category of countries, the very limited financial resources available for research, and a concerted effort by the respective governments to prevent brain drain. Many of the EU-10 countries have experienced serious losses from their research communities during the period of economic transition.

On the other hand, because in EU-10 countries there are very limited private funding facilities for research apart from the corporate sector, the responsibility of governments is even greater—not only to secure funding from the budget, but also to encourage such private sector investment through tax concessions, which is far less developed than in EU-15 countries.

EU Enlargement and the Prospects for ERA

What are the most likely effects of EU enlargement on the prospects for the successful development of the ERA? One could anticipate the following:

- (A) Stronger emphasis on RTD policies and greater support for EU funded research;
- (B) More involvement and higher competition among European researchers in EU RTD programs;
- (C) Higher level of participation of researchers from EU-10 countries in European Centers and Networks of Excellence, European Technology Platforms;
- (D) Greater participation of the corporate sector in EU RTD programs.

Because governments of EU-10 countries are less inhibited in their RTD policies, they are likely to lend greater prominence to RTD policies in the overall EU Agenda. Facing severe budgetary limitations at the national level, EU-10 countries will tend to support greater RTD budgets at the Union level. This has been the impression so far in view of the preliminary discussions on the 7th RTD Framework

Program—which is to rise above 35 billion euro, almost double the 6th Framework Program.

Judging from the FP5 and FP6 experience the research communities from EU-10 countries will further increase their participation in EU funded research. This is actively supported by the European Commission, and will be possible as the researchers have learned how to prepare EU submissions in the last few years. As shown in the table below researchers from EU-10 countries have participated within FP5 in 2,267 EU funded projects, for which their countries contributed in reduced fees 315.8 million euros, and the funding received reached 230.8 million euros. The negative difference of 85 million euros should be accepted as “learning fees” and should be treated as an investment in skills needed to be successful in future calls for proposals.

Net Payment Position of EU-10 Countries in Framework Program 5 (1998-2002)

Country	No. of projects financed	Est. funding obtained projects (M€)	Full FP5 membership fee (M€)	Reduced fee (M€)
BG	141	8	13.5	9.0
CY	87	10	10.4	10.4
CZ	405	40	68.3	68.3
EE	100	8	5.7	3.8
HU	380	35	58.9	39.3
LV	74	7	7.3	49
LT	68	7	11.6	7.7
MT	16	2	n.a.	n.a.
PL	493	55	161.7	108.5
RO	160	12	45.6	30.4
SK	134	10	25.6	17.1
SI	209	36.8	24.4	16.4
Total	2,267	230.8	433.0	315.8

Source: Ales Gnamus, “Slovenia’s International Cooperation in R&D, 1992-2002” in R&D Activities in Slovenia in the 1990s, Slovenian Academy of Science and Arts, Ljubljana, 2002, Table 10, p.37.

Due to limited national funding the research communities from the EU-10 countries will be strongly motivated to participate in EU RTD programs. This will increase the already strong competition, and consequently encourage higher quality of research to be supported from EU resources.

Under these conditions, the quality of consortia will tend to increase, and this will also lead to superior networks of excellence at the European level. The more the EU RTD programs will attract ambitious European companies to participate in these efforts, the more direct the impact will be achieved upon European competitiveness. In this context the recently introduced new RTD instrument, the European Technology Platforms, offer an important potential for ensuring that “winning technologies” in Europe (such as the Airbus) become successful also at the global market level.

If other elements of the Lisbon Agenda and ERA are created, the entire innovation sphere will be strongly enhanced, with appropriate researcher mobility, SME support, venture capital, and IPR protection better secured at the European level. Enlargement should thus contribute to stronger European economic competitiveness.

As the Marimon Report clearly indicated, however, the European Commission should make its RTD instruments more accessible for smaller research establishments, and small and medium companies. The request for double evaluation procedure is justified and will save a lot of time for European researchers, specially if administrative procedures are somewhat simplified. Criteria for the assessment of proposed consortia, particularly in terms of their optimal size, should also be made more realistic.

Finally, the critical level for the success of EU RTD policies, including the creation of ERA, remains the national level, where the majority of resources are invested in research. Governments will need to devise better policies to encourage the research and business communities to make joint efforts in improving European innovation and productivity, and consequently upgrade Europe’s competitive position in the global market.

Part IV: Strategic Perspectives

Chapter 11

The Strategic Implications of Enlargement

Daniel S. Hamilton

The successive enlargement of the European Union is itself the EU's most successful foreign policy venture.¹ In the 1980s enlargement to Greece, Spain and Portugal helped to consolidate democracy and bolster stability and security for the West as a whole. In the early 1990s the accession of Austria, Sweden and Finland anchored these non-aligned countries firmly into the international mainstream while providing a bridge to transition countries in central and eastern Europe. At the end of the 1990s the creation of the Stability Pact for southeastern Europe in the wake of the Kosovo conflict—with its mix of quick start infrastructure projects, stabilization and association agreements, and the perspective of eventual EU and NATO membership—helped to create conditions that promised to transform historic animosities and set the region on the road to Europe. In 2004 the enlargement of the European Union to 10 new countries has projected stability far across the European continent. This process will continue in 2007 and beyond with the accession of Romania and Bulgaria, and with the perspective of membership for Turkey and other nations.

These are historic achievements. But they come with a question: will the EU's wider borders be accompanied by wider EU strategic horizons, or will EU nations be so preoccupied with “digesting” the consequences of enlargement that they punch below their potential on the world stage? Relatively wide differences in economic performance

¹ I am indebted to members of a study group on the strategic implications of enlargement, sponsored by the Center for Transatlantic Relations, whose contributions appear in Esther Brimmer, ed., *The Strategic Implications of European Union Enlargement* (Washington, DC: Center for Transatlantic Relations, 2005), as well as to CTR Fellow Peter Jones on the transformation of the Broader Middle East. Other good sources on the issue include the German Marshall Fund of the United States, Istanbul paper #1, *Democracy and Human Development in the broader Middle East*; and Istanbul paper #2, *Developing a new Euro-Atlantic Strategy for the Black Sea Region*, available at www.gmfus.org

and political perspective between member states within the larger EU pose serious questions for economic convergence and overall political and economic cohesion among EU members.

Moreover, the most recent enlargement has given the EU borders with Belarus and Ukraine, and extended its frontier with Russia. With the accession of Romania the EU will share a border with Moldova and reach the Black Sea. The accession of Cyprus and Malta has brought a number of Mediterranean countries closer to EU territory. Turkish accession will take the EU to the Middle East and the Caucasus. How will these new dimensions affect European approaches to a range of critical issues?

There are three parts to this question. The first is how the EU will approach its eastern neighbors. The second is how the EU will approach its southern neighbors. The third is how this larger EU will act on the world stage—how it will approach a range of global issues ranging far beyond Europe's frontiers. Each of these elements, in turn, contains a further subtheme—how will the EU and the U.S. engage each other?

Europe's East

Turkey

The EU has exerted tremendous influence over Turkey's reform process.² Since the EU recognized Turkey as a candidate for membership at Helsinki in December 1999, successive governments have introduced reforms more far-reaching than any since Atatürk. A series of constitutional and legal changes have enabled Turkish citizens to enjoy a wider range of fundamental rights and freedoms. Freedom of expression, freedom of association, freedom of religion, freedom from abuse by the security forces, greater civilian control of the military, the reform of the judiciary, and the use of languages other than Turkish in broadcasting and education are among the areas where striking progress has been made. Turkey has advanced more fitfully, however; in meeting the economic criteria for EU membership—mainly requiring the state to pursue sound fiscal and monetary poli-

² See Michael Leigh, "The EU and its New Neighborhood;" and Henri Barkey and Anne-Marie leGloannec, "The EU and Turkey," in Brimmer, *op. cit.*

cies, reduce its role in economic life, dismantle monopolies and promote privatisation, and create the foundations for a competitive market economy.

The pull of the EU has also led to better relations between Turkey and neighboring countries. The reduction in tensions with Greece, following mutual assistance after earthquakes in the two countries in 1999, the apparent strategic decision in Ankara to support UN efforts to solve the Cyprus problem, crowned by the favourable referendum vote in the northern part of the island in 2004, and even tentative steps to begin a dialogue with Armenia, all owe something to Ankara's wish to project an image of a country dedicated to good neighborly relations, in the context of its EU membership bid.

In short, Turkey's EU candidacy has been a powerful catalyst for change. There is a growing consensus in favor of liberal democracy and there has been considerable convergence with European standards. There is now better protection of human rights in Turkey. The role of the military in public life has been reduced. Turkish authorities have been willing to enter into dialogue and cooperation with the EU on a range of subjects traditionally considered taboo. Turkey has collaborated in monitoring progress and, on the whole, has accepted EU advice on areas where further efforts are needed. The challenge now is to maintain the momentum of this process and to support reformers in Turkey whose vision is of a modern, western-oriented, secular nation, taking its place in the mainstream of European political and economic life.

Popular European rejection of the constitutional treaty, punctuated by the dramatic double "no" in France and the Netherlands, however, also reflects widespread European unease with the possible consequences of enlargement.

Turkey's accession path to Europe could potentially be derailed, however, by growing unease among EU publics with the implications of actual Turkish membership in the EU. Popular rejection of the EU constitutional treaty in France and the Netherlands was due in part to concerns about Turkish membership.

If the EU now shifts from its current "yes-if" approach to Turkey (yes to accession but only if Turkey meets key conditions) to a new

position of "privileged partnership"—but not membership—for Turkey, there will be dramatic consequences not only for Turkish-EU relations, but also for US-EU relations.

The U.S. has long championed Turkish aspirations for EU membership, due to Washington's desire to anchor Turkey firmly into the West, and as the Broader Middle East and the Black Sea have become greater U.S. strategic priorities. On the other hand, Turkish membership in the EU would also change U.S.-Turkish relations.³ Active U.S. lobbying has been deeply resented in Brussels and throughout the EU. A reversal in the EU position would ensure that the Turkish issue will remain contentious in U.S.-EU relations.

Generating a New Vision for a Wider Europe

Today the debate about "redefining Europe" revolves around Turkey. But the Turkey debate is but the touchstone of what is likely to be another decade-long process of "redefinition" that will also force the EU and the Euro-Atlantic community to address more forthrightly the challenges and opportunities offered by Wider Europe.

The dual enlargement of the EU and NATO to central and eastern Europe has helped to stabilize and secure large parts of the continent, but—together with tremendously important changes underway among populations from Ukraine to Georgia—now presents the West with a new agenda to anchor democracy and project security even further to the continent's east, to areas where peace and stability are not yet fully ensured.⁴ This means redoubling our focus on Ukraine's relationship to the West, facilitating democratic change in Belarus, and engaging particularly with the states stretching from the Black Sea to the Caspian as we seek to strengthen our efforts to fight terrorism and transform the Broader Middle East. This is an area of turbulence and potential instability requiring the same degree of commitment that "core Europe" and the United States demonstrated in integrating central Europe and quelling violence in the Balkans. It must encompass a

³ F. Stephen Larrabee, "The US-EU-Turkish Triangle," *Internationale Politik*. Transatlantic Edition, Winter 2004, v5, #4, pp. 27-34.

⁴ See Daniel S. Hamilton, "Transforming Wider Europe: Ten Lessons from Transatlantic-Nordic-Baltic Cooperation," in *Danish Yearbook of International Affairs 2005* (Copenhagen: Danish Institute for International Studies, 2005)

democratic Turkey fully integrated into all key western institutions. It means tending to the problems of southeastern Europe, particularly since issues of final status for Kosovo loom. And it means facing up to the challenges posed by a Russia marked by more repressive rule at home and continuing “zero-sum” security mentality when it comes to dealing with its smaller neighbors.

Unfortunately, this dynamic region faces a West that is distracted, divided, complacent, or uncertain as to why it should engage as an active partner for change. Many Western leaders have issued rhetorical support for a Wider Europe that is more democratic, more secure, and more of a partner for the West. But the concept remains relatively undefined, its mechanisms undeveloped, and support for it uncertain. Many have yet to decide whether Western engagement should be foremost about mollifying non-members or advancing a truly transformative approach to the region that would align—and eventually integrate—these nations into the European and Euro-Atlantic community.

Why should the West advance a transformative agenda with Wider Europe? The answer begins by appreciating the transformative power of the transatlantic partnership. For half a century European-American partnership protected the western half of the continent from threats from its eastern half, while transforming relations among western nations themselves and working to overcome the divisions of the continent. The West then joined in solidarity with those on the eastern side of the Iron Curtain who shattered that divide with their stubborn insistence that they would “return to Europe.”

Following the Cold War the transatlantic partnership seized the dynamic opportunity offered by a continent without walls and began to work toward a Europe whole, free and at peace with itself. The result has been the successive advance of democracy, security, human rights and free markets through most of the Euro-Atlantic region.

Today the challenge is to extend that vision to include the countries of Wider Europe, extending from eastern Europe and the Mediterranean to Eurasia. Working together to achieve this vision is an opportunity for Europeans and Americans, after some bitter spats, to renew a sense of common cause. Successful reforms in countries such as Ukraine and Georgia would reverberate throughout the societies of the former Soviet space, offering compelling evidence that

freedom, democracy, respect of human rights and the rule of law is not some quixotic dream. Success in this region would bring us one step closer to a Europe that is truly whole, free, and at peace with itself, and would facilitate efforts by the United States and Europe to advance our second major transformative project—modernization of the Broader Middle East.⁵ The display of coordinated U.S.-EU support for free elections in Ukraine was perhaps the most recent dramatic example of what can be achieved by transatlantic entente.

The West is perhaps at the same point in its relations with Wider Europe as it was with the nations of central and eastern Europe more than a decade ago, when the notion of Euro-Atlantic integration was considered excessively ambitious, potentially threatening, or simply unrealistic. That experience, while ultimately successful, tells us that anchoring the countries of Wider Europe to the West will be neither quick nor easy. It cautions us about trying to predict the exact course or nature of the process. But it also offers some useful lessons along the way.

Candidates for accession must realize that closer association with the West begins at home. Western countries will deepen their links with neighboring nations to the extent they see that leaders and their people are making tough choices for democratic, free market reforms—not as a favor to others, but as a benefit to themselves.

Closer integration into western structures is also likely to be accelerated to the extent a nation “acts like a member” even before it becomes a member. Countries seeking closer association with the West need to articulate clearly and consistently to Western partners how their closer association would benefit the entire Euro-Atlantic community—and then they need to act accordingly.

Even though the burden of change rests primarily with nations that seek reform, it is critically important that Western leaders be clear that the door to Western institutions remains open to those new

⁵ For views on this approach see F. Stephen Larrabee, *NATO's Eastern Agenda in a New Strategic Era* (Washington, DC: RAND, 2004); various contributions to Ronald D. Asmus, Konstantin Dimitrov and Joerg Forbrig, eds., *A New Euro-Atlantic Strategy for the Black Sea Region*,” also the remarks by the Lithuanian Ambassador to the U.S. Vygaudas Uackas, “What Lessons can Ukraine Draw from the Experience of Democratic Development in the Baltic States?” September 13/14, Washington, DC.

democracies that are willing and able to walk through them. Such a vision should be underpinned with concrete manifestations of support and outreach. Trying to determine Europe's "finality" today could mean shutting the door on nascent democracies. Why risk that for some rather abstract need for "finality?"

The EU and its key partners should engage partner nations on a broad front. This means going beyond monetary assistance alone. In earlier phases of enlargement, both the EU and the U.S. offered aspiring members a range of inducements credible enough to secure strategic leverage over the course of reform and practical enough to guide those reforms in ways conducive to Euro-Atlantic integration. Such leverage is likely to be limited without the prospect of admission to Euro-Atlantic institutions, even if that prospect appears to be on the distant horizon. The credibility of an "Open Door" policy depends on the willingness and ability of the West to provide intermediate mechanisms and transitional vehicles—as was done with the U.S.-Baltic Charter and the Northern European Initiative, the EU's Stabilization and Association Agreements, the Northern Dimension and the joint U.S.-EU Stability Pact for southeastern Europe—to help guide and support reformist nations along what could be a long and winding road. A "wider agenda with Wider Europe" could build on these experiences by developing intensified cooperation on a variety of issues beyond traditional foreign policy topics.

Efforts to establish a closer Euro-Atlantic association must be advanced with an awareness of their impact on Russia and neighboring countries. Success in Ukraine, Georgia and other states would be powerful evidence that democracy, free markets, respect for human rights and the rule of law can take root on the territory of the former Soviet Union. Ukraine's successful transition toward a full fledged democracy and rule of law would resonate profoundly throughout Russian society—a particularly important message now, given Moscow's rapid retreat from freedom and democracy. Strong Western support for Ukrainian and Georgian reforms is critical not only for the sake of their own success but also for the future of democracy and the rule of law in Russia.

The states of Wider Europe must also be encouraged to mutually support each other's aspirations, rather than holding each other back in a zero-sum competition for Western favors. Here, again, one can

point to earlier successes, including mutual support among the Visegrad nations, regional cooperation under the Northern European Initiative, the support network created by the Vilnius 10, and cooperative regional mechanisms created by the Stability Pact for southeastern Europe. The looming danger now is that those who oppose Turkey's membership in the EU will use Ukraine's aspirations to block those of Turkey, arguing that Ukraine is clearly "European" and should jump the queue. Turkish and Ukrainian leaders would be well advised to join forces, rather than allow to be pitted against one another in some sort of Wider European "beauty contest."

It is critical that efforts at Euro-Atlantic integration be accompanied by active attempts by the parties themselves, as well as by outside nations, to resolve regional tensions and conflicts. Wider Europe's four so-called "frozen conflicts"—in Moldova (Transnistria), Georgia (Abkhazia and South Ossetia), and the Nagorno-Karabakh conflict between Armenia and Azerbaijan are not really "frozen." They are festering wounds that absorb energy and drain resources from countries that are already weak and poor. They inhibit the process of state building as well as the development of democratic societies. They generate corruption and organized crime. They foster the proliferation of arms and a climate of intimidation. They are a major source of instability within these countries and in the broader region. They severely undermine the prospects of the involved countries for Euro-Atlantic integration, while giving Moscow a major incentive to keep these conflicts "frozen."

Finally, even as we apply these lessons to Wider Europe we cannot forget their continuing relevance in southeastern Europe, because failure of integration strategies there will reduce the prospects for their success elsewhere. Crisis is brewing again in Kosovo, for instance, and the international community is again united in its complacency. Reform is painfully slow in the western Balkans, the region is beset by organized crime and corruption, and it is not yet clear that "Europeanization" can repeat its earlier successes. The prospect of renewed violence remains real.

Kosovo status negotiations loom in 2005. Although there are many models for Kosovo's future, the likely result will be a largely independent Kosovo perhaps with some elements of national policies, such as human rights issues, under broader EU or international auspices for some indeterminate time.

However the status negotiations turn out, however, it is clear is that the overarching framework not only for Kosovo but for the Western Balkans and Balkans overall is the European Union as well as the collective security framework of the Partnership for Peace and NATO. The EU has taken over the military mission in Macedonia and the mission in Bosnia and Herzegovina from SFOR. These efforts are important tests of the EU's Common Foreign and Security Policy.

Other problems loom. Albania has scarcely succeeded in moving beyond the initial stages of reform. Serbia and Montenegro face problems of governance and constitutional order that hamper progress towards eventual EU membership. Above all, reconciliation throughout the western Balkans is held back by the continued impunity of indicted war criminals. Only when the key outstanding cases are at last addressed will the credibility of the vision of parallel progress towards EU membership receive a major boost.

Europe's South

The second important area demanding a strategic approach by EU nations and their partners is the Broader Middle East and North Africa—the region of the world where unsettled relationships, religious and territorial conflicts, impoverished societies, fragile and intolerant regimes and deadly combinations of technology and terror brew and bubble on top of one vast energy field upon which Western prosperity depends.

Choices made here could determine the shape of the 21st century—whether weapons of mass destruction will be unleashed upon mass populations; whether the oil and gas fields of the Caucasus and Central Asia can become reliable sources of energy; whether catastrophic terrorism can be prevented; whether Russia's borderlands can become stable and secure democracies; whether Israel and its neighbors can live together in peace; whether millions of people can be lifted from pervasive poverty and hopelessness; whether the frontiers of freedom advance or retreat; and whether the great religions of the world can work together.

The Broader Middle East has become the central arena for transatlantic relations in this new century. The main threat to European and

American security is no longer an invasion across central Europe but rather destruction of our societies or irretrievable damage to our interests generated by turmoil in this region.

Unfortunately, Europeans and Americans have rarely seen eye to eye on the Middle East. From the U.S. Navy's wars against the Barbary states in the early 19th century to the cease-fire imposed by President Eisenhower on the French-British-Israeli invasion of Suez in 1956, America and Europe have often worked at cross-purposes in the region. Transatlantic cooperation in the 1991 Gulf War was the exception, not the rule.

Curiously, these disagreements rested on a common bargain: Europeans and Americans tacitly agreed not to push very hard for regional reforms as long as other interests, such as support against communism or stable energy flows, were advanced. This bargain was undone on September 11, 2001, when terrorists from Egypt and Saudi Arabia destroyed the World Trade Center and attacked the Pentagon. By November 2003 President Bush was speaking about ending "sixty years of Western nations excusing and accommodating the lack of freedom in the Middle East."

Can the U.S. and Europe work together with indigenous forces to transform this vast and turbulent region? The answer is likely to come from five interconnected challenges.

The first challenge is to help post-Saddam Iraq build a unified, stable and prosperous democracy. Despite the bitter transatlantic acrimony over the U.S.-led invasion, the Iraqi elections there have opened the way for greater transatlantic cooperation. The U.S. needs support from its allies, and its allies have a strong interest in ensuring that a democratic Iraq succeeds. Progress for the region as a whole will depend in large measure on progress in setting Iraq on a course to stabilization and advancing the cause of Arab-Israeli peace. Failure in either area would be as much a failure for Europe as for America. There is no alternative to partnership on this issue.

Afghanistan remains a key test of transatlantic cooperation. NATO and the U.S. are now working to merge their separate missions there, but tough hurdles remain: extending stability beyond Kabul and weaning Afghanistan off of its severe dependence on the global drug trade.

Iran poses an even tougher test. Fortunately, the U.S. and Europe are now presenting a common message to the Iranian regime: give up your nuclear ambitions and your support for terrorism in exchange for a beneficial package that will help the Iranian people, or face comprehensive, multilateral sanctions that will cripple your economy. Unfortunately, Iranian leaders may not be listening. The West must then face up to the need to take the issue to the Security Council, and be prepared to act on its position.

There are promising developments in the Middle East peace process. The parties themselves remain the key to progress, of course, but transatlantic cooperation is essential to keep the process on track and to sustain Israeli-Palestinian peace should it emerge.

It is also essential that the difficult issue of Israeli-Palestinian peace not be allowed to block progress on the vast historic challenge of supporting economic and political reforms across the vast region stretching from Morocco to Afghanistan, which has for too long known too little of either. Such reforms cannot be imposed from without, of course, they must be driven from within Arab societies. Concepts of democracy, women's rights and related themes are not alien to the Middle East. The Charter of Madinah, signed by the Prophet Muhammad 500 years before the Magna Carta, contains ideas that are in tune with what we now regard as democratic pluralism. The 2005 Arab Human Development Report, issued by Arab thinkers themselves, points to lack of freedom, economic openness, educational opportunity and women's empowerment as key obstacles throughout the region.

The peaceful transformation of the broader Middle East is perhaps the greatest challenge of our generation. Restoring hope to that vast region and integrating its diverse peoples into a more peaceful and prosperous world is just as important at the dawn of the 21st century as was the challenge of rebuilding and reintegrating Europe in the middle of the last century. The circumstances are very different, but the historic opportunity is very similar. Few challenges are likely to loom larger for the transatlantic community in the years ahead.

What of larger Europe's response? EU enlargement appears to have at least three specific consequences for the EU's approach to this region. The first, as underscored by intra-European differences over Iraq, is that the EU 25 will have to contend with a wider spectrum of foreign policy

priorities among its members than did the EU 15, making it more difficult to achieve internal consensus. The second is that the extension of EU boundaries to Cyprus and Malta further deepens EU interactions with this region, and further enlargement raises the prospect of the EU as a quasi Middle Eastern actor. The third is that the extension of EU boundaries to the Black Sea underscores strategic connections between “wider Europe” and the Broader Middle East, from energy flows and movements of people to “festering” or “frozen” conflicts.

The Euro-Mediterranean Partnership (EMP), known as the Barcelona process, is not equipped to resolve political crises or conflict in this region, since it is essentially an economic instrument of EU foreign policy.⁶ However, in light of a succession of Arab Development Reports in which Arab experts themselves point to the lack of democracy, education, and the empowerment of women as core problems of the Arab world, there is new pressure on the EU to invigorate what most observers believe to be a rather flaccid “Barcelona” process. New U.S. and G8 initiatives in the region, including the Forum for the Future, have added pressure on the EU to act.

The Barcelona Process has always had the proper rhetorical intention—promoting democratic reform through parallel political, economical and socio-cultural means. But it has been given little priority in Brussels, is process-heavy and, compared with the vast sums expended, shown few significant advances. An outside observer may be forgiven for asking whether the deeper rationale for Barcelona was to buy off southern societies as a way of keeping as many of them as possible on the southern bank of the Mediterranean, rather than to force changes in their societies. Economic reforms have been sluggish and rarely encouraged political reforms. Barcelona has failed to address either security or human rights issues, and has done little to advance interregional cooperation.

A broad debate is needed on reform within the Broader Middle East. We in the West should not be embarrassed to openly state that we have an interest in such reform. It is evident that instability in that region affects us, and we have a right to say so and to try to mitigate

⁶ See the EuroMesCo report *Barcelona Plus: Towards a Euro-Mediterranean Community of Democratic States* (2005)

that instability. Done right, the role of extra-regional powers will be essential facilitators in this process. While the primary force for change must come from within, the EU, the US, and other members of the G8 need to move beyond vacuous good intentions.

Unfortunately, all sides have yet to take a truly honest approach to reform. The Arab world tends to live in a state of denial about both the scale of its need for reform, and the ineffectiveness of its present efforts. The result is failure to evolve, and the failure of moderation breeds extremism. For its part, the West has wrapped itself in vague generalities, which avoid the very real commitments Western nations themselves would need to make, and thus provide little real basis for progress.

Larger Europe in the Wider World

Finally, a larger EU and its main partner, the United States, must engage in a more forthright debate on how they may work together better on a range of issues beyond European shores. Multilateralism has been a sore point of transatlantic debate with the Bush Administration. Now Americans and Europeans appear ready to engage seriously to make multilateralism work. The EU's Security Strategy repositions the EU in the post-911, post-Saddam, post-enlargement world, and gives Europeans a vehicle with which to engage the U.S. in a strategic dialogue. President Bush has—at least rhetorically—embraced “effective multilateralism” as a way to reconcile America's unilateral temptations with the cooperative imperative imposed by global challenges.

How can the larger EU and its primary partner, the United States, advance more “effective multilateralism?” The first step is to realize that multilateralism often works when the transatlantic partnership works. America's relationship with Europe enables each of us to achieve goals together than neither of us could alone. This still makes the transatlantic relationship distinctive: when we agree, we are the core of any effective global coalition; when we disagree, we often stop such coalitions from being effective.

A second step is greater shared understanding of the benefits and responsibilities implied by multilateral efforts. Those—particularly but not only in the United States—who see international norms and

mechanisms at best as ineffective and at worst as an unacceptable constraint on national freedom of action should heed the costs of unilateral action in terms of less legitimacy, greater burdens, and ultimately the ability to achieve one's goals. Those—particularly but not only in Europe—who believe that robust international norms and regimes are needed to tackle global challenges must focus equally on the effective enforcement of such regimes, and be more forthright about the necessity to act when these regimes fail.

Third, the U.S. and the EU need to advance together the view that sovereignty means responsibilities, not just rights. How should we act when one precept of international law, such as non-interference in a nation's affairs, collides with another, such as respect for human rights? Western intervention in Kosovo did not violate the principle of non-interference as much as demonstrate its inadequacy. How do we prevent future Kosovos, future Rwandas, future Sudans? Kofi Annan has been clear that the sovereignty of states cannot be used as a shield for gross violations of human rights. But how can international institutions originally created to keep the peace *between* nations be adapted to secure peace *within* nations? A first step is to accept that sovereignty implies the responsibility to protect one's citizens, not just the right to rule with impunity, and if a nation fails in this basic responsibility, this duty shifts to the international community.

Finally, it is important that we recognize that in the UN today, the protection of human rights is often entrusted to the leading violators of those rights. Even though free societies now comprise more than half the UN's membership, they rarely act cohesively in international institutions. The U.S. and EU nations should lead the emerging UN Democracy Caucus to promote Kofi Annan's own ultimate vision for the United Nations: a Community of Democracies.

The continuing enlargement of the European Union promises to stabilize large swaths of Europe, bringing us all closer to the vision of a Europe whole, free, and at peace with itself. It is a historic project Americans and other non-Europeans support and want to succeed. But enlargement also brings other consequences for the EU with it, and also imposes equivalent responsibility on a larger EU to confront dangerous challenges of a new century. Europeans and their major partners are more likely to deal effectively with these consequences and challenges if we do so together.

Chapter 12

Enlarging Europe's Strategic Vision

Thérèse Delpech

Security and Strategy have Long Been an Afterthought in Europe

The idea of Europe may have originally been conceived to make conflict impossible among its members, but it has evolved largely out of economic and political thinking. Security has in many ways been an afterthought.¹ Reform of EU governance, enlargement to the east,² and completion of the euro-currency zone have all taken precedence over security issues, and until recently, the European security debate has been focused on institutional progress.

This remains true in 2005, despite the progress made since 1999. Five years after the Franco-British declaration at Saint Malo and the adoption of a European security and defense policy, the European Union can argue that it has a military committee, a military staff, an armaments agency, a solidarity clause in the event of a terrorist attack and, last but not least, is—or has been—involved in a number of actual operations abroad, including Macedonia and Congo in 2003, and assuming leadership over peacekeeping in Bosnia in 2004. But regardless of the titles of the documents produced in Brussels, the EU appears unable to present a true strategy. For example, although terrorism is recognized as a major threat, there is no recommendation concerning civil defense in the European Security Strategy. Security is still a divisive issue, particularly regarding matters as important as the Alliance or division of military roles between the U.S. and the EU. The most spectacular progress made after the single currency may

¹ The first attempt at defense integration dates back the early 1950s but the project was ruined almost immediately and defense was a taboo subject for almost 50 years. The Balkans wars, erupting at the gates of the European Union, played the most important role in the revival of the subject.

² On May 1, 2004, the European Union welcomed ten new members: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

well be security and defense policy, but the most important debates within Europe are still political and institutional rather than strategic. The debate over the draft European constitution that is intended to replace the founding treaties of Rome and Nice³ and the debate over Turkey's admission to the EU far exceed any discussion of security matters.⁴

It took the decade-long Balkan wars, more than the 1991 Gulf War, to awaken Europe to new security challenges.⁵ Only in December 1998, some months before the Kosovo crisis, did a Franco-British summit at Saint Malo decide to develop an EU crisis management capability. The call was for "autonomous" capacities, backed by credible military force. At that point in time, it appeared impossible not to deal with the growing instability of Europe's neighborhood. As a result of decisions taken at the Helsinki European Council in December 1999, a force the size of an army corps with its associated command, air and maritime support, was declared operational in May 2003.⁶ But what the Europeans have acquired is a force capable of dealing with crises of limited geographic scope, limited operational complexity and limited combat possibilities.

The geographical scope of the European force remains un-circumscribed and is available for multiple purposes, leaving room for future improvements. But it appears unrealistic to most Europeans to envisage European military intervention in far flung places, even by 2015. Moreover, European airlift, sealift, C4 and intelligence capabilities seem adequate only for operations in Europe's "near abroad," with very few exceptions. This does not even include Europe's main weak-

³ The Laeken Declaration set the agenda for a constitutional convention that took place in March 2002 and concluded its work in July 2003. The text is supposed to deal with an enlarged 21st century European Union. There are indeed new provisions on security in the draft European Constitution.

⁴ There is an obvious security dimension in this debate. As a Muslim, democratic, secular and modernizing nation, Turkey would represent a major demonstration of the possibility for Europe to export its model of tolerance and peace to the part of the world that most needs it.

⁵ The 1992-1995 Bosnian war was particularly traumatic for the European Union. See Gilles Andréani, Christoph Bertram and Charles Grant, *Europe's Military Revolution* (London: Centre for European Reform, 2001).

⁶ At the EU Capability Conference in May 2003, the European Union declared that it had operational capability across the full range of Petersberg tasks, but that this capability remained limited and constrained by recognized shortfalls.

ness, which is probably its ability to carry out strategic strikes. The United Kingdom, France and Germany could all participate in military operations further away but would do so only as national forces taking part in “coalition-of-the-willing” interventions abroad. Now that more than 10 members of the European Union have demonstrated their ability to deploy the International Security Assistance Force in Afghanistan, and now that some experience has been acquired in the Democratic Republic of Congo (with Operation *Artemis* in 2003⁷) the Europeans may gradually enlarge their vision, but they are far from prepared for serious combat operations at such distances, and even question the need to be prepared in the next decade.

A second limitation is that the force is trained essentially for peace-making and peacekeeping operations, with the latter including possible limited combat operations. In contemporary warfare, however, the ability to carry out post conflict operations may be decisive, even though it cannot replace the ability to conduct more demanding military operations.

Even within the framework of peacekeeping operations, the complexity of the task is now such—given the need for stabilization, counterinsurgency and nation-building capabilities- that most European countries are discovering shortcomings in an area where they are supposed to lead.⁸ Following the particularly difficult Iraqi experience, for instance, the British government decided in the fall of 2004 to create a new department to work alongside its ESDP, NATO and UN teams to improve civil/military management of crises. The Nordic countries and the UK might now be in the forefront of international expertise in this particular area. Germany has been setting up a new organization aimed at training and recruiting peacekeepers, taking into account the complexity of the operations already mentioned above.

The importance of such peacekeeping, peacebuilding, and stabilization missions is fully recognized throughout Europe. But this does not mean that the absence of any European agreement on high intensity combat operations is not a problem to address (only

⁷ This rather short operation did not “solve” the security problem of this most volatile region. But it prevented a mounting crisis.

⁸ Currently, European soldiers are often better than American ones at most of peacekeeping operations, but the Pentagon is learning.

the United Kingdom is seriously preparing itself for such contingencies⁹). Can Europe count on its ability to avoid major conflict operations indefinitely? Probably not. Will it suffice to claim that anything more serious would be dealt with by NATO? That remains to be seen. It would be true only if the European nations would collectively invest more than they currently do in the Alliance, politically and militarily.

Things are improving, however. After the creation of the NATO Response Force, a new concept has emerged in the European Union—EU “battle groups” proposed in February 2004 by France, Britain and Germany. The objective is to have more mobile, light and flexible forces, drawing lessons from various recent interventions.¹⁰ These forces are meant to complement, rather than replace previous peacekeeping forces. It is worth noting, however, that only France and Britain—and possibly Germany—can meet the 2007 deadline for establishment of such battle groups.

Last but not least, even those European nations having the necessary knowledge and expertise are currently overextended, with no forces available for any new operation. All European forces that can be deployed are in fact currently deployed abroad (mainly in Iraq, in Afghanistan, in the Balkans, and in Africa, for example in the Ivory Coast). To give a concrete example of the consequences to be drawn from such a situation, a decision to support African forces in Darfur, which is very much needed, would probably be almost impossible to implement apart from the provision of logistical support. The need by far exceeds the size of the European force.

This is why a group of nearly 450 million citizens, enjoying peace and prosperity, and producing more than a quarter of the world’s GNP still appears to be limited in its influence, in its action, and in its ability to generate stability in a troubled world. There is no sense of collective responsibility for the management of crises. There is no col-

⁹ Conversely, learning from Iraqi post-conflict experience, the Pentagon is now stressing the importance of stabilization missions and the necessity to acquire a sufficient number of trained troops to help with nation-building.

¹⁰ The proposal was for the establishment by 2007 of up to nine “battle groups” of 1500 soldiers capable of being deployed quickly—within two weeks—to trouble spots beyond the EU’s borders at the request of the UN. Each battle group would be able to draw on air and naval assets. The initiative was agreed by EU defense ministers in April 2004.

lective will to become a more active political and military player in the years and decades to come.

No Threat Assessment, not even in the 2003 European Security Strategy

Documents on European defense include no threat assessment. The subject is still far too divisive. This remains true after the consensus reached on the European Security Strategy published in December 2003, where “key threats” are listed. They appear in very general terms (terrorism, proliferation of weapons of mass destruction, regional conflicts, state failure and organized crime) and nothing close to a “strategy” is defined to deal with any of them. Granted, the very idea of a specific European security concept was still taboo five years ago, and much has been done since 1999. But when progress is compared with the evolution of circumstances in the real world, as it should be, the conclusion is clear : it is too slow, and still running behind events. In addition, the work done did not prevent major internal divisions on Iraq. Moreover, old divisions related to NATO still exist.

Whereas Americans tend to overemphasize threats, Europeans tend to overlook them. This characteristic is reinforced by the presence within the European Union of countries for whom any common security and defense policy should be restricted to peacekeeping operations outside EU territory. It is further bolstered by an apparent inability to recognize the existence of possible adversaries. Even a country such as France, the second conventional military power after Britain, would not accept the simple proposition that it may have adversaries.¹¹ Only a right-wing minority in Italy would recognize the existence of a possible threat originating in the Mediterranean, even though Italy is the only NATO country to have come under such attack (in 1986, when Libyan missiles were fired at Lampedusa). Europe wants to be loved and does not understand why it should not be.

Memories of past wars may lead to prudence, but they also encourage denial, while excessive dependence on the United States tends to nurture a culture of irresponsibility all over Europe. Finally, although

¹¹ Three different threats issued by al- Qaeda against France did not alter this position, at least officially.

threat assessment is not a science, it does rely on military, technical and political knowledge, which requires good intelligence. And strategic intelligence is hardly a European strength, particularly at the European level—although September 11 has encouraged significant intelligence sharing. Ever-expanding agendas, coupled with the problem of insufficient human and technical resources, prevent Europe from making more useful contributions to the management of crises erupting in Africa (with the exception of Ituria (mainly France) and Sierra Leone (United Kingdom), in the Middle East (with the exception of Britain in Iraq) and most especially in regions farther away from European territory.

One of the conclusions of any threat assessment will be that interventions far away from home will increasingly be needed to protect core interests. Europe is acquiring strategic transport capabilities, including a new generation of aircraft, better command, control and intelligence capabilities, drones and stand-off weaponry. But current planning still expects that ten years from now Europe—with the exception of the United Kingdom—will continue to lack the sophisticated fire power it is likely to need. Its overhead observation capabilities will improve, But early warning and surveillance assets will remain limited. And if Edward Luttwak is right in saying that “the new strategy of elite forces with air power has become the essential military instrument of today,” then the problem is essentially one of training elite units and reducing still oversized armies. Europe should retain its ability to contribute to “state building.” This requires infantry, but the current situation, where the EU-25 can deploy at most 85,000 troops out of 1.2 million ground soldiers, shows that Europe’s armies need urgent reform.

Lack of Strategic Intelligence Capabilities and Only Limited Improvements Planned

One of the top priorities of European defense policy, reiterated *ad nauseam* in any assessment of current European weaknesses, is the development of intelligence capabilities. In recent history, public focus on intelligence has never been greater. Intelligence shortcomings and the failure to find weapons of mass destruction in Iraq have led to close scrutiny of the role of intelligence agencies in both the United States and Britain. One can only regret that the scrutiny has been limited to

those two countries, when in fact the shortcomings were common to all countries, even those which were unwilling to go to war.

A large part of the information made available in Europe remains American in origin and is unevenly distributed in European countries. Collective endeavors are being developed as part as the war against international terrorism. European intelligence agencies have been improving their expertise in this area since the 1970s, and more significantly after September 2001 (New York and Washington) and March 2004 (Madrid). In many other areas, these agencies may have little to share with their counterparts. The United Kingdom, which enjoys a special relationship with the United States on intelligence matters, is also the only European country with both sophisticated intercept and human intelligence capabilities. The UK lacks overhead capabilities, however, for which it relies on the United States. In November 2001 the UK decided to allocate an additional 10 million pounds to its intelligence agencies, but this limited amount reflects more than anything else the difficulties of rapidly changing capabilities. After one judicial and three parliamentary inquiries in Britain, new measures were adopted in 2004.

France and Germany are next in terms of capabilities, which they have been trying to improve as well in recent years. They do have overhead imagery and their current capability is increasing with Helios 2 (France, Belgium and Spain, operational in 2005), and Sar Lupe (Germany, operational in 2007), but also with Pléiades (France, operational in 2008), and Cosmos Skymed (Italy, operational in 2006).

For most of the “countries of concern” however, Europe has not yet reached the stage where it could balance U.S. analyses and it does not possess a capacity for systematically assessing the military capability developing on its periphery. Nor does it have early warning or surveillance capabilities. In short, Europe has yet to develop an independent identity in the intelligence field. Some have suggested creating a Joint Intelligence Committee so as to give the European Union's High Representative a greater capability to analyze intelligence that comes from member states. For now, a more likely step would be expanded bilateral intelligence sharing, starting with the war against terrorism (where a European P5 has been in place since the March 2004 terrorist attack in Madrid), and evolving later to cover broader issues.

Europe's Strategic Vision is Limited to its Neighborhood

One of the most striking characteristics of Europe's strategic vision—or of the European attitude toward security—remains its geographical limitation. Only three regions are perceived to be really relevant to European security: Russia and the former republics of the Soviet Union ; the Balkans ; and the Mediterranean, including the Middle East. Africa is often mentioned but no definitive conclusion were drawn from operation *Artemis* launched in June 2003 as the first EU military operation outside Europe without NATO assistance.¹² EU support to the 3, 000 African Union troops in Darfur is logistical, no infantry is involved.

Russia has precipitated the most dramatic modifications of the European map in the last twenty years. It remains today a major variable for Europe's future. Its partnership with the European Union is described as “the most important, the most urgent and the most difficult” as Europe begins the 21st century. An effective partnership with Russia may be particularly challenging at a time when the Russian Parliament, political parties and media have all retreated to the political background while numerous signals of further political regression are emerging.

The Balkans constitute rather a different story. They have figured prominently three times in recent European history, at the beginning and at the end of the 20th century, and during World War II. Their presence on the European stage was dramatic in all three cases. After the end of the Cold War, the Balkans have come to represent what Europeans perceive as unfinished business on Europe's soil : peace and reconciliation. European troops may be needed for another ten years in Bosnia (where improvement is real) and Kosovo (where the situation remains worrisome, in part because no choice has been made concerning final status).

The third region, comprising the south shore of the Mediterranean and the Middle East, may well represent the most complex set of issues. The thaw that was produced elsewhere by the end of the Cold

¹² It involved 1,800 military personnel, mostly French, deployed to stabilize the security situation in Bunia, the capital of the Ituri province.

War did not occur there. On the contrary, the first conflict to erupt after the break-up of the Soviet Union took place in the Middle East in 1991 (Gulf War) and it produced the most impressive international coalition since the Korean war. The more recent (2003) Iraq war was in a real sense the completion of that initial episode. Iran's nuclear ambitions have already had consequences in the region and beyond, and Europe is deeply involved in the success or failure of current attempts to stop them. Europe will continue to depend on oil from the region, and the Mediterranean, together with the Gulf and the Strait of Malacca, is a crucial transit and potential choke point for global oil supplies and trade. Finally, it goes without saying that Europe may be affected by the evolution of the Israeli-Palestinian conflict—an issue beset by tension, violence and pessimism, despite the new hopes raised by the election of a new Palestinian president. Europe supports the Israeli disengagement plan from the Gaza strip, hoping that negotiations will start again in the near future. Before negotiations start again, it will be essential to promote activities aimed at supporting the success of a future peace agreement.

Europe will also be affected by flawed policies in Northern Africa, where the dominant population groups are young, often poorly educated, and burdened by high unemployment rates. In some respects, the Middle East may now be considered an internal European problem, with 15 million Muslims living within Europe's borders, many of them coming from the Middle East. Last but not least, Europe cannot act as if democratization of the Middle East has become only America's mantra, when it has been a European objective since 1995. But European policies have thus far produced poor results in this respect, because stability continues to be the most favored objective and because stable relations with regional governments are accorded higher priority than the well-being of people.

The more the European Union enlarges, the closer it comes to areas of instability. In 2007, Romania and Bulgaria may join. At a later stage, the Balkan nations and Turkey may enter as well. The possible future accession of Turkey can be assessed in terms of a remarkable example of a major Muslim country, modern, moderate, secular and westernized. Such movement eastward and southward will alter some of the current security paradigms of the Union. While stability is supposed to expand with enlargement, unstable or malfunctioning states

will also become closer to Europe's borders. This will require more than a Barcelona process, even revitalized, or a strategic partnership with Moscow, especially at a time when Russia may again become a destabilizing factor in the Caucasus.

Although Asia is the Most Probable Center of International Security, it Remains the Neglected Continent for Europe

Apart from those three regions (and to some lesser extent Africa), Europe's vision appears to be very limited on security matters. Asia for instance is largely absent from Europe's security radar screen, even though Asia is likely to replace Europe as "center stage" for international security in the 21st century. Europe does not seem to be drawing the necessary conclusions from this strategic reality. Before the war in Afghanistan, Central Asia was barely mentioned in Europe. When it was, the focus was energy, not security. Now that enlargement is shifting the Union's external borders to the East, a different vision might emerge concerning the Caucasus and Central Asia, but the very idea of defining the *Ostpolitik* of our time is still remote.

South Asia is even farther from the European Union's interest. Since 1998, a dialogue has been underway between India and some European countries, but the significance for Europe of events in South Asia is still neither perceived nor understood. Otherwise, some arms deals would probably have led to more debate than has been the case (submarines to Pakistan for instance). Finally, East Asia, with its numerous explosive security problems (Korea and Taiwan being the most significant), is hardly present in any European security discussion, with the exception of North Korea's nuclear program, and even there no action whatsoever was suggested when Pyongyang withdrew—illegally—from the Nuclear Nonproliferation Treaty in January 2003. Even China's ballistic missiles and its nuclear modernization (new solid fuel mobile missiles, new submarines, MIRVed warheads) are barely mentioned.

There are a number of reasons to include Asia in Europe's strategic thinking. The most dangerous international issue, one that can draw the world into major conflict, is the issue of Taiwan. A former Chinese defense minister, General Chi Haotian, has been quoted in

the context of this dispute as saying that war with the United States was “inevitable” and that China “must be prepared to fight for one year, two years, or even longer.” Those are strong words. After September 11, 2001, some more conciliatory statements were made, reflected in academic writings: “With the dawning of the 21st century, especially considering the 9/11 attack, the world entered a new post-post cold war age. International relations in this age will perhaps be featured by the mixture of cooperation and confrontation but with cooperation as the main theme.” But the truth of the matter is that no one can predict the way Sino-American relations will evolve in the next twenty years. Each of the three main actors, America, China and Taiwan, has a considerable capacity for misunderstanding the other two. The idea that any conflict over Taiwan would remain regional is pure fantasy.

Europe should behave as a responsible ally in this part of the world—even if the EU has mainly economic links in the region. The possibility of U.S. military involvement is real. Europe cannot ignore this and advocate the lifting of the arm sales embargo to China. This is not only divergence of view, it is a question of political responsibility, of prudence—and even of wisdom. What would be the first use of new European weaponry in China if not to better prepare confrontation with Taiwan? At a time when the recognition of globalization is ubiquitous, with ever more interconnected events around the globe, who can believe that a major East Asian crisis will remain local? And why does Europe not support the Chinese democracy against the authoritarian mainland? Is “the community of values” that it pretends to promote supposed to stop at the gates of Asia?

Concerning the Korean peninsula, two European countries (France and the United Kingdom) are party to the 1953 armistice (agreed at the end of the Korean war). Political and legal commitments would follow should conflict erupt. In addition, since the cost of unification will be far higher—politically, economically, and in human terms—than the cost of German unification, how will European nations having diplomatic ties and embassies in Pyongyang act to lower tensions? How are they trying to prevent North Korean WMD and ballistic missile proliferation? How do they react to information concerning the hidden North Korean Gulag, about which first-hand testimonies are beginning to emerge?

The evolution of Sino-Russian relations is also significant for the Europeans. Russia, which is also an Asian power, finds itself weaker than China for the first time in its history. This situation is going to endure over the coming two decades, no matter what Russia may achieve in terms of recovery. This is well understood in Moscow, which is deepening its cooperation with Beijing, hoping for the best. But the future relationship between the two countries remains unclear, particularly in the Russian Far East. Will Russia acquiesce to growing Chinese power or find ways to quietly limit it? To what extent will Moscow continue to arm Beijing for commercial reasons?

East Asia sells sensitive hardware and technologies to the Middle East and North Africa, where clear risks and even threats to European territory may appear in the next decades. Numerous publications have covered China's sales to Syria, Iran, Iraq, Saudi Arabia, and Libya; North Korea nuclear sales to Iran, Syria, the United Arab Emirates, Egypt and Iraq; and the cooperation of both countries with Pakistan, along with the impact of that activity in the Middle East. European governments are now looking more carefully at those sales. They should also react to them in a more proactive manner, addressing the issue with China and North Korea. After all, in Thessaloniki in June 2003 the European Council adopted a "declaration on non proliferation of weapons of mass destruction" that included basic principles and a joint action plan. Asia is not that far away when proliferation and arms deals are concerned. The Europeans should not forget it.

Conclusion

Some real progress has been made in the last five years, but there is much more to do in the next five

Europeans still tend to assess risks and threats in the light of their capabilities, defense budgets and political will. As they enlarge their territory, they must also enlarge their strategic vision. Peace and prosperity are not widely shared in the present world. The European responsibility is to continue expanding both while at a minimum avoid doing harm, for instance by selling arms to the wrong places. Europe is not currently equipped intellectually, diplomatically or militarily to be at best anything else than a regional actor. Nonetheless, despite its wishes or aspirations, its responsibilities range beyond such a limited role.

Chapter 13

Central European Views of EU Defense and Foreign Policy

Jiří Pehe

New members of the European Union in central Europe (Hungary, Poland, Slovakia, and the Czech Republic)—the so-called Visegrad countries—differ in their views with regard to the future shape of the European Union, but all have quite similar notions regarding the future shape of EU common defense and foreign policies.

Differences

The December 2003 summit in Brussels showed that the Visegrad countries are not united with regard to the European Constitution. Poland resisted attempts to change the system of decision-making adopted at the summit in Nice, while the three other countries were much more willing to follow the strong pro-integration visions of Germany and France in particular.

Poland also was one of the staunchest supporters of the United States in its military intervention in Iraq. The three other Visegrad countries were more cautious. While Poland offered combat troops, the Czech Republic, Hungary, and Slovakia provided more symbolic forms of assistance.

Unlike Poland, those three countries were trying to perform a delicate balancing act. On the one hand, they tried to reassure the Americans that, despite reservations about a weak international mandate for invading Iraq, they continued to be allies of the U.S.. For example, Hungary offered, as its most important contribution, its military bases to the U.S., while the Czech Republic kept its anti-chemical warfare unit in Kuwait, making it clear the unit would be sent to Iraq in case of a humanitarian catastrophe.

The case of the Czech Republic is telling. The Czechs refused to send their anti-chemical warfare unit to Iraq because of what the Czech government and parliament described as the absence of a direct UN mandate for an invasion. At the same time, the Czech Republic was very much interested in staying on the list of U.S. allies—"the coalition of the willing."

While the Czech foreign minister—a Christian Democrat—pushed for more direct expressions of support for the U.S., the government—dominated by the Social Democrats—was more cautious. President Vaclav Klaus, a conservative, was entirely opposed to the invasion, which worsened his relations with the U.S. for a period of time.

This ambivalence worked well for the Czechs with both sides—the U.S., on the one hand, and France and Germany, on the other. The U.S. kept the Czech Republic on the list of its allies, whereas the Germans and French were convinced that the Czech Republic did not directly support the war.

The Czech example is important because it illustrates some of the dilemmas faced by all small central and east European states. With the exception of Poland, which is a mid-sized European power, all other EU candidates from central and eastern Europe were caught between a rock and a hard place. They did not want to be perceived as disloyal partners of either side of the growing transatlantic conflict.

Although they differed as far as the intensity of their support for the U.S.-led war was concerned, they were all trying to assure those EU countries which were most opposed to the war that they certainly wanted to cooperate with them in the process of further European integration and that they even sided with some of their arguments against the war.

This was understandable. Small countries in central and eastern Europe need both the U.S. security umbrella and EU membership. As supportive as they are of the EU, they believe they cannot rely on the EU for protection in case of grave security threats. NATO, in which the U.S. plays a dominant role, is considered by a majority of people in those countries as the only real security guarantee. According to opinion polls, only people in Slovakia and Slovenia are skeptical of their countries' membership in NATO among all countries in the region.

Similarities

Central European skepticism about the EU's ability to guarantee their security has been strengthened by a lack of progress with regard to building a common EU security policy. It is now clear that the EU is still very far from creating an integrated defense system that could be used in a fashion similar to that of NATO.

Individual states in central and eastern Europe tentatively pledged troops to the European Rapid Reaction Force and continued working in the framework of West European Union. At the same time, there is strong opposition in central and eastern Europe against building a European security system separately from U.S. involvement or even in competition with the U.S. Any "decoupling" will be strongly resisted by most central European countries.

In fact, this was one of the reasons why some central European leaders signed the so-called Letter of Eight at the time the U.S. was preparing to invade Iraq. For example, Czech President Vaclav Havel, one of the signatories of the letter, understood the letter to be mainly a warning against creating an unnecessary rift in the transatlantic alliance, and not so much as a direct expression of support for the war.

The document produced later by the so-called "Vilnius Ten" was also not an expression of direct support for Washington's plans to invade Iraq, it was an attempt to show loyalty to the U.S. while not losing the sight of the importance of EU integration. In the end, Slovenia—one of the signatories—stood much more on the side of France and Germany than on the side the U.S.

New Europe?

U.S. Defense Secretary Donald Rumsfeld's division of Europe into "new" and "old" was, above all, a clever ploy that helped the Bush Administration get its way by using the old strategy of "divide and rule." But although it reflected real differences between established EU members and the newcomers, it managed to solidify the false impression that the EU's new members share a similar identity and political agenda. Rumsfeld's remarks were divisive because western Europe seems to know even less than the Americans about Europe's eastern half.

Beyond politics, there are vast differences among the economies of the new members, not only in terms of wealth, but also in their structures. Industrialized and urbanized countries, with relatively small agricultural sectors, such as the Czech Republic, Slovenia, or Slovakia, have different concerns than Poland, where farmers form 20% of the population.

Historical traditions also play a role. Although all new member states claim to be “western,” some are more Western than others. The Czech Republic, Slovakia, Hungary, Slovenia and parts of Poland share a common legacy of *Mitteleuropa*, formed during the Hapsburg Empire. Moreover, communism in those states was different than that practiced in the three Baltic countries, which were part of the Soviet Union.

Is Visegrad Important?

At the start of the 1990’s, following communism’s fall, the common experiences and the shared legacy of Czechoslovakia, Hungary, and Poland was behind the idea of creating the so-called “Visegrad Group,” with the aim of coordinating the three countries’ efforts to join the EU and NATO. The Visegrad initiative worked to some extent, though it was temporarily paralyzed by the disintegration of Czechoslovakia just over a decade ago.

Although the leaders of Poland, Hungary, the Czech Republic and Slovakia recently declared they wanted to keep the Visegrad grouping alive even after their countries entered the EU, the future of Visegrad cooperation is uncertain. In fact, the fate of this group is perhaps the best example of how the individual identities of the new member states are beginning to assert themselves now that membership in the EU and NATO is secured.

Poland, as its stance over the EU constitution demonstrated, pursues its own specific interests in a united Europe, which may be difficult to harmonize with the interests of smaller central European states. Now that it is in the Union, Poland will have an even freer hand, unconstrained by the need to support the aspirations of other east European countries.

Regardless of what happens, all of Europe needs to move beyond clichés about “old” versus “new” Europe. Poland may find that it has

security and other interests in common with some states of a similar size in the current EU. The three Baltic states will most likely cooperate much more closely with the Scandinavian countries than with the other new members.

It is also time to start thinking about a new way of organizing central Europe. For the Czech Republic, Hungary, and Slovakia, close cooperation with Poland may not be the best way to protect their interests in the EU, as their interests and the interests of a big, self-confident Poland may not be identical.

It may be more natural for the Czech Republic, Hungary, and Slovakia to strive for closer regional cooperation with Austria and Slovenia, the contours of which can already be seen in some existing regional groupings. Such a regional group would be bound together by a long common history and compatible interests. This would be much more effective and durable than the Visegrad initiative, which lumps together three small states with a country that has more inhabitants than its three partners put together, plus its own agenda.

United Nations

All states in east central Europe also support significant reforms of the United Nations. Some politicians in those countries have supported the ambitions of large countries, such as India or Brazil, to become permanent members of the UN's Security Council. At the same time, some support the idea of the EU having only one joint seat on the Security Council.

All of these countries have also contributed troops to various peace-keeping missions under the auspices of the UN, but—again—politicians in some of these countries have proposed that some missions should be joint EU missions, rather than missions supported and paid for by individual states, some of which are significantly poorer than the countries of “old Europe.”

NATO and the EU

While all Visegrad countries support the creation of some form of a common European defense system and foreign policy, they put much more emphasis than countries associated most commonly with the

notion of “old Europe” on the role of the United States and NATO in a future European defense system.

To put it more bluntly, while the Czech Republic, Hungary, and Slovakia do not have problems with further European integration, and while even Poland does not refuse a gradual push toward common defense and foreign policies, all four countries will resist any attempts to separate European defense policies from those of the United States. They will support the continuing role of NATO as a pillar of European defense and, therefore, a continuing security role for the U.S. in Europe.

The Visegrad countries see a future system of European defense and NATO as complementary, not as incompatible. There is also a strong consensus that the role of the United States in helping to ensure European security must not be significantly diminished. Any attempt to use the system of a common European defense and foreign policy to push the U.S. out of Europe (and European affairs in general) will be resisted by all Visegrad countries.

In general, all four countries strongly advocate a balance between further European integration and maintaining strong transatlantic ties. How exactly NATO can be integrated into a common EU defense system in a situation in which some EU countries are not members of NATO, and vice versa, is an issue that will be quite high on the agenda of the Visegrad countries.

EU Foreign Policy

In general, new members of the EU from central and eastern Europe are supportive of further integration, or at least more extensive cooperation, in the area of foreign policy. Although each of those countries voiced specific objections against some aspects of the European Constitution, they in general did not question attempts to create mechanisms for achieving foreign policy decisions representing the entire EU in some areas. They were also not vigorously opposed to the idea of establishing the post of the EU foreign minister.

It is clear that the inability of the EU to speak with one voice on important international issues is not only a political problem, but also a security problem. The EU might have been able to modify some

foreign policy and security decisions of the Bush Administration, had it been able to speak with one voice. The fact that the Americans could so easily divide European nations into competing camps represented in the end a defeat for both the U.S. and Europe.

While it is clear that European nations, including the new EU members, will want to have a final say on issues of vital national interests in foreign policy, a more integrated foreign policy would, in fact, be an important security step. Although the EU's expenditures on defense and the procurement of new weapon system are much lower than those of the U.S., and we hear much about a growing technological gap, the combined military resources of all EU countries are significant—certainly good enough to deter any large-scale threat or to intervene (for example, for humanitarian reasons) outside of Europe.

What has been missing is Europe's ability to speak with one voice and reach common decisions. New member states from Central and Eastern Europe would generally support a closer coordination of foreign policies and the creating of mechanisms needed for reaching "European" decisions. They will not be supportive of such initiatives only if they perceive them as challenging the U.S. security role in Europe.

**Part V: The Larger EU and
Its Neighbors**

Chapter 14

Turkey: Well Within Europe's New Frontiers

Ragip Duran

It is a pleasure to participate in a project sponsored by a foundation named after Calouste Sarkis Gulbenkian, who was born at Üsküdar—and was thus “an Istanbulite.” I am encouraged by the articles by Rui Vilar and Jorge Sampaio. Unfortunately, these positive views are not shared by most European public opinion.

For some commentators, “Turkey” or “the Turks” evoke themes ranging far beyond these two descriptive terms. “Turkey” has become a symbol, and even connotes for some an element of make-believe. For these critics, “Turkey” is an implied reference to “the East,” to Islam and, sometimes, to radical extremism and - even worse—Islamic terrorism.

I am happy though to note that Turkey, by its existence alone, contributes to the debate on the search for the cultural and political identity of Europe, even though Turkey is not yet a full member of the European Union. This itself may be seen as a positive contribution to the construction of Europe.

Not only the political elite but also public opinion in Turkey are always very happy with one particular approach—that of certain Europeans:

Of course, there remains a tremendous lack of information and knowledge regarding Turkey's relations with the European Union. Some believe that Turkey will soon become a full member of the EU, even though there is only agreement to open negotiations between Brussels and Ankara. This process could last 10-15 years, and who, today, can foresee what Europe—or Turkey—will be like in 2020?

If the issues surrounding Turkey's EU membership were simply limited to a lack of information, then the situation would not be too

serious. Unfortunately, there is also a lack of goodwill in certain quarters when talking about Turkey.

There are those who invent historical or geographical pretexts for their views. The new frontiers of Europe, however, cannot refer narrowly to the new Europe's geographical frontiers. We are not specialists in property rights nor cartographers, are we? Even if it did, the argument could be made that Europe's geography includes Turkey. Cyprus, which is to the east of much of Turkey, has already become a full member of the European Union.

Others claim, rather curiously, that 'Europe and Turkey do not have a common history.' I am not an historian, but I do not believe that Europe is defined narrowly by ancient history, but rather expansively by modern values. The European Union is not a club for historians, it is a partnership of values for the future.

Some raise what they call "the Turkish question." This is interesting, because it harkens back to "the Eastern Question" of former times. However, even though Europe is trying to resolve thousands of tough political and structural problems, nobody among us speaks about "the European question."

I believe that there is another reason for these different perceptions. How many European intellectuals received their degrees from Eastern universities? In Turkey there are thousands of people who have been trained in the West and still live and work there. If there were as many people in the West who knew the East as there are in the East who know the West, I am sure that the relations between these two worlds would be more harmonious.

There is a French saying that "those who are similar come together." Indeed, it is easier for those who resemble one another to come together. It is more difficult to bring together those who do not resemble one another. Difficult, yes—but surely the EU is an assembly that is richer than any one of the peoples who resemble one another. I do not need to repeat here that the European Union is not a Judeo-Christian assembly. It is a many-voiced, many-colored union of nations who respect common values such as democracy, human rights, and the rule of law.

I must confess that I personally do not maintain any ties to mosques, churches or synagogues. I accept, of course, the important

role of religion in the personal and spiritual life of men and women. However, in many countries—including Turkey - religion is used for political goals or objectives linked to the exercise of power in public life. In Europe, the land of “the Enlightenment,” non-Jacobin secularism should not permit religion to be so active, so omnipresent in public life or in international relations.

This double standard is truly disturbing. Too often one reads official statements and media reports that, when mentioning Poland, refer to 40 million Poles, but when mentioning Turkey, refer to 65 million Moslems!

The difficulty inherent in using religion as a pretext for cool relations is illuminated by Greek-Turkish relations. The Greek Orthodox Church long opposed Greek-Turkish reconciliation because Turks were Moslems. However, since the 1999 earthquake and other factors that have drawn Greeks and Turks together, Greek-Turkish relations have improved to an extraordinary degree. What happened? Have the Turks ceased to be Muslims?

Another major obstacle hindering good understanding between Europe and Turkey is the mainstream media, which publish articles and broadcast programs on Islam and on Turkey that are such caricatures and so far from reality that the average person in the street can very easily come to detest everything that is Islamic, everything that is Turkish or Eastern.

Here are three small examples drawn arbitrarily from one day's October 2004 edition of the *International Herald Tribune*, the U.S. daily newspaper published in Europe by the *New York Times*. There are three articles referring to Islam on the first three pages.

The first article is about Muslims living in Seville who want to build a mosque. The words employed, the style and the viewpoint of this article are such that one might believe that the Moslems are going to destroy the entire town of Seville. Moreover, there is nothing more normal, natural or legitimate than the desire to build a place of prayer for members of a religion, together, whatever religion it may be. At home, when we refer to the restoration of a church, or even the opening of a church for prayer, only a handful of radical extremists or even of extreme nationalists would use the style and approach of the *International Herald Tribune*.

The second article is entitled “European Muslims leave for Iraq to make war against the United States.” When one reads this title, what does one understand? Are many European Muslims leaving for Iraq to fight the U.S. army? No. The story tells the story of one French Muslim who had been killed in Iraq, and how his friends and relatives are protesting the American invasion. The friends of the dead person swear they will fight the Americans. Can one really conclude from this single example that the Muslims of Europe are leaving for Iraq?

The last article, a dispatch from the Reuters news agency, is also rather interesting. The title is “Violence has increased at Ramadan in Iraq.” When one reads the article in full, however, one realizes that the Iraqi resistance increased its activities not for any reasons linked to Ramadan but because Washington wanted to organize early elections in Iraq. The article does not address the religious significance of the month of Ramadan; it refers neither to the beginning (*Sabour*) nor the end (*Iftare*) of the fasting.

What will Turkish membership bring? The European Union will become a more influential and positive power in the Balkans, in the Middle East, in the Caucasus and in Central Asia when Turkey becomes a full member. Of course, Turkey itself will become more democratic and prosperous once it is a full member of the European Union. This union will serve both parties well.

The key to the issue is to learn more about each other. That is why, when we talk of the new frontiers of Europe, we must speak of the cultural, intellectual and even spiritual frontiers of the good “Old Continent.”

Finally, one last point: neither the 15 nor the 25 are master or mistress of the house known as the European Union. The Turks are not and will not be tenants or visitors. We will build this new and great house together, on an equal footing and with equal participation.

Chapter 15

European Neighborhood Policy: Strategy or Placebo?

Michael Emerson¹

The EU now faces an existential dilemma in the apparent choice to be made between over-extending the enlargement process to the point of destroying its own governability, versus denying one of its founding values to be open to all European democracies and possibly generating negative effects from the exclusion of countries in its neighbourhood. The newly emerging European Neighborhood Policy (ENP) seeks a way out of the dilemma. This policy seems to pass through a familiar three-stage process for major EU initiatives: first the important idea enters political discourse, second the EU institutions take modest initial actions that are not up to the task and third, the EU accepts the need for credible action at a level commensurate with the challenge. The ENP has passed rapidly from the first to the second stage, with potential to move to the third stage, without it yet being clear whether the institutions will now go on to sufficiently develop their proposals. This issue presents itself as one of the most precise and significant challenges facing the new Barroso Commission. The new member states represent the EU's newest resource, which could greatly contribute to a successful ENP.

The Dilemma

No sooner had the EU completed its huge enlargement of May 1, 2004 than it faced an existential dilemma, victim of its own success. The dilemma is about how the EU should define the nature and extent of its future frontiers, which means defining its very essence and identity.

¹ This paper was prepared within the framework of the *Stratagen* program of the Center for European Policy Studies, for which support by the Open Society Institute and the Compagnia di San Paolo is gratefully acknowledged.

The long travail of accession to the EU has become a hugely effective mechanism of political and economic conditionality for extending European values beyond old 'core Europe.' We call it 'Europeanization' for short.

Yet to those outside the process in the European periphery—from the rest of Europe to the Mediterranean basin and on into the Middle East—the perception and reality are those of exclusion.

The EU's enlargement could continue, and indeed is virtually certain to do so for at least a few more neighbors. However, the EU's absorptive capacity for continued expansion has been stretched to the breaking point.

One horn of the dilemma would then see the EU over-expanding to the point that its effectiveness as a union is fatally damaged. Its capacity to sustain and extend the process of Europeanization is destroyed.

The other horn of the dilemma is that the EU stops expanding, which would mean denying one of its founding principles: to be open to all European democracies. It could also have the unintended effect of undermining reform processes in the periphery, to the point of provoking or aggravating political and societal instability in these regions, connecting with the menu of security hazards that are already so real (terrorism, trafficking, weapons of mass destruction, trans-border crime, illegal migration, etc.).

Could the dilemma be overcome? There seem to be only two possible escape routes from it.

One route is to accelerate the Union's powers and institutional development to the point that it enhances its capacity to accept further enlargement over a politically relevant time horizon. As attractive as this route is, however, we should not count on it. The recent negotiation of the new Constitution was itself pushing at the political limits. And the hazards of the ratification process may still reveal that the Constitution is a step too far for some, and the unity of the Union may already be threatened.

The second route is to do something really significant under the name of the new European Neighborhood Policy, blurring the frontiers between 'in' and 'out', to the point that the Union might achieve

beneficial leverage on developments in the periphery without rushing ahead with further accession negotiations.

The speed with which the new vocabulary—first the ‘wider Europe’ and then the ‘neighborhood policy’—has swept into the discourse of Europe’s foreign ministers, of both the EU member states and the neighbours, testifies to the intuition that this is indeed a matter of strategic importance.

However a weak neighborhood policy, or one offering slight incentives in relation to heavy obligations, could be worse than nothing. It could create skepticism over the real intentions of the EU. Is this a real proposal, or just a thin diplomatic gesture to placate the excluded, which actually risks alienating the neighbor: a strategy or just a *placebo*? Could the EU develop a neighborhood policy that would be up to the task?

‘Europeanization’ Defined

The term ‘Europeanization’ has gained currency in political science literature over the past decade or so, as scholars have tried to understand the politico-economic-societal transformation involved in European integration.²

This started first to be observed with the accession of the three southern member states—Greece, Portugal and Spain—as they switched out of their authoritarian regimes of the colonels, Salazar and Franco, into modern Europe.

Interest in the European transformation process has of course heightened with the EU accession of the former communist states of Central and Eastern Europe.

Portugal was unique in experimenting successively with both fascism and communism, and the Maoist period in the curriculum vitae of the president-elect of the Commission has hinted how intriguing that experience could be.

² These issues are discussed in-depth in B. Coppieters, M. Emerson, T. Kovziridse, G. Noutcheva, N. Tocci and M. Vahl, *Europeanisation and Conflict Resolution: Case Studies from the European Periphery*, (Ghent: Academia Press, 2004).

Europeanization may be seen as working through three kinds of mechanisms, which interact synergistically:

- *legal obligations* in political and economic domains flowing from the requirements for accession to the EU, and/or from Council of Europe membership and accession to its Convention on Human Rights and Fundamental Freedom;
- *objective changes* in economic structures and the interests of individuals as a result of integration with Europe; and
- *subjective changes* in the beliefs, expectations and identity of the individual, feeding political will to adopt European norms of business, politics and civil society.

The mechanisms of Europeanization can be otherwise described as combining rational institutionalism through policies of *conditionality*, and sociological institutionalism through norm diffusion and *social learning*.

Changes through policies of conditionality may occur in the short to medium run. The more deep-rooted changes, which occur through the actual transformation of identity and interests, may only be expected as a result of socialization in the longer run. There may be early change in political discourse, which over time is internalized and results in genuine change in identity and interests.³

The values and systemic features underlying Europeanization are partly defined in the official texts of the EU and Council of Europe, but a more extensive interpretation is offered in Box 1. Among these '10 Commandments' are admittedly still some controversial items, and the list is therefore up to a point a personal view. Nevertheless, at least it may offer a reference for the ongoing debate about European values, and can serve for comparison with the apparent values of others, such as the US, Russia and China.

³ See G. Noutcheva, N. Tocci, T. Kovziridze et al., "Europeanisation and Conflict Resolution: Theories and Paradigms," in Chapter 2 of B. Coppieters et al., *ibid.*

Box 1. Europe's 10 Commandments—Values and systemic features of the European model

1. Democracy and human rights—as codified legally in the European Conventions and Court of Human Rights of the Council of Europe, adopted also in the European Constitution and the EU's political Copenhagen criteria for accession to the EU.
2. A common legal basis for the four freedoms—for the single economic market and space for the freedom of movement, residence and employment of EU citizens.
3. Social model—basic social insurance and public health care.
4. Multi-nationality and rejection of nationalism—with society acquiring multiple identities, often regional, national and European.
5. Secular multiculturalism—Europe's existing Muslim minorities impose multiculturalism, but Turkey poses the bigger test.
6. Multi-tier governance—frequently with a three-tier federative system (EU, national and sub-state entity), with a supra-national EU tier in any case.
7. Multilateralism—as a preference for the international order, as well as for internal European affairs.
8. Anti-hegemony & anti-militarism—both internally and externally, without pacifism.
9. Openness—to all European democracies.
10. Graduated and evolutionary frontiers for the EU—rather than a fixed binary Europe of 'in' or 'out', or the EU as a neo-Westphalian federal state.

These questions of values are operationally relevant where the United States and Russia also have important geo-strategic interests in parts of the European periphery. The United States and the European Union can, for example, work together fairly comfortably with the same normative rule-book and complementarity of roles in the Balkans and Caucasus, since here Europeanization and Westernization

are perceived to be one and the same thing. However, there are manifest differences across the Middle East over the just or unjust war in Iraq, as well as the old Israel-Palestine conflict. For its part, Russia, while a Council of Europe member state, is experiencing a slide away from democratic practice internally and a return to old-fashioned *Realpolitik* in its near abroad. It seems to have no interest in promoting democratic and human rights values, and props up some highly dubious secessionist entities such as Transnistria, Abkhazia and Southern Ossetia in the name of Russian national interests.

Political and Economic Gravity Models

Democracy and human rights are indisputably ‘number one’ among Europe’s 10 commandments. Until recently landmark contributions by political scientists theorising about the processes of global democratization were positive in message. From the late 1980s and early 1990s, there were writings about a ‘Third Wave’ of democratization in the late twentieth century, with the paradigm of ‘Democratic Transition’ following the collapse of communism.⁴ These visions were taken up with alacrity by Western aid agencies, and boosted dramatically upon the collapse of the Soviet Union. But more recently the contributions have turned in a decidedly negative direction, with writings about the End of the Third Wave, and the End of the Transition Paradigm.⁵

What was going on here? Samuel Huntington’s thesis all along was that advance of democracy in the world, from a first wave in the 19th century, to a second wave after the Second World War, and a third wave since the mid-1970s, was about a succession of long cycles of advances and partial reversals. Yet Larry Diamond concluded in 1996 that “liberal democracy has stopped expanding in the world.”

Indeed the average score—from quantitative ratings of the quality of democracy from 30 post-communist European and central Asian states—suggests a picture of the region stuck in transition with steady

⁴ Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, (University of Oklahoma Press, 1991); Guillermo O’Donnell and Philippe Schmitter, *Transitions from Authoritarian Regimes: Tentative Conclusions about Uncertain Democracies* (Baltimore, MD: Johns Hopkins University Press, 1986).

⁵ Larry Diamond, “Is the Third Wave Over?” *Journal of Democracy*, 7.3, 1996; Thomas Carothers, “The End of the Transition Paradigm,” *Journal of Democracy*, 13.1, 2002.

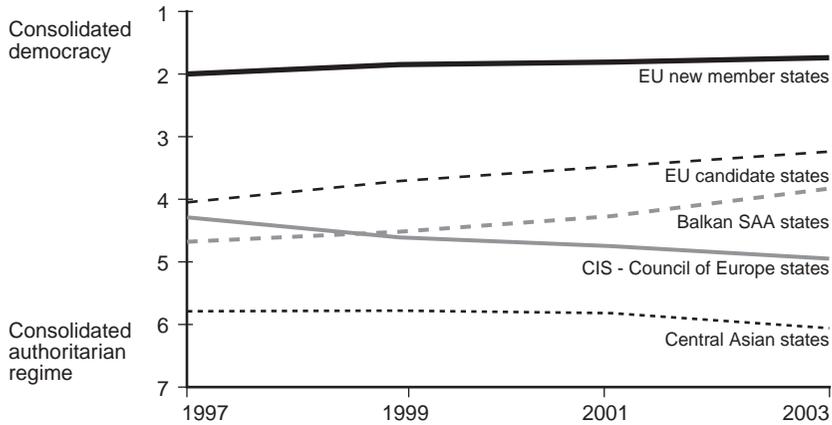
average scores of nearly 4 (see **Table 1** and Figure 1). This is a perfect example of nonsensical empiricism. There is no meaningful story in the average, since it hides two stories, as the three groups integrating with the EU (new member states, remaining candidates and Balkans) achieve high or rising scores, whereas the two other groups of CIS (European and central Asian CIS states) reveal poor and deteriorating trends. The ‘end of transition’ is indeed the story among these five groups of countries, but with some making the grade as real democracies, while others are back, or trending back into real authoritarianism, with no group left in transition limbo. Testifying to the alleged failure of the transition paradigm, there has been a proliferation of terminology, as political scientists tried to capture the essence of regimes that were neither full democracies, nor in transition, and were variously named to be ‘qualified,’ or ‘semi-,’ or ‘weak,’ or ‘illiberal,’ or ‘façade,’ or ‘pseudo,’ or ‘delegative’ democracies.

Table 1. Explanation of Scorecard

Democracy score	Regime type
1-2	Consolidated democracy
3	Semi-consolidated democracy
4	Transitional government or hybrid type
5	Semi-consolidated authoritarian regime
6-7	Consolidated authoritarian regime

Source: Freedom House (<http://www.freedomhouse.org>).

These writers were then singularly disarmed on the question of what the policymaker should now do. Yet these writings from the U.S. are missing an important explanatory variable, with strategic policy implications, both as a matter of theory and empirical evidence. The theory is the gravity model, and the empirical evidence is Europe. This is not to suggest extrapolating the European model to the rest of the world, which is hardly feasible. But it is to suggest that the European gravity model of democratization captures an essential feature of *fast track democratization*. Its presence or absence in the different continents of the world goes far in explaining success or failure in securing fast, deep and lasting democratization. In the absence of the gravity model factor, the processes of democratization are not lost or hopeless. They just take longer, maybe decades or generations, with indeed the now observable cycles and learning experiences of advance and retreat.

Figure 1. Democracy scores in Europe and Central Asia

The gravity model is a very simple and basic idea, and draws on its cousin theory in economics, which is already well established. In trade theory the gravity model explains different intensities of trade integration as a function of the size of GDP and proximity of the trade partners.⁶ These trade intensities can be either actual or potential. The actual and potential come close to each other when markets are entirely open, and indeed integrated into a single market. But if the markets are relatively closed, it is possible to show how much potential trade is foregone. There are a few major centers of trade gravity in the world, such as the EU and U.S.

The democracy gravity model may be described as follows.⁷ There are some centers of democratic gravity, meaning some big democracies that are references in the world. Again the EU and U.S. are the examples. The tendency for other states to converge on the democratic model of the center depends on the reputational quality and attractiveness of that democracy, its geographic and cultural-historical proximity and its openness to the periphery. Openness may be defined

⁶ The gravity model of trade theory is capable of formal specification and econometric estimation, as for example done for European transition countries in Daniel Gros and Alfred Steinherr, *Economic Transition in Central and Eastern Europe* (Cambridge: Cambridge University Press, 2004).

⁷ A more detailed presentation is given in M. Emerson and G. Noutcheva, *Europeanisation as a Gravity Model of Democratisation*, CEPS Working Document No. 214, originally prepared for a conference at Stanford University, organized by the Center for Democracy, Development and the Rule of Law, October 4-5, 2004.

first in terms of freedom for the movement of persons as determined by visa and migration rules, and, second and more deeply, by the opportunities for political integration of the periphery into the center. When political integration is in principle possible, the process can become one of conditionality. When the incentive is one of full political integration, the transitional conditionality can become extremely strong and intrusive, yet still democratically legitimate and therefore acceptable. The frontiers between the external and internal are being broken down, and the conclusion of the process—with recognition of full compliance with high standards of liberal democracy and full inclusion in the institutions of democratic governance—will be ratified, for example by popular referendum. Beyond such voting mechanisms is the underlying sense of common identity, relying on emotive, historical and cultural fields of gravitational attraction, where to be ‘joining Europe,’ or ‘rejoining Europe’ means something fundamental.

The economic and democracy gravity models can plausibly be set in motion to work alongside each other, and in the ideal case generate synergetic benefits. Gains from trade and inward investment may ease the politics of the democratic transition. The credibility of the ongoing democratic transition should enhance the quality and perceived reliability of the investment climate. This becomes then a double, interactive, politico-economic gravity model. The concept of transition is validated here, because it is a voyage to a known destination, and further strengthened by the notion of anchorage.

Something like this has manifestly been happening in contemporary Europe, and it concerns a significant number of states and mass of populations. Operations lying clearly within the European gravity field have so far been involving a group of 20 states with a total population of 250 million,⁸ which is to count only states that have either acceded to the EU from prior conditions of non-democracy or have the prospect of doing so. A further 16 states with a total population of 400 million people are being embraced by the European Neighborhood Policy, which seeks to extend the logic of Europeanization without the

⁸ Greece, Portugal, Spain, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Bulgaria, Romania, Turkey, Croatia, Albania, Bosnia, Macedonia, Serbia & Montenegro and Kosovo.

prospect of EU accession.⁹ (Summary statistics for the whole of the greater European neighborhood are given in **Table 2**).

Table 2. Summary Statistics of Wider Europe and its Neighborhood, 2001 data

	Number of states	Population (millions)	National income (\$ billions)
<i>Wider Europe</i>			
EU	25	450	8,500
EEA/EFTA & micro-states	8	12	433
EU candidates	3	96	219
Other South-East Europe, SAA states	5	24	43
European states of CIS	7	225	313
Non-recognised secessionist entities	4	3	
Total, Wider Europe	52	810	9,508
<i>Greater Middle East</i>			
Mediterranean	10	174	255
Gulf (GCC), Iraq, Iran	9	135	590
Central Asia, Afghanistan	6	83	41
Total, Greater Middle East	25	392	886
Total, Wider Europe and Greater Middle East	78	1,202	10,394

Whether the Neighborhood Policy can succeed in democratizing the outer European periphery is the important but unanswered question. However by comparison with these intermediate cases in the wider Europe, other continents seem to be light years away. Africa has no democratic political center of gravity, and the only references are the former colonial powers, who can hardly offer a base for integration. The only conceivable partial exception is in North Africa, and indeed here the European Neighborhood Policy tries to refreshen the Barcelona Process. Countries such as Morocco could conceivably find encouragement, if not anchorage, for progressive democratic reform from Europe.

⁹ Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, Ukraine, Morocco, Algeria, Libya, Egypt, Israel, Palestine, Lebanon, Syria and Jordan.

The Arab-Islamic Greater Middle East is the most dramatic example of a vast region that has no reference beyond the Koran and Shari'a law, nor a field of democratic gravity to enter. On the contrary, in fact, the magnetic impulses towards the West these days are more negative than positive. It has no leader amongst its midst. The U.S. has been the most powerful external actor, and is attempting now to promote the democratization of the region in the wake of the Iraq war, but as we know all too well, its reputation for this purpose has been seriously damaged. Europe edges into the Middle East with the accession candidature of Turkey and the Neighbourhood Policy. But it is nowhere near getting leverage on the Gulf.

Enter the European Neighborhood Policy

A familiar model of policy and systemic development in the EU is a three-stage process.

In a *first stage* an important idea emerges for a new EU policy. It enters political discourse and has resonance.

In a *second stage* the Commission responds to the invitation to make proposals in this new field. But there are inertial resistances in member states and the institutions limit the scope of these proposals to little more than gestures and wishful thinking.

However, since the original idea was important, it does not go away, and in due course the inadequacy of the first proposals becomes obvious and the political ground becomes ripe for a major initiative in the *third stage*.

Such was the experience of the EU with the single market, the monetary union and the regional and structural funds in the 1970s, 1980s and 1990s, until all of these cases matured into major actions, becoming part of the system.

The European Neighborhood Policy (ENP), like much of the would-be common foreign and security policy, is presently stuck in stage two at the level of actions lacking in critical mass.

The ENP began as the 'Wider Europe,' when some northern member states asked the Commission to make proposals to mitigate the exclusion effects of the imminent enlargement for Ukraine, Moldova

and Belarus. The Commission produced a first White Paper in May 2003,¹⁰ but not before some southern member states had argued that the Mediterranean neighbors should not be relatively disadvantaged by the new initiative. Therefore, Morocco, Tunisia, Jordan, Israel and the Palestinian territories were also included as target states. The substance of the proposal however was very thin. Russia was half in and half out, since its spokesmen had been stressing Russia's uniqueness and more precisely its own ambitions for its near abroad.

Nevertheless, the proposals were enough to make those excluded from the selected new neighbors feel even more excluded than before, especially the three South Caucasus states. The Commission's position became untenable after Saakashvili's 'Rose Revolution' in Georgia. In its second White Paper in May 2004, the territorial coverage was therefore extended to include not only the South Caucasus but also the remainder of the Mediterranean Arab states of the Barcelona Process. Russia remained half in and half out, with its foreign ministry now making explicitly negative speeches dismissing the whole idea as misconceived, saying in effect that it did not welcome this prospect of intensified competition for influence in the European CIS states.

The Commission's proposals of May 2004 announced forthcoming bilateral Action Plans for each partner country, with however an identical structure adopted for all the preliminary country reports, in which democracy and human rights were given first place. This structure would mean something significant of course for the Arab states. In September 2004, there followed proposals for a new European Neighborhood and Partnership Instrument (ENPI), which will finance cross-border projects between member states and the neighbors (see further below).

The first of the Action Plans were published in the fall of 2004. The outgoing Commission brought these draft plans to an advanced stage of preparation, but the Barroso Commission takes responsibility for their finalization. The draft documents for Ukraine and Moldova have been in circulation for some months in both the neighboring states and EU circles. They are of about 25 pages, listing hundreds of actions that the neighbor is expected to undertake—300 bulleted

¹⁰ For a complete listing of official documents of the European Commission on European Neighborhood Policy see http://europa.eu.int/comm/world/enp/document_en.htm.

points in the case of Ukraine. Those familiar with the enlargement negotiations and the regular monitoring reports drawn up by the Commission will recognize the origins of these Action Plans, with the same huge list of requirements to meet the Copenhagen political and economic criteria and much of the *acquis* of EU law. The work was indeed done by the Commission's Enlargement department.

However this comprehensive list of would-be obligations is not accompanied by the prospect of EU membership, even for the long term, which Ukraine has been asking for. The language of the EU's commitments is very vague and soft, such as working towards 'an increasingly close relationship' and 'further integration into European economic and social structures'. The Action Plans are to be jointly agreed documents. In the case of Ukraine, the Ukrainian side requested more forthcoming language on a possible future free trade agreement and visa facilitation. Ukraine was looking for a new contractual relationship, but only got as far as 'the advisability of any new contractual arrangements [could] be considered in due course'. The whole package is hardly looking like a plausible balance of obligations and incentives, or as leverage for a credible conditionality process.

For Moldova, Georgia and Armenia, however, the gap between expectations and prospects seems to be less wide. Moldova's first objective seems to be to gain recognition as a full partner in the regional mechanisms of southeast Europe. Georgia for its part is busy re-branding itself as a Black Sea state and therefore more European and less Caucasian. Armenia is interested in the same idea. For the Mediterranean states the proposed Action Plans for Morocco and Tunisia seem likely to be differentiated yet structurally similar. These countries are attracted to the idea of converging more closely on European standards, norms and even identity in a Euro-Mediterranean area. For Egypt on the other hand this approach seems less plausible.

The ENP is today lingering in the realm of stage two of the model described above. A big idea is supported by much paper diplomacy, extensive commitments expected of the partner states, yet only modest or vague ones from the EU side. This hardly looks like the motor of transformation and Europeanization. However the new Commission has the opportunity to recalibrate the proposals, and it not impossible to sketch a plausible design for how the ENP package might be given greater force.

The Wider Europe Matrix

How might one conceive a more credible ENP, or one that could graduate from stage two to stage three? Success would have to come through creating a sufficiently dense web of political, economic and societal links to gain leverage on the transformation of the partner states. How might one model or structure such a process? Figure 2 portrays a number of images of how the center may relate to the neighborhood.¹¹

Hub-and-spoke model: the center works out its relations with its neighbors bilaterally.

Cobweb model (or concentric circle model): the center seeks to simplify and order the system with the neighbors grouped according to their shorter or longer geographic/political distance from the center, with elements of multilateralism or standardization for each group.

Matrix model: this aligns in one axis the numerous policies that the centre may project into the neighborhood, together with the listing of states or regional groups in the other axis.

Rubik cube model: still these images are incomplete for the case where there is more than one powerful external actor. The situation where two or more external actors are present, each with its own external policy matrices, calls for the Rubik cube image. This is a complex puzzle that can be solved, but when the policy matrices are disordered or contradictory, solution is likely to be elusive.

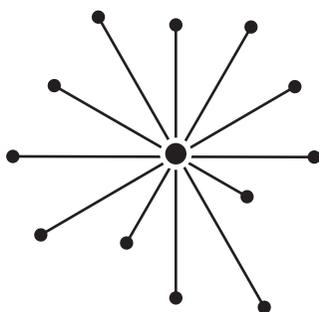
In practice, the EU has tended towards the cobweb (or concentric circle) model, both internally, for example with the euro and Schengen core groups internally, and externally with the EEA, the Mediterranean, Balkan and CIS groups externally, and with the wider circles also of the Council of Europe and the OSCE (Organization for Security and Cooperation in Europe).

As regards the policy domains of the matrix, these can be discussed at summary or detailed levels. Policymakers have tended to frame international cooperation in terms of three summary dimensions (political/economic/security as in the OSCE baskets), but seven more

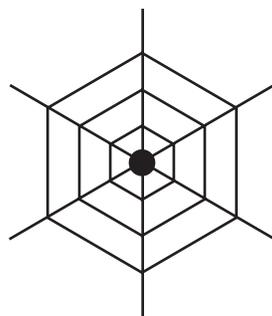
¹¹ For a fuller presentation, see M. Emerson, *The Wider Europe Matrix*, CEPS Paperback, Centre for European Policy Studies, Brussels, 2004.

specific policy areas emerge as being more operational where the EU attempts to develop common European policy spaces (listed in **Box 2**).

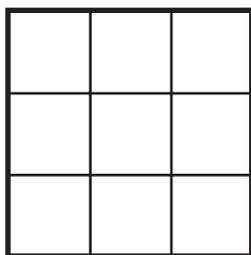
Figure 2. Model types for the organization of a complex region



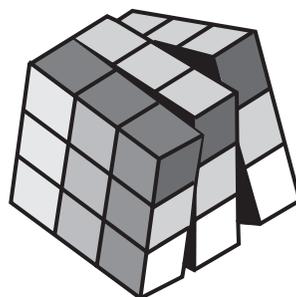
Hub-and-Spoke



Cobweb



Matrix



Rubik Cube

The U.S. maintains a powerful hub-and-spoke system of bilateral relations in every world region, but with a lesser emphasis on the multilateral features of the cobweb model. Russia seeks to maintain its own cobweb model for the CIS states and some sub-groups of them. The EU and U.S. matrices are reasonably in harmony in the wider Europe, but seriously discordant in the Greater Middle East. The Russian matrix in the CIS area is increasingly discordant with those of the EU and US. Of course where these matrices of the major powers are discordant, little success can be expected, unless one or the other withdraws from the arena, or changes its mind and decides to cooperate.

Box 2. Three common European policy ‘dimensions’ and seven ‘spaces’

A. Political and human dimension

1. Democracy and human rights
2. Education, culture and research

B. Economic dimension

3. Economic area (for external trade and internal market regulations)
4. Monetary and macroeconomic area (euro and macroeconomic policy)
5. Economic infrastructure and network area (transport, telecommunications, energy and environment)

C. Security dimension

6. Justice and home affairs
7. External and security policies

These schemas offer a framework in which to reflect on how the ENP might be given stronger substance, structure and credibility. Each of the seven policy spaces offers possibilities for varying degrees of inclusion of the neighbours, or their association with the policies of the EU. These are now reviewed briefly with an eye on how the offer of the EU to its neighbors might be strengthened. The matrix presented in Table A.1 gives an idea of the size and complexity of the task of fully specifying the neighbourhood policy in all its dimensions.

For *democracy and human rights*, the starting point is remarkably favorable at least for the European neighbors, given that they are all members of the Council of Europe and accept the jurisdiction of its Conventions and Court of Human Rights exist already for the whole of Europe. This means that fundamental values are officially shared and co-owned. The EU has developed cooperation programs with the Council of Europe, yet it could help upgrade the prestige and work of the Council of Europe with more financial resources and more explicit political support. Also for the Mediterranean countries there could be possibilities for the most progressive states, such as Morocco, to begin to accede to the Council of Europe as an associate member,

progressively signing on to the human rights conventions. This is an idea that might be considered in May 2005 when the Council of Europe will hold a summit meeting, at which the future of the organization will be under review in the new context of the enlarged EU and its ENP initiative.

For the *education, culture and research* sector, the starting point is also relatively favorable, since the EU has opened many of its programs to non-member states. Here too the Council of Europe sponsors the Bologna process for the improvement and mutual recognition of educational standards in the whole of Europe. The education programs of cooperation with the neighbors should in particular be unconditional (the young people of Belarus deserve all possible opportunities).

For the *economic area* (for external trade and internal market regulations), there is a well-established hierarchy of trade and market regimes relevant for the Wider Europe:

- membership in the World Trade Organization (WTO)
- asymmetric trade preferences
- regional free trade, with zero tariffs and common rules of origin
- customs union, with common external tariffs
- single market, where internal market regulations are harmonized.

However there is presently a huge confusion of concepts, terminology and policies. The existing European Economic Area (EEA) adds Norway, Iceland and Liechtenstein to the EU single market. The European Free Trade Area (EFTA) is today reduced to EU-Swiss bilateral trade, with Switzerland having negotiated also a set of sectoral agreements giving partial access to the EU's single market. Turkey and the EU have gone further ahead in forming a customs union. This model could be of interest to other trade partners, especially the states of southeast Europe, ahead of EU accession, which for the time being are negotiating together a matrix of bilateral free trade agreements. The Common European Economic Space (CEES) is the name given to bilateral discussions between the EU and Russia over a

loosely defined agenda of trade and market policy issues, without even mentioning the idea of tariff-free trade. Yet at a CIS summit in Yalta in September 2003, Russia also announced a new Single Economic Space, consisting of Belarus, Kazakhstan, Russia and Ukraine. The EU has embarked on free trade agreements with the Mediterranean partner states of the Barcelona process, and is also negotiating a multi-lateral free trade agreement with the six states of the Gulf Cooperation Council (GCC), which have themselves created a customs union.

How might these multiple systems and ideas be rationalized? One proposition could be to design a Pan-European Free Trade Area (PEFTA). This would couple multilateral tariff-free trade with common adoption of the pan-European rules of origin, and could be an open-ended option for any country of the neighborhood to join at some stage. For non-tariff barriers and single market regulation the EU could propose a long-term process of progressive extension of the EU single market for ENP partners. Official documents of the EU already talk vaguely of this, but the possible options are not yet worked out at all concretely. In essence the task would be to design a modular and multi-stage approach to single market harmonization and mutual recognition, identifying steps that would initially deliver advantages without excessive burdens of harmonization. There is here a choice of policy to be made, at least for a number of years ahead, between prioritizing a multilateral pan-European system, versus offering incentives for trade liberalization on a bilateral basis. For example Commissioner Lamy ended his term of office at the Commission in October 2004 by offering to developing countries an augmented system of trade preferences conditioned on commitments to political, social and environmental standards. The EU maintains still serious hindrances to certain exports from neighboring countries, notably for agricultural produce and through severe anti-dumping measures. It could here make some 'quick start' proposals for liberalization.

Economic aid and the euro. The euro could become one of the most potent unifying factors of the Wider Europe, progressively displacing the dollar as parallel currency for trade and private savings, apart from widening euro-ization. The euro as predominant and completely convertible currency of Europe will know no frontiers in the European neighborhood, at least in the private sector. There is already a well-

identified hierarchy of monetary regimes relative to the euro: currencies floating freely against the euro, currencies semi-pegged against the euro, currencies rigidly pegged to the euro with the aid of currency board regimes (Estonia, Bulgaria, Bosnia), micro-states that are fully euroized (Andorra, Monaco, San Marino and Vatican) and some sub-state entities that are also fully euroized (Montenegro and Kosovo). Some of the micro states (Monaco, San Marino) have also been authorized by the EU to issue their own euro coins as collectors' items, compensating for the loss of bank note seigniorage.

In the Americas there have been some positive examples of dollarization, including Panama and Ecuador.

Yet EU finance ministers (in euro formation) as well as the European Central Bank could become more open and constructive in the positions they adopt towards the newly acceding member states as well as to ENP partners. The EU has for the moment adopted an 'exclusive' rather than 'inclusive' doctrine. The argument about the optimal timing for accession to the eurozone remains a matter of balancing costs and benefits. There is no presumption that all of Europe should adopt the euro as fast as possible, especially during the transition process of the former communist economies, but nor is it necessary to adopt a policy of exclusivity.

Economic aid. The EU has a comprehensive set of economic aid instruments, which it now proposes to simplify into four main instruments, one of which will be the European Neighborhood and Partnership Instrument (ENPI). This would replace the existing aid programs for the Mediterranean and CIS states (Meda and Tacis).¹² A detailed legislative proposal for the ENPI has been published.¹³

The statistics of aid commitments over the period 1995 to 2002 speak for the relative prioritization of the various regions of the neighborhood, as summarized in Table 2 for the several regional groups identified for policy purposes:

¹² Commission Communication on the Instruments for External Assistance under the Future Financial Perspective 2007-2013, COM(2004)626 final, 29 September 2004.

¹³ Commission proposal for a Regulation laying down general provisions establishing a European neighbourhood and partnership Instrument, COM(2004)628 final, 29 September 2004.

Table 3. Development Assistance Receipts per capita in the European Neighborhood, 1995-2002

Region	Aid per capita
Balkans (SAA states of former Yugoslavia and Albania)	€246
Mediterranean (South and East Mediterranean)	€23
European CIS	€9
Central Asian CIS	€4
Gulf states	€0

Two explanatory factors seem to stand out: first the proximity of the region to the core of the EU, and second to need for post-conflict reconstruction and rehabilitation. Thus the former Yugoslavia scores extremely high with €246. The Mediterranean partners receive on average only one-tenth this amount, the European CIS states half as much again, and the Central Asian CIS, a further half as much again, with the rich Gulf states coming unsurprisingly last at absolute zero.

For the ENPI the Commission is proposing a total commitment of budgetary grant funds of €14,029 million for the period 2007 to 2013. For perspective, this total amount is planned to be distributed over time with a progressive increase from a starting point, which would be what the Meda and Tacis programs are planned to be spending in 2006. This total for ENPI would rise to an amount in 2013 that would represent the double of the 2006 starting point. Additional loan funds would be available from the European Investment Bank. While the volume of EIB lending is not quantified in advance, one may note that in various regions of its operations the EIB contributes loan amounts on about the same scale as the EU budget grants. While the amounts proposed for the ENPI are much less than for accession candidate states, they are for more than token amounts. However these are still only Commission proposals. Hard negotiations with member states over the entire EU budget for the period 2007 to 2013 are in prospect for the next two years, with several member states setting out to reduce the Commission's proposals substantially. Yet the EU could already make a 'quick start' proposal, by inviting the neighbors already to start preparing cross-border cooperative projects for feasibility studies with a view to future financing.

Infrastructure networks. Planning is already underway for the Pan-European Transport Network, sponsored by the Pan-European Conference of Transport Ministers. This has resulted in a coherent

transport map of the Wider Europe with 10 corridors for road and/or rail routes. These corridors extend to the east from the EU-15, though the new member states to Russia, Ukraine, Belarus, Moldova and the Balkans. The planning maps link also across the Black Sea to the Traceca network that through the Caucasus to Central Asia. Once identified in the planning maps, work goes ahead with detailed project preparation with the participation of the EU, EIB and EBRD for investment financing. EU financing for these corridors come from a host of different EU instruments, all with different rules, which makes coordination difficult. The ENPI usefully aims to rationalize these administrative complications.

The Transport Department of the Commission has recently initiated consultations with the neighborhood states on how to best to extend the pan-European corridors beyond the EU member and candidate states into the neighborhood states. These consultations are being organized by five sub-regions of the neighborhood: Eastern Europe, Black Sea, Balkans, West and East Mediterranean. Coupled to the proposed funding from the ENPI and the European Investment Bank resources, this initiative could be a model case for several departments of the Commission—on how to fill out the cells of the matrix.

Energy. The main attempt to create a pan-European energy organization has been the European Energy Charter initiative, resulting in the Energy Charter Treaty of 2000. This was initially an ambitious yet vague idea, launched in 1995 by the then Dutch Prime Minister Ruud Lubbers. The general idea was to cement together the interests of the EU and Russia in the energy sector. At the level of policy content, the Energy Charter Treaty largely defers to the WTO for the rules of trade. However it seeks to improve the conditions for investment and transit of oil and gas. The draft transit protocol seeks to regulate the conditions for pipeline transit, with major examples being the routing of Russian supplies through Ukraine, Caspian supplies through the Caucasus, and of Gulf supplies across to Mediterranean or Red Sea ports. Russia is expected to sign the transit protocol after long hesitations and internal divisions of interest, which would become however legally binding only after ratification of the Energy Charter Treaty itself. Ukraine and the Caucasus states have ratified the treaty and will sign the transit protocol.

Major gas and oil pipeline investments are currently underway or planned, both from North-West Russia and in the Caspian, Black Sea and Middle East regions, which together have a significant bearing on the security of energy supplies of the EU.¹⁴ The Commission could well convene working groups of interested parties along the lines of the Transport model, and without prejudicing the main decision-making responsibilities of the oil and gas enterprises, consider implications for policy objectives and possibilities for supporting actions. This is already the kind of activity engaged under the EU-Russia energy dialogue, but this is lacking for other regions such as the Black Sea and Caspian Sea.

Regional energy networks, for example for electricity, also figure on the agenda of the natural geographic regions. The Baltic Sea and Black Seas have agendas for electricity ring integration, which the Baltic states have advanced faster so far than the Black Sea states.

Environment. On global warming the EU's main concern has been to draw Russia into the Kyoto Protocol, since Russia is both a major polluter by global standards, and also banker of very large CO₂ savings accumulated during the 1990s, which can enter into global emissions trading schemes. In fact Russia has announced in October 2004 that it intends to ratify Kyoto. Ukraine is the next most important partner for the same reasons. Similarly for nuclear safety Russia holds the largest stock of dangerous materials, including the rusting nuclear submarines of the Murmansk area. A major cooperation agreement in this field was signed in May 2003 between Russia, the EU, Norway and the U.S.

Environmental policy has also its natural regional aspects, notably for river basins and regional seas that know no political borders. The Barents, Baltic, Black, Caspian and Mediterranean Seas thus all see significant environmental programs, as also do some major river basins, for example the Danube and Rhine.

Justice and home affairs. This complex agenda is already prominent in all ENP policy documents and action plans, with rules for visas, asylum, migration, re-admission, cooperation over cross-border crime

¹⁴ For a detailed review of oil and gas pipeline plans and options, see J. Roberts, *The Turkish Gate—Energy Transit and Security Issues*, EU-Turkey Working Paper No. 11, Centre for European Policy Studies, Brussels, 2004 (available at www.ceps.be).

etc. The open question is whether the EU and its neighbours are going to find constructive solutions to the inherent contradiction between open and secure borders. Visa regimes are one of the acid tests. Two case examples offer insights into the issue of compliance with Schengen rules—by Poland and Turkey.

Initially, when Poland introduced visas for Ukrainian visitors in 2002 the number of border crossings was literally decimated. Since then Poland has improved its consular facilities in Ukraine and exploits degrees of flexibility allowed within Schengen rules. Apparently this has led to a great improvement. However it is not clear whether Poland would under present Schengen policies be able to maintain this facilitated regime when it becomes fully part of the Schengen area, i.e. with suppression of the German-Polish border controls.

For Turkey, assuming that accession negotiations open in 2005, there will be the question how and when it becomes Schengen-compliant with respect to the huge number of Russian, Ukrainian and other CIS nationals that enter Turkey each year (currently about 2 million). As argued in detail elsewhere,¹⁵ there is a serious case for Turkey retaining a variant of its present facilitated regime of granting visas at the port of entry, rather than heavy procedures through Turkish consulates, at least until Turkey's full accession to the EU and the Schengen system. For the EU to push Turkey into early rigid Schengen compliance would have a highly negative impact in relation to the objectives of the ENP.

There is also the problem of extraordinarily heavy visa procedures on the part of some original Schengen states, where access to the EU for even the most obviously desirable visitors such as academics for conferences and students for internships becomes a costly and humiliating bureaucratic nightmare. The widespread comment of many visitors to the EU from neighbouring countries is that Belgium has acquired a reputation for being among the most difficult Schengen states for the issue of visas. This is a serious matter, given Brussels' role as capital state and hub of EU activity, and integral part of the

¹⁵ K. Dervis, M. Emerson, D. Gros and S. Ulgen, *The European Transformation of Modern Turkey*, CEPS Paperback, Centre for European Policy Studies, Brussels, 2004 (available at www.ceps.be).

political reputation of the EU. Glaring failures of intra-Schengen cooperation remain to be corrected, such as the apparent impossibility of Moldovan citizens to obtain a visa to visit Belgium without travelling to Bucharest several times, since Belgium has no consulate in Moldova, and is apparently unable so far to make a cooperation agreement with a Schengen state such as Germany that does have a consulate there. The ENP initiative should be reason enough to review these shortcomings.

A major challenge for the EU policymaker is to work out an operational schema of incentives and conditions for neighboring states for progressing in relaxation of visa restrictions. Here too there should be offered a 'quick start' package of visa facilitation measures for certain categories of applicants such as students and participants in European programmes. A more fundamental issue is whether the time may now be approaching for an easing of immigration rules, motivated both by the looming demographic deficit and the case for open neighbourly relations.

External security. The EU and Russia have drawn up a reasonable sounding agenda together for their so-called common space for external security: cross-border crime, terrorism, weapons of mass destruction, crisis management and conflict prevention/resolution. This can equally well be the agenda for the ENP. The EU does progress in the organization and operating experience of its military and policing missions. However politically the EU still fails to act at the level of its rhetoric, especially regarding the unresolved secessionist conflicts of its neighbourhood in the Caucasus, Moldova and even at home in Cyprus. The EU appoints various special representatives, as for the Caucasus, but does not at the same time rationalise its participation in (enduringly unsuccessful) mediation missions of the UN and OSCE, where various member states are the would-be actors. The EU could do a lot for the credibility of its role as conflict solving actor if it showed more resolve on the substance and clearer representation, rather than being mostly just a doctrinal commentator on the sides.¹⁶

¹⁶These issues are discussed in depth in B. Coppieters, M. Emerson et al., *Europeanisation and Conflict Resolution—Case Studies from the European Periphery* (Ghent: Academia Press, 2004).

Regional dimensions. Standard doctrine of the EU favours regional cooperation, and explicitly so in the context of the ENP where geographical and historical regions cross the borders of member and non-member states. Important regional initiatives have been undertaken in the Baltic Sea region and Northern Dimension as well as for the Mediterranean with the Barcelona process. However there is now one glaring region of neglect by the EU, the Black Sea. The time has manifestly come for a European Black Sea Dimension, given that all the littoral states are now either EU accession candidates or ENP target states. At issue is whether Russia would cooperate with an initiative to put EU resources and political energy behind the existing Black Sea Economic Cooperation organization (BSEC). Russia seems to oppose such an idea, yet Russia was also initially unenthusiastic about the Northern Dimension when proposed by Finland. The EU could make a start by taking up an old proposal for it to accept observer status or full membership in BSEC, and by inviting the preparation of proposals from either or both Black Sea states or BSEC for financing by its future new neighbourhood financial instrument. Russia would then have to decide whether it preferred to block EU participation in BSEC, or see the development of Black Sea initiatives outside BSEC, which would further weaken the value of that organization.

Institutional dimensions. President Prodi once said regarding Ukraine and neighborhood policy “everything but the institutions.” This position was unnecessarily categorical and restrictive. The ENP is all about political socialization. The EU’s capacity for further enlargement will remain stretched to the limit for many years. This makes it particularly relevant to consider whether or where there may be useful possibilities for partial inclusion of the most advanced neighbors in various institutional arrangements, starting with technical bodies such as some of the EU agencies (e.g. European Environment Agency, or standards bodies), which is in fact now suggested in the ENP policy documents, already correcting Prodi’s unfortunately memorable phrase. Such ideas for partial institutional inclusion may be considered also for consultative and political institutions, such as for observer status in the Economic and Social Committee, the Committee of the Regions, and in the most advanced cases in foreign and security policy bodies and even the European Parliament. A menu and hierarchy of such possibilities could be established, amounting in the most advanced cases to a category of ‘virtual mem-

bership' of the EU. A task for the Commission is to work out a schema of conditions that would govern the opening of various institutional links.

Finally there remains the question of principle whether the EU is authorized to tell European countries that they have no perspectives of accession to the EU, when its own founding Treaties and future Constitution says that all European democracies are eligible. This is also a question of practical policy judgement, in view of the likely motivational effects on the neighbors. The Treaties and Constitution do not authorize the negative position presently being adopted by the Commission, which is backed on this by many but not all member states. The fact that the EU of 25 (or soon 27, 28 etc) member states is stretched to the limits of its absorptive capacity is hardly contested. It will take many years for the still enlarging EU to settle down. But if the institutions and member states do come to terms with decision making in such a large group it means that the EU will have transformed itself institutionally. It would have made the qualitative jump to viability on a new scale. In this case the further enlargement to a few more of the European neighbours may cease to be such an issue. In any case the absorptive capacity of the EU remains one of the Copenhagen criteria for agreeing further enlargement. In the meantime there is no reason to place a big political negative on the balance sheet of incentives versus obligations of the ENP.

Coordination and incentives. The foregoing review of policy, regional and institutional questions show that there is a rich potential for the ENP to become significantly operational. The instruments of possible action are in fact so numerous that they pose major issues of coordination, coherence and exploitation of potential synergies. How to proceed? The incoming Commission could decide that every department with responsibility for one or other of the policy spaces be instructed to draw up its own ENP white or green paper on possible offers for inclusion of the ENP states in their field of action. In fact this amounts to most of the major departments of the Commission, certainly including External Relations, Trade, Single Market, Economics and Finance, Justice and Home Affairs, Transport, Energy, Environment, Regional Policy, Education and Research. Already there are some initiatives that go in this direction (as in the case of transport, reported above).

Conditionality and socialization. It is so far unclear whether the EU intends to pursue a policy of conditionality with the ENP, and if so of what kind. The official documents are suggesting that the degree of integration with the EU and its policies will depend on the capacities and behaviour of the individual neighbours. However the criteria and the related incentives are not clear at all. It has been suggested that there should be a policy of 'positive conditionality', meaning no penalties for poor performance but additional benefits for good performance. Key incentives that the EU could offer conditionally include trade concessions, financial aid and openness for the movement of people. But there remain open issues whether such offers would be conditioned specifically within the sector concerned (i.e. within the trade, economic policy or visa policy boxes) or more broadly in relation to political standards of democracy and human rights. The trends in both the EU and U.S. seem now to head in the direction of positive conditionality that can up to a degree be 'out of the box', and relate to political objectives.

The issue of coherence of EU and U.S. policies in the neighborhood becomes itself a major issue, most importantly for the Mediterranean and Middle East. Aside from the huge discord over Iraq, there seem to be increasing opportunities for coordination between the EU and US over the way in which trade and aid policies are now being framed. This could be vital for getting a critical and coherent mass of perceived incentives, sufficient to achieve 'transformative' leverage on the target states. The idea of conditionality, however, is extremely difficult to apply efficiently, and especially so with respect to political reforms and human rights, even in the most egregious cases of pariah states where sanctions may be decided. If conditionality is only weakly or hesitantly deployed the system has to rely on the alternative socialization paradigm, where changes in the behaviour of the partner state come voluntarily as a result of close proximity and interaction.

The EU's Newest Resources

Could the EU's new resources, in its new member states and peoples, become a real asset in developing an effective neighbourhood policy? Now that the new member states have achieved their priority goal of accession, there emerge signs of fresh political energies.

The first example to become noticeable has been Poland's support for an important neighborhood policy towards the northern neighbours in general, and Ukraine in particular. Poland has voiced its view that the perspective of membership, albeit for the long term, should not be excluded, on the grounds that this is the only mega-incentive that the EU has to offer, which might have strategic leverage on Ukraine. With Yushchenko's victory and a leadership credibly committed to European integration, unlike Kuchma's regime, this issue is back on the table. At least the kind of partial institutional possibilities sketched above would merit consideration, as part of a more vigorous ENP.

A second example has emerged in the shape of a 3+3 initiative between the three new Baltic member states and the three South Caucasus states. The idea has easily caught on, of two groups of comparably sized former Soviet republics, with much therefore in common including not least Russian language skills, yet a huge difference in experience. The one group has achieved its political and economic transition to European and Western standards with EU and NATO accession, the other is still mired in failed transition experiences without integration into the main Western structures. Reinforcing earlier meetings of foreign ministers, President Saakashvili visited the Baltic states in October 2004. A coordinating office is established in the Georgian embassy to Lithuania, implying a degree of leadership for the process by these two states. The three Baltic states have selected specialized fields of cooperation with Georgia: police cooperation for Estonia, transition strategy for Lithuania, and conflict resolution and prevention for Latvia.

A third example arises with Greece's forthcoming presidency of the Black Sea Economic Cooperation (BSEC) organisation from November 2004 to April 2005. Greece is announcing its intention to launch a new impetus for the EU to become more seriously engaged in the Black Sea, given the obvious momentum for this created by the forthcoming enlargement with Bulgaria and Romania, and negotiations with Turkey.

This leads to the fourth example, which concerns the potential role of Turkey as asset for the EU's foreign and security policies more generally. While the Black Sea is one obvious theater of operation, looking ahead it is plausible that Turkey's own neighborhood will come to be viewed as the EU's wider neighborhood, thus embracing the whole

of the Middle East and Central Asia as well. The huge importance and difficulties of these tormented regions for Europe's security prompt the idea that the EU should invite Turkey, as soon as its accession negotiations begin in 2005, to integrate with EU common foreign and security policies as a virtual member (e.g. participation in all the policy making bodies, yet without a vote before full membership).¹⁷

The pattern emerging is that the new member states become special friends and mentors of selected neighborhood partner states or regions. The new member states have also of course their special historical relationship with Russia, and the activism of the new member states in the CIS states will not go unnoticed in Moscow. A collateral advantage of these foregoing initiatives would be if it helped forward the process of Russia coming to terms with the new realities in what it calls its near abroad, and to look for constructive cooperation, rather than competition with overtones of pressurisation. The Russian policy maker is essentially realistic and pragmatic, and may come to see the attractions of the old adage "if you can't beat them, join them."

In the end it is ideas that count. The new member states have taken to the idea of democracy and Europeanization more widely. While Russia is currently de-democratizing, the unease of the Russian people and intelligentsia becomes more vocal.¹⁸ These tendencies have not gone unnoticed in the rest of the CIS area, and are surely part of the background to increasingly European tendencies in Moldova, Georgia and Armenia (but not Azerbaijan),¹⁹ with the results of the Ukrainian election to provide a further observation in this regard. The message from the new member states of the EU thus has a rich resonance, and in turn feeds into the plausibility of an EU neighborhood policy.

¹⁷ These ideas have been developed in some detail in M. Emerson and N. Tocci, *Turkey as Bridgehead and Spearhead—Integrating EU and Turkish Foreign Policy*, EU-Turkey Working Paper No. 1, Centre for European Policy Studies, Brussels (available on www.ceps.be or in *Turkish Political Quarterly*, Vol. 3, No. 3, Fall 2004).

¹⁸ For example the debate now triggered in Russia by Elena Tregubova's new book *Proshanie Kremlienskovo Diggera* (Farewell of a Kremlin Digger), which mounts a devastating critique of the currently de-democratizing regime and of the resulting political corruption and intellectual oppression of business leaders, public servants and journalists.

¹⁹ A recent poll in Armenia gave 72% of the population declaring that their country's future lay with the EU (www.ankam.org). Azerbaijan meanwhile heads back into the Central Asian political model, with the high court on 22 October sentencing seven leaders of opposition political parties to imprisonment for 3 to 5 years (Ankam-Caucasus).

Conclusions

The EU's existential dilemma is the apparent choice between over-extending the enlargement process to the point of destroying its own governability, versus denying one of its founding values to be open to all European democracies, and risking generating negative effects from the exclusion of countries in its neighbourhood. These unintended effects could amount to the aggravation of political and societal instability, leading on into the menu of security hazards that are already so real (terrorism, trafficking, weapons of mass destruction, trans-border crime, illegal migration, etc.).

The emerging ENP seeks to find a way between the two horns of the dilemma. It draws inspiration from the impressive transformation of the new member states that have been under the influence of EU conditionality and socialization processes. However it tries to replicate the comprehensive reform and harmonization agenda of the enlargement negotiations with the new neighbors, while at the same time underlining that the ENP does not lead to membership perspectives, or the opening of accession negotiations.

As a result the ENP starts out with a conspicuous imbalance between the obligations and commitments of the two sides and therefore a lack of credibility. This is reminiscent of a familiar three-stage model of EU policy development. In the first stage an important idea is introduced into EU political discourse. This has been achieved for the ENP. In a second stage the Commission is induced to make policy proposals, but these are severely constrained by inertial factors in the EU's political and institutional structures, with the proposed instruments nowhere near matching the announced objectives. The ENP has now passed on to this second stage, but it remains to a degree only token or paper action and wishful thinking. However the underlying idea is still an important one, and so the ground may be prepared for realisation that a more powerful policy will be required, thus a stage three when the instruments of policy gain credibility in substance and in relation to the announced objectives.

It is suggested that a move to stage three could be made with action under seven headings:

- Articulation of a more substantial and comprehensive set of common European policy spaces, requiring strong direction

and coordination across the many relevant departments of the Commission from President Barroso;

- Further initiatives for natural regions overlapping member states and the neighbours, notably now for the Black Sea region which, unlike the Baltic and Mediterranean seas, has so far been neglected;
- Encouragement and support for emerging initiatives by new member states to ‘mentor’ chosen partners among the neighbours;
- Openings for partial institutional inclusion of the neighbours, going in the direction of ‘virtual membership’ for the most advanced cases;
- Confirmation that the EU remains in principle open to all European democracies;
- Coordinated policies of positive conditionality in trade and aid policies of the EU and US, especially for the Mediterranean and (once violence subsides) the Middle East;
- A set of ‘quick start’ measures, for example in the fields of trade liberalization, visa facilitation and the project preparation for the new financial instrument, in order to give greater credibility to the new policy.

These initiatives could complement the proposed Action Plans and render them more credible by correcting the imbalance so far between the obligations demanded of the neighbours on the one hand, compared to the commitments and incentives offered by the EU, on the other. To move in this direction offers an obvious opportunity for the new Barroso Commission to take an early initiative. The recent deferral of publication of the Action Plans by the outgoing Commission to leave finalization to its successor puts this opportunity right onto his plate. The new ENP is a relatively tractable policy domain for the Commission and EU institutions as a whole, and therefore attractive for real prioritization. It compares favorably in this regard with the so-called ‘Lisbon agenda’ for improving the competitiveness of the EU economy, which has shown itself to offer only modest scope for action at the EU level.

Table A.1. Simplified Matrix of the Wider Europe and its Neighborhood

	Political & human dimension		Economic dimension			Security dimension	
	Democracy & human rights	Education culture & research	European economic area	European monetary area	European infrastructure & network area	Freedom security & justice	Cooperation in external security
<i>Wider Europe</i>							
1. EEA/EFTA							
2. Accession candidates							
3. Balkans (SAA states)							
4. European CIS states							
4a. Russia							
4b. Bel/Ukr/Mold							
4b. Caucasus							
<i>Greater Middle East</i>							
5. Mediterranean							
5a. Maghreb							
5b. Mashrek							
6. Gulf (GCC), Iraq, Iran							
7. Central Asia, Afghan.							
<i>Pan-European areas</i>							
8. Council of Europe							
9. OSCE, EBRD, NATO							
<i>Overlapping regions</i>							
10. Baltic Sea							
11. Black Sea							
12. Mediterranean Sea							

References

- Carothers, Thomas (2002), "The End of the Transition Paradigm," *Journal of Democracy*, 13.1.
- Coppieters, B., M. Emerson, T. Kovziridse, G. Noutcheva, N. Tocci and M. Vahl (2004), *Europeanisation and Conflict Resolution: Case Studies from the European Periphery*, Ghent: Academia Press.
- Dervis, K., M. Emerson, D. Gros and S. Ulgen (2004), *The European Transformation of Modern Turkey*, CEPS Paperback, Centre for European Policy Studies, Brussels (available at www.ceps.be).
- Diamond, Larry (2002), "Is the Third Wave Over?," *Journal of Democracy*, 7.3.
- Emerson, M. (2004), *The Wider Europe Matrix*, CEPS Paperback, Centre for European Policy Studies, Brussels.
- Emerson, M. and G. Noutcheva (2004), *Europeanisation as a Gravity Model of Democratisation*, CEPS Working Document No. 214, Centre for European Policy Studies, Brussels (available on www.ceps.be) originally prepared for a conference at Stanford University, organised by the Centre for Democracy, Development and the Rule of Law, 4-5 October.
- Emerson, M. and N. Tocci (2004), *Turkey as Bridgehead and Spearhead—Integrating EU and Turkish Foreign Policy*, EU-Turkey Working Paper No. 1, Centre for European Policy Studies, Brussels (available on www.ceps.be or in *Turkish Political Quarterly*, Vol. 3, No. 3, Fall).
- European Commission (2004), Communication on the Instruments for External Assistance under the Future Financial Perspective 2007-2013, COM(2004)626 final, 29 September.
- European Commission (2004), Proposal for a Regulation laying down general provisions establishing a European neighbourhood and partnership Instrument, COM(2004)628 final, 29 September.
- Gros, Daniel and Alfred Steinherr (2004), *Economic Transition in Central and Eastern Europe*, Cambridge: Cambridge University Press.

- Huntington, Samuel (1991), *The Third Wave: Democratization in the Late Twentieth Century*, University of Oklahoma Press.
- Noutcheva, G., N. Tocci, T. Kovziridze et al. (2004), "Europeanisation and Conflict Resolution: Theories and Paradigms," in B. Coppieters, M. Emerson, T. Kovziridse, G. Noutcheva, N. Tocci and M. Vahl, *Europeanisation and Conflict Resolution: Case Studies from the European Periphery*, Ghent: Academia Press.
- O'Donnell, Guillermo and Philippe Schmitter (1986), *Transitions from Authoritarian Regimes: Tentative Conclusions about Uncertain Democracies*, Baltimore, MD: Johns Hopkins University Press.
- Roberts, J. (2004), *The Turkish Gate—Energy Transit and Security Issues*, EU-Turkey Working Paper No. 11, Centre for European Policy Studies, Brussels (available at www.ceps.be).
- Tregubova, Elena, *Proshanie Kremlienskovo Diggera* (Farewell of a Kremlin Digger) Moscow, 2004).

Chapter 16

Russia as Europe's Neighbor: Strategic Challenges of Economic and Political Development

Yegor Gaidar

I will focus on two subjects pertinent to the theme of Europe's new frontiers. One is new borders and the other is what it means to be neighbors.

School geography lessons teach us that Russia's European part is by far the biggest European country, in terms of both population and size. Regretfully, the concept of Europe has never been solely about geography. Rather, Europe has always been about institutions and traditions, and more specifically, Greek- and Latin-type institutions and traditions, consequently rearranged and presented as the "European tradition." A closer look from the perspective of Europe's eastern borders allows one to note that this tradition has fluctuated enormously over past centuries. Roughly as early as in the 12th century, Russia evidently was a European country, albeit a relatively backward one. Even a cursory comparison of Russian Common Law and German Common Law reveals close similarities. The management of prominent Russian trading cities at the time was likewise under the strong influence of northern Europe.

Studies into the history of Russia between the 15th and 17th centuries provide evidence that European observers regarded the country as lying beyond Europe, which can be attributed to the "diversion" of the Mongolian conquest and the borrowing of oriental institutions between the 13th and 16th centuries.

Between the early 18th century and the early 20th century Russia was increasingly starting to become a European country. In the early 20th century it evidently grew to become a part of Europe, albeit lagging behind its leading nations. In short, Russia's history in the second millennium exemplifies a catch-up-with-Europe development.

Much international debate over recent years has centered on provocative and positive ideas regarding the integration into European structures of countries such as Turkey, Ukraine, Belarus or even the Transcaucasus, which speaking strictly geographically, is not Europe. From this one may draw the conclusion that the “European perspective” lies within two clearly set borders—the Atlantic to the west and Russia’s eastern border to the east.

This is reality. It does not mean that I like it. For years, I was keen to make Russia a candidate for Europe. But we have to face reality. While there is much debate about Russia’s strategic opportunity to become in some far-off decade a member of the European Union, Europeans have never considered this as a serious political option.

The usual reason given is that Russia is too big, which of course is a politically realistic answer. But it means admitting that we are neither potential members of the club nor potential members of the family. Instead, we are neighbors. This concept compels us to try to establish a good working relationship with our European neighbors.

What are the consequences of this quite different concept vis-à-vis the concept Europe has advanced with those nations now considered to be new members, candidates for membership, or at least potential partners for accession negotiations?

First, it has proved impossible for Russian reformers to use the nominal anchor of Europe to ensure stability of our democratic institutions characteristic of EU members or potential EU candidates. The ultimate goal of potential EU membership has been a major asset to reformers engaged in advancing democratic reforms. To cite a particular example, in one country that has recently joined the EU, some populist politicians provoked a vigorous debate about the restoration of capital punishment; it was only EU policy that put an end to the debate.

So, while potential EU members have succeeded in importing stability for their democratic institutions, such progress is more difficult for a new democracy such as Russia that lacks strong democratic traditions and does not enjoy the prospect of EU membership.

A second, corollary point is that the influence of European institutions on developments in Russia is relatively low compared to their

influence on nations that are potential members of the European family. The European Union can certainly express its views on such delicate issues as Chechnya, but it should be understood that this is an extremely difficult problem of Russian domestic politics without an immediate and easy resolution, which is why it should be tackled with a great care. Sometimes it is important to understand the limit of one's ability to influence events in a neighboring country or to impose one's rules in a neighboring house, no matter what one's sentiments.

Third, in a liberal club such as the EU, one has to arrange procedures for dialogue with membership candidates. This is a double-edged sword, for having opened oneself to the prospect of new members one is in turn inevitably influenced by their accession. One actually enters into a dialogue by guiding prospective members through the rules of the family and the respective timeframe. Each side can present its requirements and arguments. This is normal way to discuss membership in a club.

The same procedures are not necessarily applicable to neighbors. A greater appreciation of respective interests is required. Europe is of course extremely important to Russia, but Russia is likewise important to Europe. A quick look at the volume of mutual trade offers an example. Prior to the last round of EU enlargement the EU accounted for one-third of Russia's foreign trade. After enlargement the EU should encompass fully half of Russia's entire foreign trade. Given that there is agreement on our neighbourhood and a shared eagerness to have a friendly, stable, long-term relationship, it is important to understand what happens in the neighbour's house.

What is happening now in the house of Europe's biggest neighbor?

Bismarck once said that Russia is never as strong as it appears or as weak as it appears. Most descriptions of events in Russia over the past few years Russia have been characterized by either excessive optimism or excessive pessimism. I will try to avoid this by starting with what is good about Russia now, and then describing current challenges and hardships.

The first favorable phenomenon is that the post-socialist recession is over. The past six years have been a period of a quite dynamic economic growth.

Another positive development is that between 1999 and 2002 Russia made the transition from recovery growth based on the previous stock of infrastructure and labor force to investment-driven growth based on key future sectors of the economy. Investment is increasing quite rapidly and dynamically. This is not limited to the oil and gas sector. While this particular sector is of course very important for the Russian economy, primarily for its finances and balance of payments, Russian economic growth has quite a broad base. In fact, contrary to most assumptions, the most dynamic sector of Russia's economy now is not energy but machine-engineering and a few other processing sectors which are developing quite rapidly. There is very rapid growth in the export and import of machinery and equipment, which is usually accompanied by positive changes in the structure of the economy. In short, the reforms are real and are not explained solely by high oil prices. Moreover, most of the reforms implemented between 2000 and 2002 were designed during Boris Yeltsin's tenure. In retrospect, those reforms were impressive and have provided positive outcomes.

Many policy makers worldwide dream of aggressive tax reform agendas that would drastically cut marginal tax rates and assure simplified tax systems, boosting revenues radically. In Russia, such a positive reform has actually taken place. Its effects were complemented by important changes in fields associated with fiscal federalism, including radical and generally positive changes in labor and property rights legislation, which gave rise to a long list of other very impressive reforms. In short, the transition to investment-driven growth has to a great extent been the result of structural reforms.

A final positive development is that the Ministry of Finance and the Central Bank have been firm on spending and have advanced rather conservative budgets, despite great pressure on the government to use its energy revenues to boost spending. While there is no guarantee that such fiscal discipline will continue forever, it is been a positive factor now.

In short, the market economic situation in Russia is stable, growth is solid, and economic developments are positive.

Now for the challenges. The first is sluggish reform. Even though the government was much more aggressive and consistent in promot-

ing reforms between 2000 and 2002 than outside observers, including myself, expected, reforms ground to a halt in 2003.

Russia still faces an enormous list of unresolved challenges, ranging from the banking sector to the national monopolies. 2003 was an election year, not the best time for reforms, so hopes shifted to 2004. Unfortunately, whereas President Putin used the first one hundred days of his first term as a window of opportunity to advance economic reforms, he used the first one hundred days of his second term which is not the best timing for reforms at all, we have laid our hopes on 2004. By the time, the presidential administration had started quite a positive work on programmes for a new window of opportunity. I have to note, however, that whilst Putin's first window of opportunity (during his first hundred days) can be cited as the classical example of how one can use it, the first 100 days of his second term exemplifies perfectly how one can misuse it.

It doesn't mean that I am quite sure that everything is lost, for President has a strong control over the Parliamentary majority, the problems associated with the cease of the reforms are evident, and maybe the Government will be able to reorganise itself, but what has been done until now is extremely disappointing.

Hence, a natural question: why? One explanation I heard was that the first reforms were indeed easy to implement, and now we are approaching difficult one. It is an interesting guess, albeit it is not true.

Is it so easy to introduce a tax reform that deprives the military personnel, judges, Ministry of the Interior staff of their privileges, while banks and insurance companies that capitalized on tax evasion schemes of their profits? The answer is, no, and many such reforms were quite difficult politically.

I believe we now face the following problem: economic policy and political developments are strongly interrelated.

In the presidential republic of the French type, it is not very easy for President to work with a relatively independent government. For even if the government is quite loyal to the President, it is all the same an independent decision making instrument, otherwise it could not function.

The previous Russian government evidently was this particular type of government, for generally it was loyal to President, but at the same time it could generate ideas. So the President's mission was to make a choice and to hold the government responsible for its reform attempts, and reforms would ultimately be implemented.

Now we have a government that is widely regarded as technical. They are ready to implement whatever decision President would like to make. Accordingly, President becomes personally responsible for their actions, while challenges that need to be addressed are very sophisticated and the expert community and government agencies tend to take opposite stances on a given issue. So it is a quite different environment and the first result is that nothing has been done so far.

Why did all these developments take place in the political field? I believe there are a few important issues behind the present state of affairs

First, erroneous assumptions prevail on reforms, against which my colleagues and I have been advocating reforms and democracy in Russia over the past 15 years: I am still confident that we were strategically right in many areas associated with how the economy would develop, that it was possible to create a robust market economy which would ensure the economic growth. We were aware, of course, that we would encounter serious problems, but believed that over time we would create preconditions for economic growth.

We realized of course, that because of reforms, there would be winners and losers. While the former would be younger, better educated and residing in big cities, the latter would be older, residing in the countryside or small towns and poorly educated. But over time and thanks to economic growth, the number of winners would increase rapidly, while the number of those who dreamed of the glorious Soviet past would be contract. Time has proven us right. Economic growth continues, marked by six years of a very dynamic increase in living standards, with a very rapid rise of the middle class or those who consider themselves as middle class. The number of poor people is still high, but it is rapidly going down—a fact mirrored in particular by shrinking support for the communists.

However, we were wrong to think that those who formed the middle class would become loyal proponents of conservative values, pri-

vate property institutions and the stability of democracy. Such a development might occur over time, but it does not happen instantly, and at this point we differ from our east European colleagues in two respects. First, we are not potential members of the European Union. Second, the collapse of socialism and the accompanying reform process were less painful for east Europeans than for Russians, thanks to the anaesthetic effect generated by their regained independence. Their elites and their populations at large were prepared to suffer economically to regain independence. By contrast, for Russia the collapse of socialism essentially implied the loss of the Soviet Empire—a sentiment one could hardly overcome. Some west Europeans may appreciate that losing an empire is not easy. One needs time to get used to it. This miserable sentiment should fade over time, of course. These days, it is extremely difficult to explain to young British students why the British Empire had been ruling India for some centuries. It takes time to adjust to a new reality, while loss of empire and superpower status is easy to exploit for whatever political purposes.

Another unpleasant point is that when one finds oneself in deep economic crisis, when one doesn't know how to keep one's family going until the end of the month, when one doesn't know whether he or she is going to be fired tomorrow or not, one usually is left with little time in which to dream of the imperial past. Other worries are more pressing. If, on the other hand, one knows that his or her salary will increase in six years by more than 10% annually in real terms and probably will keep increasing, that new jobs are being created and unemployment is no longer a serious problem, it is very nice to come home, have dinner, and watch the main TV networks explain that all the challenges the country faces are the result of a plot against Mother Russia, that our enemies have undermined our empire, and that we have to show them that we are still strong. It is the easiest way to play politics and garner support. It is extremely irresponsible, dangerous—and easy.

This is the first real problem. I don't think this is a long term problem, because people usually forget about empires. This topic cannot be exploited forever, not even for decades, but such exploitation continues today, and creates a rather dangerous situation.

Second, there is a general consensus in Russian society and among the national elite that Russia will forever remain a private market

economy. There are discussions underway whether property should be redistributed in favor of the people (*de facto* in favor of those who are close to those currently in power), but nobody really questions markets, private property, or convertibility of the national currency. One might be able to launch a campaign to tax the rich more heavily, but no political grouping in Russia today—not even the communists—could ever sell the idea that we should rebuild socialism.

Regretfully, however, we do not have a similar consensus about democracy in Russia. Many of my compatriots, both in Russian society and among elites, tend to think that democracy is a good thing, but that this is Russia and we are not developed enough for democracy. Since we do not have democratic traditions, they ask, why should we push democracy so quickly?

The West has supplied the Kremlin with an enormous volume of advice, particularly regarding China's successful reform recipes. The Kremlin also watches closely as numerous Western leaders visit China to promote various economic cooperation projects. The Kremlin consequently becomes agitated about possible new strategic developments that such Western contacts with China might imply. While I believe this to be a misconception, I have to admit that it enjoys a great deal of popularity in Russia. Such popular misconceptions have the potential to turn a young and imperfectly functioning democracy into a young and non-functioning democracy. This is what I believe has befallen Russia in recent years. In 2000 Russia was that young and imperfect democracy, but it was at least a functioning democracy that had little in common with such repressive regimes as Uzbekistan or Belarus.

Of course, every recent action need not be fatal for Russian democracy. The 7% threshold for political parties at parliamentary elections, for instance, is not necessarily a bad thing; one can refer to an even higher threshold in Turkey's electoral system. Similarly, the modification of the Federation Council election procedures finds its analogue in U.S. Senate election procedures of the 19th century. One can equally find analogues to the elimination of elections in constituencies in some democracies that have the same structure of elections. The modification of regional governor election procedures can be likewise found in many functioning democracies. As concerns manipulation of the media, some 10 years ago one could find this practice in Europe. Even today such practices have survived in various ways.

One can refer to various European experiences in this respect, but for Russia the overall result is a shrinking democracy. In the light of the above, it is rather symptomatic that the terrible Beslan¹ massacre triggered a very peculiar reaction—the call for elimination of governor elections nationwide. I do not agree that the nomination of governors would help prevent corruption: neither Tsarist Russia nor Communist Russia prevented either corruption or terrorism. It is difficult to understand why such restrictive measures will work perfectly now.

Given my record of service in the government, I know how difficult it is to deal with regional leaders who may be irresponsible or corrupt. I know too well that it is easier to run a unitary state than a democratic federation, but Russia is too big and too diverse to allow itself not to be a functioning democratic federation. More than that, I believe the right to elect the regional leadership was a major democratic achievement, because once elected a governor or a mayor must deal with everyday local challenges, rather than depend on the Kremlin to solve problems of water or electricity supply. Now President Putin is responsible once again for garbage collection in a given municipal district, or for the quality of water supply in a given town. This is extremely counterproductive. We have invested so much effort to create an imperfect, but functioning democracy and a federal state. Why dismantle it? I am sure we will need to reestablish it over time.

Why am I so confident of this? Because I do not believe in the stability of non-democratic regimes in a highly urbanized and well educated society. The problem is how and when the regime will be dismantled, rather than whether it could be dismantled in principle.

What should be the European response to these developments? First, Europe should be realistic, for Europeans should understand there is not much they can do about it. .

Second, Europe should understand the core of the problem. Russia will never disappear. It is one of the most important European neighbors. Europe needs to have a clear, well elaborated policy towards

¹ A town in the North-Caucasian Republic of North Ossetia that in 2004 became an arena for a tragedy, with Russian Special Forces attempting to set free over 800 hostages, mostly schoolchildren, from a school building that had been seized by radical Muslim terrorists, allegedly mostly Chechens and Ingushs. Over 100 hostages were reported killed and far more injured or wounded as a result of the Special Forces' anti-terrorist operation.

Russia, which should not be based on the traditional concept of EU enlargement, for otherwise in the worst scenario Russia could pose a problem to Europe.

I hope we can avoid such a worst scenario. Russia represents a huge opportunity for Europe—and vice versa. It would be a grave error to believe that the collapse of the Soviet Union has resolved all the problems Russia once posed for Europe, or that Europe need not care what happens in Russia.

What has happened in Russia during the past fifteen years is extremely important. Once isolated from Europe, Russia has begun to reintegrate into it, as well as into the global world. International contacts have been restored. Millions of Russians are perfectly aware how the world is structured. We have a nascent civil society. It may not very well developed by the standards of mature democracies, but our mission is to help and foster it. Isolating Russia would create new problems, not solve current ones.

Between the late 19th and early 20th centuries Tsarist Russia was not a democracy. But the mere fact that the regime was keen to be regarded as European had an enormous impact on what happened in Russia at the time. That sentiment imposed very serious constraints on what the Russian bureaucracy thought it could and could not do in respect to human rights, freedom of press and the degree of repression meted out to its opponents—and offers a stark contrast with the time of Lenin and, later, Stalin. Keeping these constraints in mind is very important in the current situation, as far as Russia's—and Europe's—strategic perspectives are concerned.

About the Authors

Jean-Louis Bourlanges has been a Member of the European Parliament since 1989. He served as a Member of the *Haute-Normandie* Regional Council (1986-1998); Member of Dieppe Municipal Council (1983-1989); and Auditor and then Commissioner of Audit at the Court of Auditors (1979-1989). He is a graduate from the Paris Institute of Political Studies (1969), holds the highest postgraduate teaching qualification in language and literature (1972) and is also a graduate from ENA (National College of Administration) (1979).

Boris Cizelj has been the Director of the Slovenian Business & Research Association, a public-private interest representation office in Brussels, since 1999, and the Vice President of the European Institute for Industrial Leadership since 2004. Born in 1942, Between 1987 and 1998 he served as Yugoslav ambassador to Australia, and Slovenian ambassador to the EU and NATO. He spent his academic career (1966-1987) at Ljubljana University.

Antoine Compagnon is the Blanche W. Knopf Professor of French and Comparative Literature at Columbia University. He studies literary representations in three main areas: Renaissance, late nineteenth and early twentieth centuries, theory of literature and history of criticism. He focused on Montaigne's *Essais* in *La Seconde Main* (1979), *Nous, Michel de Montaigne* (1980), *Chat en poche: Montaigne et l'allégorie* (1993). On Proust, after editing *Du côté de chez Swann* (1988) and *Sodome et Gomorrhe* (1988), he published *Proust entre deux siècles* (1989; English translation, 1992). He also edited Baudelaire's *Fleurs du mal* (1993), and analyzed modernity and the avant-garde in *Les Cinq Paradoxes de la modernité* (1990; English translation, 1994). He presented a cultural history of the Dreyfus Affair in *Connaissez vous Brunetière? Enquête sur un antidreyfusard et ses amis* (1997). His works on critical theory include *La Troisième République des lettres* (1983) and *La Démon de la théorie* (1998). He is also a professor at the Sorbonne and a member of the American Academy of Arts and Sciences.

Thérèse Delpech is currently Director of Strategic Affairs at the French Atomic Energy Commission and Senior Research Fellow at the Center for International Studies (CERI—*Fondation Nationale des*

Sciences Politiques) Paris. She is also UNMOVIC Commissioner (since 2000), Member of the IISS Council (since 2002) and Member of the Blix WMD Commission (2004-2005). She chaired the UN Advisory Board for Disarmament Matters in 1999. She also served as Advisor to the French Prime Minister Alain Juppé for politico-military affairs (1995-1997). Most of her career has been at the service of the Atomic Energy Commission of France, where she served as Deputy Director, International Affairs Division and Advisor to the High Commissioner. She has also served as permanent consultant to the Policy Planning Staff, Ministry of Foreign Affairs (1991-1995).

Ragıp Duran has been a reporter, columnist and editor-in-chief for several Istanbul daily newspapers; presenter-editor of BBC's Turkish Section, London; Istanbul representative of Agence France Presse (AFP); Turkey correspondent for the French daily *Libération* and Adviser to the Turkish edition of 'Le Monde Diplomatique'. As a lecturer on media ethics at Galatasaray University in Istanbul, he published *With the Afghan Warriors* (1980), *Military Media* (1997), *This is World Police Radio* (1999) or *Mediamorphosis* (2000). He has received best journalist and freedom of press awards several times in Turkey, France and the United States. He received a degree in law from Aix-Marseille University.

Michael Emerson has been Senior Research Fellow at the Center for European Policy Studies in Brussels since 1998. A graduate of Balliol College, Oxford, he began his career as an economist at the Organization for Economic Cooperation and Development (OECD) in Paris (1966-1973), following a brief career in accountancy with Price Waterhouse & Co. Upon accession of the UK to the EEC in 1973, he moved to the European Commission, where *inter alia* he was economic adviser to the President during 1977-1978. In 1991 he was appointed the first Ambassador of the EU Commission to the USSR and then to Russia, a position he retained until 1996. Leaving the Commission in 1996 he became Senior Research Fellow at the London School of Economics until 1998.

Yegor Gaidar is Director of the Institute for the Economy in Transition, Moscow, Co-Chairman of the Executive Committee of the Union of Rightist Forces, and Vice President of the International Democrat Union (Conservative). He graduated from the Department of Economics at Moscow State University in 1978, and received his

Ph.D in economics in 1980. After several years as a researcher, he became a journalist and became Doctor in Economics in 1987. On the threshold of reforms in 1990, he was appointed Director of the newly established Institute for Economic Policy. In 1991 he became Deputy Chairman of the Government of the Russian Federation, in charge of matters of economic policy and Minister of Economy and Finance, and, in 1992, Acting Chairman. He consequently resigned and returned to his think-tank, which by that time had become known as the Institute for the Economy in Transition. He joined the Government in 1993 as First Deputy Chairman and Acting Minister of Economy. Between 1992 and 1994 he was also Counselor on Economic Policy to the Russian Federation President, but resigned in protest against the war in Chechnya. He initiated the establishment of the Union of Rightist Forces political party in 1998 and became its Co-Chairman. Since 1999 he is once again a Member of Parliament. He was the Hitchcock Honorary Professor at the University of California, Berkeley in 1996 and the Terry Sanford Distinguished Lecturer at Duke University in 1997.

László Halpern is Deputy Director and Senior Research Fellow of the Institute of Economics, Hungarian Academy of Sciences, since 1997. He has also been Research Fellow at the Center for Economic Policy Research (London), since 1996, Recurrent Visiting Professor at Central European University (Budapest), since 1997, Research Fellow at the William Davidson Institute (University of Michigan Business School, Ann Arbor), since 1997, and member of the Research Advisory Committee at the Czech National Bank, since 2004. Mr Halpern received an MA from the Budapest (then Karl Marx) University of Economics.

Daniel S. Hamilton is the Richard von Weizsäcker Professor and Director of the Center for Transatlantic Relations at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies. He is also Executive Director of the American Consortium on EU Studies (ACES), the EU Center in Washington, DC, and Publisher of *Transatlantic* magazine. He previously served as Deputy Assistant Secretary of State for European Affairs; U.S. Special Coordinator for Southeast European Stabilization; Associate Director of the Policy Planning Staff; Senior Associate at the Carnegie Endowment for International Peace; and Deputy Director of the Aspen Institute

Berlin. He has taught at the University of Innsbruck and the Free University of Berlin. He has authored or edited many works, including *Transatlantic Homeland Security* (2005); *Conflict and Cooperation in Transatlantic Relations* (2004); *Partners in Prosperity: The Changing Landscape of the Transatlantic Economy* (2004); *Transatlantic Transformations: Equipping NATO for the 21st Century* (2004).

Josef Jařab is professor of English and American Literature and director of the Center for Comparative Cultural Studies at Palacký University, Olomouc. He has written or edited a score of books and hundreds of essays on cultural pluralism, African American literature and culture, modern poetry and fiction, and issues of higher education. He is a founding member of the Czech Learned Society, First chairman of the Czech Fulbright Committee and the Czech and Slovak Association for American Studies, and is currently president of European Association for American Studies. After the “velvet revolution” in 1989 he became the first freely elected university administrator in Czechoslovakia, serving as rector of Palacký University for seven years. From 1977 to 1999 he was rector and president of Central European University in Budapest and Warsaw. As an independent, he serves as Senator in the upper chamber of the Czech Parliament where he chairs the Committee on International Affairs, Defense and Security. In the Parliamentary Assembly of the Council of Europe he is member of the Committee on Culture and Education and chairman of the Subcommittee on Media. He represents Czech humanities in the European Science Foundation and is a member of the Observatory of the Bologna Magna Charta Universitatum. He has received honorary doctorates from Durham University, England, Moravian College, Bethlehem, and Mount Mercy College, Cedar Rapids, USA.

António Monteiro served as Portugal’s Minister for Foreign Affairs and the Portuguese Communities from July 2004 to March 2005; Portuguese Ambassador to France Republic from March 2001 to July 2004; Permanent Representative of Portugal to the United Nations, January 1997 to March 2001; Representative of Portugal in the UN Security Council, 1997-1998; and President of the Security Council in April 1997 and June 1998. He was Coordinator of the Committee for Permanent Coordination of the Community of Portuguese-Speaking Countries (1994-1996) and headed the Temporary Mission for the Peace Process Structures in Angola and

was representative to the Joint Political and Military Commission (1991). He is author of several articles in foreign policy journals.

Jiří Pehe is Director of New York University in Prague and was Director of the Political Cabinet of Czech President Vaclav Havel from September 1997 to May 1999. From 1995 to 1997, he was Director of Analysis and Research Department at the Open Media Research Institute in Prague. Previously, he was Director of Central European Research at the Research Institute of Radio Free Europe/Radio Liberty in Munich, Germany. From 1985 to 1988, he was Director of East European Studies at Freedom House in New York. He has published hundreds of studies on developments in Eastern Europe and global politics. He regularly comments on political developments for Czech and other media. His last book, *Vytunelovaná demokracie*, was published in Prague in 2002.

Jorge Sampaio is the President of the Portuguese Republic. Elected to the presidency in 1996, he was reelected in 2001. He has been a member of the Socialist party since 1978, and was first elected to parliament in 1979. Since then he has been reelected four times. He headed the Socialist party from 1989 to 1992. From 1989 to 1995 he was the Mayor of Lisbon.

Roxane Silberman is Research Director on international migration and social mobility at *Lasmas—Institut du Longitudinal*, CNRS, Paris, and Chairman of the *Comité interministériel de concertation pour les données en sciences sociales*. Her writings focus on population and immigration issues, in particular issues related to the dynamics of migration flux and societal integration. She is author or co-author of several books and articles about immigration, including *Economie politique des migrations clandestines de main d'œuvre. Comparaisons internationales et exemple français* (1986), *Cent ans d'immigration, Etrangers d'hier, Français d'aujourd'hui* (1991), *Les enfants d'immigrés sur le marché du travail* (2002) or *Les inégalités économiques des immigrés et de leurs enfants* (2003).

Jean-Claude Trichet was appointed President of the European Central Bank in 2003. He is an “*Ingénieur civil des Mines*,” a graduate of the *Institut d'études politiques* de Paris and holds a Bachelor's degree in economics. He was made an adviser to the cabinet of the Minister of Economic Affairs, René Monory, in 1978, and then an adviser to

French President Valéry Giscard d'Estaing in the same year. He subsequently became Deputy Director of Bilateral Affairs at the Treasury Department from 1981 to 1984, Head of International Affairs at the Treasury and Chairman of the Paris Club (sovereign debt rescheduling) from 1985 to 1993. In 1986, he directed the Private Office of the Minister of Economic Affairs, Finance and Privatization, Edouard Balladur, and in 1987 he became Director of the Treasury. In the same year, he was appointed Censor of the General Council of the Banque de France and Alternate Governor of the IMF and the World Bank. He was Chairman of the European Monetary Committee from 1992 until his appointment as Governor of the Banque de France in 1993. He was the Chairman of the Monetary Policy Council of the Banque de France as of 1994, a member of the Council of the European Monetary Institute from 1994 to 1998 and thereafter a member of the Governing Council of the European Central Bank. At the end of his first term as Governor of the Banque de France, he was reappointed for a second term.

Emílio Rui Vilar is President of the Board of Trustees of the Calouste Gulbenkian Foundation, Chairman of the Board of Directors of Partex Oil and Gas (Holdings) Corporatin, Guest Professor at the School of Economics and Management of the Portuguese Catholic University in Porto, and Chairman of the Audit Commission of the Bank of Portugal. He was Director General in the European Commission (1986 to 1989), Chairman and CEO of Caixa Geral de Depósitos (1991 to 1994), in 1995 he was became a trustee of the Calouste Gulbenkian Foundation and from 2001 to 2002 he was Chairman of Galp Energia, SGPS. He was Secretary of State for External Trade and Tourism (1974), Minister of the Economy (1974-75) and Minister of Transports and Communications (1976-78).

Michael P. Zuckert is the Nancy Reeves Dreux Professor at Notre Dame University, where he works on political philosophy, American constitutional law and theory, and American political thought. He has published *Natural Rights and the New Republicanism* and *The Natural Rights Republi*, which was named an outstanding book for 1997 by *Choice* magazine, as well as many articles on a variety of topics, including George Orwell, Plato's "Apology," Shakespeare, and contemporary liberal theory. His most recent book is *Launching Liberalism: On Lockean Political Philosophy*. He is currently completing a book called

Completing the Constitution: The Post-Civil War Amendments, is co-authoring a book on *Machiavelli* and *Shakespeare*, and has been commissioned to write the volume on John Rawls for a new series on *Twentieth Century Political Philosophy*. He co-authored and co-produced the public radio series *Mr. Adams and Mr. Jefferson*, a nine part radio drama, and was senior scholar for *Liberty!*, a six hour public television series on the American Revolution. He has received grants from the National Endowment for the Humanities, the Woodrow Wilson Center, Earhart Foundation and National Science Foundation, and has taught at Carleton College, Cornell University, Claremont Men's College, Fordham University, the University of Minnesota, and the University of Michigan at Ann Arbor.

INTERNATIONAL CONFERENCE

Europe's New Frontiers
EU enlargement: its implications and consequences

26th and 27th October 2004
Calouste Gulbenkian Foundation, Portugal, Lisbon
Program

Tuesday, 26th October

9h30 – Opening Session

Emílio Rui Vilar, President, Calouste Gulbenkian Foundation

Jorge Sampaio, President of the Portuguese Republic

10h00 – The different frontiers of EU enlargement

Chairman: **Teresa de Sousa**

Speakers:

Daniel Hamilton, *The Strategic Implications of Europe's Enlargement*
SAIS Transatlantic Center, Johns Hopkins University, USA

Jean-Louis Bourlanges, *Which borders for which kind of Europe?*
European Parliament, France

Ragip Duran, *Est-ce que l'Islam est compatible avec l'Union Européenne: Le Cas récent de la Turquie*
Galatasaray University, Turkey

12h00 – Keynote Address

Chairman: **Isabel Mota**

Invited speaker:

Roxane Silberman, *Immigrants in the Heart of an Enlarged Europe: Can we afford the current lack of policy?*
Director, CNRS, France

15h00 – Politic models of enlargement, State and Defence

Chairman: **José Gregório Faria**

Invited speakers:

Jirí Pehe, *Views of EU Defense and Foreign Policy by Visegrad Countries*
Director of New York University in Prague, Czech Republic

Michael P. Zuckert, *EU. Expansion - EU. Federalism: The View For America*
Nancy Reeves Dreux Professor, Notre Dame University, USA

Thérèse Delpech, *Enlarging the Strategic Vision*
Director for Strategic Studies, Atomic Energy Commission, France

18h00 – Keynote Address

Chairman: **Eduardo Marçal Grilo**

Invited Speaker:

INTERNATIONAL CONFERENCE

Europe's New Frontiers
EU enlargement: its implications and consequences

26th and 27th October 2004
Calouste Gulbenkian Foundation, Portugal, Lisbon
Program

Wednesday, 27th October

10h00 – Culture, knowledge and European unity

Chairman: **Mário Vieira de Carvalho**

Invited speakers:

Antoine Compagnon, *Culture, or the koine of Europe*
Professor, Columbia University, NY and Université de Paris

Boris Cizelj, *The "European Research Area" and Enlargement*
Head of Office, Slovenian Business and Research Association, Brussels

Josef Jarab, *CULTURE: Always LAST BUT NOT LEAST – and yet LAST*
Professor, Chairman of the Committee for Foreign Affairs, Defence, and Security of the State, Czech Republic

15h00 – Socio-economic implications of enlargement

Chairman: **Manuel Pinto Barbosa**

László Halpern, *European Enlargement and Transition from Plan to Market*
Deputy-director, Institute of Economics, Hungarian Academy of Sciences

Michael Emerson, *Europe's Existential Dilemma*
Senior Research Fellow, CEPS

Willem H. Buiter, *The Enlarged EU and its New Neighbours: Could Fences Make Good Neighbours*
Chief Economist and Special Counsellor to the President, European Bank for Reconstruction and Development

18h00 – Keynote Address

Chairman: **Diogo Lucena**

Invited Speaker:

Jean-Claude Trichet, *EU Enlargement: Challenges and Opportunities*
President, European Central Bank

19h00 – Closing Session

Emílio Rui Vilar, President, Calouste Gulbenkian Foundation

Fernando Gil, Conference Commissioner

António Monteiro, Minister of Foreign Affairs and Portuguese Communities

