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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 a historic opportunity to promote stability and prosperity in Europe. 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 in 2007. Turkey and Croatia began accession negotiations in October 2005. Macedonia was named as a candidate for EU membership in December 2005. This report will be updated as necessary. For additional information, see CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick.

## 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. 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 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. Critics argued, however, that Nice established an even more complex decision-making process. Thus, the EU embarked on a new reform effort.

In June 2004, EU leaders concluded work on a constitutional treaty that simplifies EU voting rules and contains changes to the EU's governing institutions. Commonly referred to as the "constitution," it must be ratified by all member states through either parliamentary approval or public referenda in order to come into effect. The constitution's future, however, has been thrown in doubt following its rejection by French and Dutch voters in May and June 2005. Some suggest that the difficulties with ratifying the EU constitution could call into question further expansion

### EU 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.

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[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 12 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.

of the EU, given that considerable public opposition to the constitution is tied to concerns about EU enlargement. EU officials emphasize that EU enlargement can still proceed under the terms set out in the Nice Treaty.[2]

## EU Enlargement

The EU views enlargement as an historic opportunity to promote stability and prosperity throughout Europe. 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 to take on the obligations of membership, including adherence to the aims of political, economic and monetary union."[3] 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 and implement 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. All candidates receive financial assistance from the EU, 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 EU member and the candidate country; this 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." At the EU's December 2001 summit in Laeken, Belgium, 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. A deal was finally reached, and the EU concluded accession talks with the 10 states at its December 2002 summit in Copenhagen.

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[2] For more information, see CRS Report RS21618, *The European Union's Constitution*, by Kristin Archick.

[3] Conclusions of the European Council, Copenhagen, Denmark, 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 stated 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 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). Croatia's accession talks, however, were delayed because EU members were not convinced that Croatia was cooperating fully with the ICTY in apprehending a prominent suspected war criminal. The EU opened accession talks with Croatia on October 3, 2005, following a determination that Croatia was in full compliance with the ICTY. Some suggest that Croatia only received a positive EU nod as part of a deal to also open accession negotiations with Turkey on the same day (see below).

Also in December 2004, the EU concluded accession negotiations with Bulgaria and Romania. Both hope to join the EU in January 2007. EU officials maintain that their membership will not be jeopardized by a failure to ratify the EU constitution. However, their accession could be delayed for one year if they fail to implement remaining reforms. The European Commission is expected to issue a report in May 2006 on whether Romania and Bulgaria's accession should be delayed until 2008. In December 2005, the EU named Macedonia as another candidate for EU membership but has not announced a start date for accession talks.

## 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 significant steps toward improving human rights, it still did not fully meet the membership criteria. In December 2004, however, the EU announced that accession talks with Turkey would begin in October 2005, provided that Turkey brought into force several pieces of reform legislation and fulfilled its pledge to extend its customs union with the EU to the 10 new members, including Cyprus (Turkey fulfilled both of these requirements by July 2005). The EU asserted that the "shared objective of the negotiations is accession," but that it would be an "open-ended process, the outcome of which cannot be guaranteed beforehand."[4]

Many analysts worried that the EU's difficulties with ratifying its constitution — which highlighted voter concerns about EU enlargement — could delay the start of Turkey's negotiations. After some contentious debate among EU members over issues related to Turkey's lack of formal recognition of Cyprus and whether a "privileged partnership" short of full membership for Turkey should be retained as a future option, the EU opened accession talks with Turkey on October 3, 2005. The negotiating framework effectively requires Turkey to continue working toward normalizing relations with Cyprus and asserts that "if Turkey is not in a position to assume in full all the obligations of membership it must be ensured that Turkey is fully anchored in the European structures through the strongest possible bond." Austria was the last EU member to give its assent, and some speculate that a deal was cut in which Austria agreed to allow talks with Turkey to go forward partly in exchange for also opening negotiations with Croatia, with which Austria has cultivated close ties. EU talks with Turkey are expected to take at least a decade to complete. Some EU members and many EU citizens remain wary about Turkey's possible accession given its size and Muslim heritage.[5]

## Possible Future Rounds of EU Enlargement

The EU maintains that the enlargement door remains open to any European country that is able to meet the political and economic criteria for membership. Besides Croatia and Macedonia, Albania, 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

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[4] See the European Council, Presidency Conclusions, December 16-17, 2004; available online at [http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/83201.pdf].

[5] "Turkey Faces Toughest Test for EU Entry," *Financial Times*, June 30, 2005; "Shock, Awe, and Exhaustion," *BBC News*, October 4, 2005.

possibility of membership will help accelerate reform and promote greater stability in these countries. Ukraine has also expressed long-term EU aspirations.

Some observers caution that voter worries about further EU enlargement could slow EU efforts to enlarge to the Balkans or beyond. Even before the debate over the EU constitution, many experts believed that enlargement was reaching its limits and that the EU was unlikely to include countries such as Russia for the foreseeable future. They note that in the spring of 2003, the EU launched a new "European Neighborhood Policy" (EPN) 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.

## U.S. Perspectives

Successive U.S. Administrations have supported EU enlargement, believing that it serves U.S. interests by spreading stability and the benefits of the single market throughout the continent. 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 welcomed the EU's enlargement in 2004, noting that it would help strengthen the "enduring partnership" between the United States and Europe. Some U.S. officials are concerned that voter worries about EU enlargement, as expressed in the debate over the EU constitution, could hinder additional EU expansion, especially to Turkey and the Balkans in the longer term.

Others argue that 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 central and eastern European countries may further complicate EU negotiations if frequently changing governments shift policy positions. Others worry that a larger, more confident EU — with an economic output roughly equivalent to that of the United States and growing political clout — may increasingly rival U.S. power and prestige.[6]

[6] Also see CRS Report RS21875, *EU Enlargement: Economic Implications for the United States*, by William H. Cooper.