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European Union Enlargement

Kristin Archick
Specialist in European Affairs
Foreign Affairs, Defense, and Trade Division

Summary

On May 1, 2004, 10 states joined the European Union (EU), enlarging the Union to 25 members. The EU views the enlargement process as an historic opportunity to promote stability in Europe and further the integration of the continent by peaceful means. In addition to the 10 new members (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia), Bulgaria and Romania hope to accede to the EU by 2007. Turkey and Croatia are expected to begin accession negotiations in 2005 provided they fulfill certain political conditions. Macedonia has also applied for EU membership. This report will be updated as necessary. For additional information, see CRS Report RS21372, *The European Union: Questions and Answers*, and CRS Report RL32071, *Turkey: Update on Selected Issues*.

Background on the European Union

After World War II, leaders in western Europe and the United States were anxious to secure long-term peace and stability on the European continent and create a favorable environment for economic growth and recovery. In 1952, six states — Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, and the Netherlands — established the European Coal and Steel Community, a single market in these two industrial sectors that was controlled by an independent supranational authority. In 1958, the “Rome Treaties” established the European Economic Community, extending the common market to all economic sectors, and the European Atomic Energy Community to ensure the use of nuclear energy for peaceful purposes. In 1967, these three formations collectively became known as the European Community (EC).

The EC first added new members in 1973, with the entry of the United Kingdom, Ireland, and Denmark. Greece joined in 1981, followed by Spain and Portugal in 1986. The Single European Act modified the EC Treaties in 1987 by increasing the powers of the European Parliament and enabling the 1992 single market program to move forward. At the beginning of 1993, the near completion of the single market brought about the mostly free movement of goods, services, capital, and people within the EC.

On November 1, 1993, the Treaty on European Union (Maastricht Treaty) went into effect, establishing the European Union (EU), which encompasses the EC. The European Union consists of three pillars: an expanded and strengthened EC, a common foreign and security policy, and common internal security measures. The Treaty contains provisions that have resulted in the creation of an economic and monetary union (EMU), including a common European currency.[1] The European Union is intended as a significant step on the path toward greater political and economic integration.

On January 1, 1995, Austria, Finland, and Sweden acceded to the EU, bringing membership to 15 states. With this enlargement, the population of the EU grew from about 345 million to 370 million.

In June 1997, EU leaders met to review the Maastricht Treaty and consider the future course of European integration. The resulting Amsterdam Treaty increases the legislative power of the European Parliament, strengthens the EU's foreign policy, develops a more coherent EU strategy to boost employment, and integrates procedures for managing internal security. In December 2000, EU leaders concluded another agreement — the Nice Treaty — to pave the way for further EU enlargement. It sets out internal, institutional reforms to allow an enlarged Union to function effectively.

Institutions

The European Union is a treaty-based, institutional framework that defines and manages economic and political cooperation among its 25 member states. It is governed by several institutions.

The ***European Commission*** is essentially the EU's executive and has the exclusive right of legislative initiative. It ensures that the provisions of the Treaties are carried out properly. The 25 Commissioners are appointed by agreement among the governments of the member states for five-year terms. Each Commissioner holds a distinct portfolio (e.g., agriculture).

The ***Council of the European Union (Council of Ministers)*** is comprised of ministers from the national governments. As the main decision-making body, it enacts legislation based on proposals put forward by the Commission. Different ministers participate depending on the subject under consideration (e.g., economics ministers could convene to discuss unemployment policy). The Presidency rotates among the member states for a period of six months.

The ***European Council*** brings together the Heads of State or Government of the member states and the President of the Commission at least twice a year. It acts principally as a guide and driving force for EU policy.

The ***European Parliament*** consists of 732 members. Since 1979, they have been directly elected in each member state for five-year terms. The Parliament cannot enact laws like national parliaments, but has some "co-decision" power with the Council of Ministers and can amend or reject the EU's budget.

The ***Court of Justice*** interprets EU law and its rulings are binding; a ***Court of Auditors*** monitors the Union's financial management. A number of other advisory bodies represent economic, social, and regional interests.

EU Enlargement

The EU views enlargement as an historic opportunity to promote stability and prosperity throughout Europe, and further the integration of the continent by peaceful means. The criteria for EU membership require candidates to achieve "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union; the ability

[1] Eleven members — Austria, Belgium, Finland, France, Ireland, Italy, Germany, Luxembourg, the Netherlands, Spain, and Portugal — adopted a single European currency, the euro, on January 1, 1999; Greece joined in 2001. The participating countries have a common central bank and a common monetary policy. Banks and many businesses began using the euro as a unit of account in 1999; euro notes and coins replaced national currencies on January 1, 2002.

to take on the obligations of membership, including adherence to the aims of political, economic and monetary union."[2] The EU began accession negotiations in March 1998 with Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia. In December 1999, at its summit in Helsinki, Finland, the EU decided to open negotiations with six others: Bulgaria, Latvia, Lithuania, Malta, Romania, and Slovakia. Turkey was also formally recognized as a candidate at Helsinki, but remained in a separate category for several years as it sought to comply fully with the membership criteria (see below).

Accession talks begin with a screening process to see to what extent applicants meet the EU's 80,000 pages of rules and regulations (*acquis*), which is divided into 31 chapters that range from free movement of goods to agriculture to competition. Then, detailed negotiations at ministerial level take place to establish the terms under which applicants will meet, implement, and enforce the rules in each chapter. The European Commission proposes common negotiating positions for the EU on each chapter, which must be approved unanimously by the Council of Ministers; during negotiations, applicants may request transition periods for complying with certain EU rules. The Commission prepares annual progress reports outlining achievements and shortcomings on each candidate. All candidates receive financial assistance from the EU (a total of about $3 billion annually), mainly to assist in the accession process. Once the Commission concludes negotiations on all 31 chapters with an applicant, the agreements reached are incorporated in a draft accession treaty, which is submitted to the Council for approval and to the European Parliament for assent. After signature, the accession treaty must be ratified by each member state and the candidate country. This ratification process can take two years.

At their June 2001 summit in Goethenburg, Sweden, EU members stated that the "enlargement process is irreversible....the road map should make it possible to complete negotiations by the end of 2002 for those candidates that are ready. The objective is that they should participate in the European Parliament elections of 2004 as members." Specific countries likely to be ready for entry by 2004 were named at the EU's December 2001 summit in Laeken, Belgium. There, the EU announced that 10 states — Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia — would likely be able to conclude accession talks by the end of 2002.

Accession negotiations in 2002 with the 10 candidates on the remaining chapters — especially agriculture, regional assistance, and budgetary contributions — were challenging because all raised money and burden-sharing issues. Member states were divided on how much financial assistance candidates should receive, and on how to finance it. Meanwhile, the 10 candidates were dismayed by EU proposals that called for a 10-year transition period before they would be eligible for full EU farm subsidies and lower rates of structural aid than existing members received. Led by Poland, the candidates charged that they were being treated like "second-class citizens." A deal was finally reached, however, that sought to assuage the candidates with some additional economic incentives, including more EU money to increase direct payments to farmers and higher farm quotas in key areas such as milk and wheat. The EU formally concluded accession talks with the 10 candidates at its December 2002 summit in Copenhagen. The EU announced May 1, 2004, as its expected accession date and stated that it hoped to welcome Bulgaria and Romania into the EU in 2007.

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[2] Conclusions of the European Council, Copenhagen, June 1993.

The accession treaty was signed by the members and the 10 candidates on April 16, 2003. Although Brussels would have preferred a prior political solution to the conflict over Cyprus, it had stated repeatedly that this was not a "precondition" for the divided island's accession. Moreover, Athens had threatened to block any enlargement that excluded Cyprus. The EU had hoped that a settlement between the Turkish Cypriot community in the north and the Greek Cypriot government in the south would be reached in time for enlargement. Twin referenda on a U.N. plan to reunify the island were held on April 24, 2004; 65% of Turkish Cypriot voters approved the plan, but it was rejected by 76% of Greek Cypriot voters. Without a settlement, EU laws and financial benefits apply only to the southern Greek Cypriot part of the island, which is the internationally recognized state.

On May 1, 2004, the 10 states acceded to the EU, increasing the EU's population to roughly 450 million. The new members, however, still face several challenges. Reforms in areas ranging from public administration to competition must be completed, and it will be some time before the new states are ready to join the EU's monetary union or to participate fully in the Schengen area of free movement to which most EU members belong. Citizens of new member states will have to wait up to seven years before they are able to work in all current EU countries, many of which fear an influx of low-cost labor.

In June 2004, the EU named Croatia as a candidate. The EU asserted, however, that Croatia still needed to make further progress on some of the political preconditions for membership related to issues such as minority rights, judiciary reform, and the apprehension of war criminals. In December 2004, the EU announced it would open accession negotiations with Croatia in mid-March 2005, provided that Croatia demonstrated "full cooperation" with the International Criminal Tribunal for the Former Yugoslavia (ICTY). The start of Croatia's accession talks, however, is likely to be delayed because EU member states are not convinced that Croatia is cooperating fully with the ICTY; Croatia claims that a prominent suspected war criminal demanded by the ICTY is not in Croatia. Croatia had hoped to be able to join the EU in 2007 with Bulgaria and Romania, but many observers believe that 2007 is an overly ambitious goal. Also in December 2004, the EU concluded accession talks with Bulgaria and Romania, and both appear to be on track for joining the EU in January 2007.

Turkey and the EU

The relationship between Turkey and the European project has been characterized by a series of ups and downs. Turkey and the EC first concluded an association agreement aimed at developing closer economic ties in 1963, but Turkey's 1987 application for full EC membership was rejected. A customs union between the EU and Turkey entered into force in 1995, but the 1997 Luxembourg summit failed to put Turkey on a clear track to membership. The EU recognized Turkey formally as a candidate at the 1999 Helsinki summit but asserted that Turkey still needed to comply fully with the EU's political and economic criteria. The EU's decision stemmed largely from improving Greek-Turkish relations, and Berlin's more positive attitude toward Ankara. Many observers suggest that U.S. pressure also played a part. The United States had long advocated an EU policy shift on Turkey, believing Turkey to be a vital, strategic ally that should be anchored firmly to Europe. Washington urged Ankara to take the EU's offer, even though it did not set out a timetable for accession talks and guaranteed Greece that Cyprus' EU bid would not hinge on a settlement of that conflict.

In February 2001, the EU formally adopted an "Accession Partnership" with Turkey, which set out the priorities Turkey needed to address in order to adopt and implement EU standards and legislation. The EU provides Turkey with about $150 million annually to help develop the Turkish economy. Ankara had hoped the EU would set a firm date for starting negotiations at the December 2002 Copenhagen Summit, but was disappointed. Some EU members argued that although Turkey had taken some significant steps toward improving human rights, it still did not fully meet the membership criteria. But in October 2004, the European Commission recommended opening accession talks provided that Turkey continued to make progress on democratic and human rights reforms.

After some contentious debates both among EU member states and with Turkish leaders, the EU agreed at its December 2004 summit in Brussels, Belgium, to open accession negotiations with Ankara in October 2005. This start date, however, is conditional on Turkey bringing into force several pieces of reform legislation and on Turkey fulfilling its pledge to extend its customs union to the EU's 10 new members, including Cyprus, thereby granting de facto but not official recognition to the Greek Cypriot government. The EU asserts that the "shared objective of the negotiations is accession," but that it is an "open-ended process, the outcome of which cannot be guaranteed beforehand." Some EU member states and many EU citizens remain extremely wary about Turkey's possible accession given its size and Muslim heritage. Accession negotiations with Turkey are expected to take at least a decade to complete.[3]

Possible Future Rounds of EU Enlargement

The EU maintains that the enlargement door remains open to any European country ready and able to meet the political and economic criteria for membership. Besides Croatia, the western Balkan states (Albania, Macedonia, Bosnia, and Serbia) harbor EU aspirations in the longer term, and the EU has acknowledged these countries as potential candidates. The EU hopes that the possibility of membership will help accelerate reform in these countries and promote greater stability. Macedonia submitted its membership application in March 2004, and hopes to be named officially as a candidate in late 2005 or early 2006.

Although the EU has not officially defined its geographic boundaries, many experts assert that enlargement is reaching its limits, and that the EU is unlikely to include countries such as Russia for the foreseeable future. Consequently, in the spring of 2003, the EU launched a new "European Neighborhood Policy" (EPN) which aims to develop deeper relations with a "ring of friends," or countries in close proximity to an enlarged Union. This initiative covers Russia, Ukraine, Moldova, Belarus, as well as the southern Mediterranean countries (including Israel and the Palestinian Authority); it offers these countries a stake in the EU's internal market and participation in selected EU activities in return for a demonstrated commitment to EU values and implemented reforms. The EU already has cooperation or association agreements with some of these neighboring countries. In June 2004, the EU decided to include the three southern Caucasus states of Armenia, Azerbaijan, and Georgia in the EPN.

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[3] "Still A Lot To Do Before EU Entry, Says Turkey's PM," *Financial Times*, December 19, 2004; for the EU's terms for Turkey, see the European Council, Presidency Conclusions, December 16-17, 2004 [http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/83201.pdf].

The EU's Institutional Reform

Key institutional reforms in the EU's December 2000 Treaty of Nice were intended to enable the Union to accept new members and still be able to operate effectively. The Nice Treaty extended the use of majority voting to additional policy areas, reweighted votes in the Council of Ministers, and capped the size of the Commission. EU officials heralded the outcome at Nice as opening the door to further EU enlargement. Skeptics argued, however, that Nice set up an even more complex and less efficient decision-making process that would lead to institutional gridlock as the Union expands. To address such criticisms, EU leaders convened a 105-member Convention on the Future of Europe in March 2002. The Convention sought to streamline EU decision-making further, review the EU's functions and structures in an open and public environment, enhance the EU's democratic legitimacy, and boost the EU's visibility on the world stage. In July 2003, the Convention concluded work on a draft constitutional treaty. Major innovations include abolishing the EU's rotating six-month Presidency in favor of a single individual with longer tenure, creating a new foreign minister, and simplifying EU voting rules. EU leaders began considering the proposals in this draft treaty in October 2003. After some fierce disputes, they concluded work on this new treaty in June 2004. It must now be ratified by all member states. This process will likely take a year or more to complete; thus, the treaty will probably not take effect until 2006 at the earliest.[4]

U.S. Perspectives

Successive U.S. Administrations have supported the EU's enlargement, believing that it will serve U.S. interests by spreading stability and the benefits of the single market beyond the EU's current borders. Members of Congress generally share this view; over the years, the only criticism has been that the EU was moving too slowly. U.S. businesses believe they will gain access to a larger, more integrated European market, and see enlargement as forcing further reform of the EU's Common Agricultural Policy, a perennial source of U.S.-EU trade conflict. Some analysts posit that enlargement may also decrease overall U.S.-EU tensions because many new members are more pro-American. The Bush Administration has welcomed EU enlargement, noting that it helps strengthen the "enduring partnership" between the United States and Europe.

Others argue EU enlargement could have some negative implications for U.S. interests. Even with EU institutional reforms, decision-making will likely remain cumbersome and the EU may be an increasingly frustrating partner. Some suggest that political instability in a number of acceding central and eastern European countries may also further complicate EU negotiations if frequently changing governments shift policy positions. There is also concern that Cyprus' accession as a divided island could complicate the EU's relationship with Turkey and heighten instability in the Aegean. Still others worry that a larger, more confident EU — with an economic output of over $9 trillion roughly equivalent to that of the United States and growing political clout — may increasingly rival U.S. power and prestige.[5]

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[4] See CRS Report RS21618, *The European Union's "Constitution."*

[5] Also see CRS Report RS21875, *EU Enlargement: Economic Implications for the United States*.