Challenges of European Union Enlargement
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In 2004, the European Union (EU) faces its biggest transformation since its beginnings in the 1950s. In May, 10 eastern and southern European countries -- the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia -- will become members of the EU. Their joining completes a decade and a half of intense political and economic preparations.

In the history of European integration, the size and complexity of this year's enlargement are unprecedented. The enlargement expands total EU membership to 25 states and its total population by nearly one-fifth, to 455 million people. (By comparison, the United States has approximately 285 million inhabitants.) There will be a vast gap in wealth between old and new members: average per capita gross domestic product in the acceding countries is less than half of that in the EU. Agriculture's share of the economy, which is often used as an indicator of backwardness, is almost twice as high in the accession countries as in the current EU.

The impending enlargement raises several questions: How will an EU of 25 affect the United States? How will the EU manage an already cumbersome decision-making process with an even more diverse set of interests? And what sorts of policies will emerge from a wider EU?

Implications for the United States

Developments in the EU affect the United States economically and politically. The two economies are highly interdependent. Approximately one-third of all U.S. exports go to the current EU. By the same token, more than a quarter of all EU imports originate in the United States. Hence, EU enlargement implies an expanded market for U.S. goods and services.

Yet North Atlantic trade disputes have repeatedly soured relations between Brussels and Washington. In November 2003, the World Trade Organization approved EU actions in retaliation against U.S. steel tariffs targeting a wide range of politically sensitive U.S. products worth more than $2 billion. Though the United States backed down from its tariffs in December, new disputes are on the horizon, such as over duties paid on goods sold below fair-market prices and the EU ban of genetically modified organisms.

Hence, while an enlarged EU offers new economic opportunities for U.S. business, it also increases the Europeans' muscle in global trade policy. On the political level, the United States supported European integration after World War II as a means of gaining increased security and prosperity on the continent and has endorsed the current enlargement as a way of stabilizing Europe after the Cold War. The United States reinforced its support for enlargement after the events of September 11, 2001. In fact, the U.S. would like to see Turkey admitted to the EU in order to reward the country’s achievements as a secular democracy in the volatile Middle East.

Preventing Paralysis in EU Institutions

The Union’s basic decision-making structures were set up in the 1950s: a Council, made up of government representatives from the member states; a Commission, basically a high-level civil service group in charge of policy development and implementation; a Parliament to grant the Union a measure of democratic legitimacy; and a Court to interpret EU law. Over the years, the balance of power has somewhat shifted away from the Council and toward the other three institutions. On most matters, decision-making in the Council now requires a majority of approximately 72 percent of the votes -- not, as in the past, unanimity. But in an EU of 25, this requirement of a "qualified majority" will prohibit many decisions from being made.

The current arrangement pits the largest members (Germany, the UK, France, and Italy), who together represent more than half of the EU population, against smaller states, who make up the bulk of the votes in the Council. Last year’s constitution negotiations, designed to ease decision-making rules, failed when two mid-sized countries, Spain and Poland, balked at reforms that would have tied decision-making more closely to population size. The enlarged EU risks paralysis until the constitutional impasse is resolved.
Directions of Policy Change
EU activities fall into two broad categories: spending and regulation. Although agriculture makes up only 2 percent of GDP in the current EU, it absorbs about half of the Union's annual budget. Another third goes to developing impoverished regions. Greece, Portugal, Ireland, and Spain are the largest net beneficiaries of this transfer, whereas Sweden, Germany, and the Netherlands are the largest net contributors.

In EU history, this kind of redistribution has often served as side payment to secure poorer countries' support for measures of market integration. But with 10 new member states, most of whose wealth is below EU average, there will be less money to go around and more competition for the resources that are available. Unlike national governments, the EU cannot engage in deficit spending. At the same time, global pressure is mounting against EU (and U.S.) agricultural subsidies. Although an entrenched constituency has fought previous attempts at reforming EU agricultural policy, political necessities demand a shift of redistribution away from farmers' subsidies and toward regional development.

EU regulatory activity has traditionally been geared toward creating a common market. Most of the legislation tends to be tailored to the needs of advanced capitalist democracies, making compliance exceedingly difficult for transition economies. Economic disparity in the enlarged Union suggests that legislation will be based on the lowest common denominator rather than existing practices in the richer states. Alternatively, advocates of further integration support the idea of a "Europe of two speeds," in which countries willing to integrate in specific policy areas should not be held back by Euro-skeptic member states. Critics argue that such a fast-track Europe would compromise the solidarity that integration is meant to promote.

Unresolved Issues
With many problems unresolved just months before the jumbo enlargement, leading officials no longer hesitate to voice their discontent. In January 2004, the EU Commissioner for Enlargement, Günther Verheugen, called the EU "politically unprepared" for enlargement, pointing to divisions over the Iraq war and the constitutional fiasco as evidence that national interests are outweighing the goals of integration. Polish President Aleksander Kwasniewski countered by attacking Brussels for not comprehending the fundamental differences between an EU of 25 and one of 15 members.

Thus, while enlargement will undoubtedly stabilize Europe economically and politically, EU decision-making is likely to become more, rather than less, contentious.

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