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European Union Enlargement

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Summary

The EU views the enlargement process as a historic opportunity to promote stability and prosperity in Europe. On May 1, 2004, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia joined the European Union (EU), enlarging the Union to 25 members. In January 2007, Bulgaria and Romania are to formally enter the EU. 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, and CRS Report RS22517, *European Union Enlargement: A Status Report on Turkey's Accession Negotiations*, by Vince L. Morelli.

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 1957, the Treaty of Rome 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 joined 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 increased the legislative power of the European Parliament, strengthened the EU's foreign policy, developed a more coherent EU strategy to boost employment, and integrated procedures for managing internal security. In December 2000, EU leaders concluded the Nice Treaty to pave the way for further EU enlargement while setting a limit of 27 member states. The Nice Treaty set 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 would have simplified EU voting rules and contained 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 into doubt following its rejection by French and Dutch voters in May and June 2005, respectively. Some suggest that the

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.

[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.

difficulties with ratifying the EU constitution have called into question further enlargement of the EU, given that considerable public opposition to the constitution, at least in the French and Dutch referenda, was tied to concerns about EU enlargement. EU officials emphasize that EU enlargement can still proceed for now under the terms set out in the Nice Treaty.[2]

Previous Enlargement

The EU views enlargement as a historic opportunity to help in the transformation of the countries involved, extending peace, stability, prosperity, democracy, human rights and the rule of law throughout Europe. The carefully managed process of enlargement is one of the EU's most powerful policy tools that has helped to transform the countries of Central and Eastern Europe into more modern, functioning democracies.

Under Article 49 of the Treaty on the European Union, any European country may apply for membership if it meets a set of criteria established by the treaty. In addition, the EU must be able to absorb new members, so the EU can decide when it is ready to accept a new member. 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]

Accession talks begin with a screening process to see to what extent applicants meet the EU's 80,000 pages of rules and regulations known as the *acquis communautaire.* The *acquis* is divided into 35 chapters that range from free movement of goods to agriculture to competition. Detailed negotiations at a 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. In all areas of the *acquis,* the candidate country must bring its institutions, management capacity and administrative and judicial systems up to EU standards, both at national and regional levels. During negotiations, applicants may request transition periods for complying with certain EU rules. All candidates receive financial assistance from the EU, mainly to aid in the accession process. Chapters of the *acquis* can only be opened and closed with the approval of all 25 member states, and chapters provisionally closed may be reopened. Periodically, the Commission issues "progress" reports to the Council and European Parliament assessing the progress achieved by the candidate country. Once the Commission concludes negotiations on all 35 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.

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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 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). At its December 2002 summit in Copenhagen, the EU concluded accession talks with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. The accession treaty was signed with 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. Approximately 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 are applied 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 may 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 December 2004, the EU concluded accession negotiations with Bulgaria and Romania, and on January 1, 2007, these two nations are to formally join the EU, bringing the Union to 27 member states and completing the fifth enlargement since 1957. The addition of these two nations will stretch the borders of the Union to the Black Sea and increase the population of the EU to over 470 million.

Turkey[4] and Croatia

Turkey and the European Community first concluded an association agreement aimed at developing closer economic ties in 1963, but Turkey's 1987 application for full EC membership was rejected. 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.

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

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[4] For more detailed information on Turkey's accession to the EU, see CRS Report RS22517, *European Union Enlargement: A Status Report on Turkey's Accession Negotiations*, by Vince L. Morelli.

membership for Turkey should be retained as a future option, the EU opened accession talks with Turkey on October 3, 2005. Formal negotiations between the EU and Turkey on the *acquis* began in 2006. However, Turkey's continued failure to recognize Cyprus and its refusal to open its ports to Greek Cyprus as required by Turkey's customs union with the EU will have an "impact on the negotiating process."[5] Some EU members and many EU citizens remain wary about Turkey's possible accession given its size and Muslim culture.[6] EU talks with Turkey are expected to take at least a decade to complete.

In June 2004, the EU named Croatia as a candidate and opened accession talks with that country on October 3, 2005, following a determination that Croatia was cooperating fully with the International Criminal Tribunal for the former Yugoslavia (ICTY) in apprehending a prominent suspected war criminal, who is now in prison. At the same time, some suggested that Croatia only received a positive EU nod as part of a deal to also open accession negotiations with Turkey on the same day.

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. It argues that the possibility of membership will continue to help accelerate reform and promote greater stability in those countries interested in eventually joining the EU. Macedonia, Albania, Bosnia, and Serbia harbor EU aspirations and are recognized as potential EU candidates.

On the other hand, even before the debate over the EU constitution, many experts believed that enlargement was reaching its limits. "Enlargement fatigue" in the wake of the addition of 12 new members in two years and the rejection of the constitution in France and the Netherlands, due in part to concerns over the impact of enlargement, has become a serious issue in Europe. In September 2006, after the EU agreed to admit Bulgaria and Romania in January 2007, Commission President Barroso suggested that this enlargement may be the last until the EU constitution is adopted or EU institutions are updated through treaty amendment. Barroso was referring to the limitations of the Nice Treaty, which authorized the EU to enlarge to 27 members but no more. For any other country to be admitted to the Union, the Nice Treaty would have to be amended or a new treaty ratified that would allow further expansion of the Union. The European constitution would have facilitated further enlargement but since ratification has been rejected by two member states, this option is no longer available for now. Similarly, under the accession structure, membership talks with any candidate country whose accession could have substantial financial consequences on the Union as a whole, as Turkey or Ukraine would have, can only be concluded after 2014, the scheduled date for the beginning of the EU's next budget framework.[7] In preparation for assuming the Presidency of the EU in January 2007, German Chancellor Angela Merkel has spoken of a "pause" in EU expansion and

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[5] See Council of the European Union - 15/16 June (2006), Presidency Conclusions, at [http://www.consilium.europa.eu].

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

[7] See "The Process of Joining the EU" on the European Commission's website at [http://ec.europa.eu/enlargement].

has asked EU Enlargement Commissioner, Oli Rehn, to prepare a report on the EU's ability to further absorb new members.[8]

For the general public in Europe, apprehensions about further enlargement seem to be driven by several concerns. One is that the addition of nations with weak economies, low incomes, and high unemployment could wreak havoc with the economies of other member states. A second issue is the belief that some of the newest members have been admitted with less mature democratic institutions or glaring deficiencies in meeting EU standards. The lack of effective judicial reform in Bulgaria and Romania and the recent political turmoil in Hungary, Poland, and the Czech Republic could cause long-term problems for the success of the Union. Another concern is with the overall identity of Europe and the question of what the Union stands for. Concern over this issue has been driven by the possible admission of Turkey, a large Muslim state with a culture considered to be vastly different by many Europeans and not compatible with a European culture.[9] These public concerns have led leaders such as Germany's Merkel and France's Sarkozy to suggest that there may be a need for a debate about the final borders of Europe or to ask for "a precise definition of Europe's eastern border."[10]

U.S. Perspectives

Successive U.S. Administrations and many Members of Congress have supported EU enlargement, believing that it serves U.S. interests by spreading stability and economic benefits throughout the continent. Over the years, a key 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 regulatory policies. 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, asserting that it would help strengthen the "enduring partnership" between the United States and Europe.

Some U.S. officials are concerned that public 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. Some suggest, for instance, that political instability in a number of central and eastern European countries may further complicate EU reform 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.[11]

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[8] "Croatia Pushes for EU Entry Date Amid Fears of Delay," *Financial Times*, October 9, 2006.

[9] "Doubts on Muslim Integration Rise in Europe," *International Herald Tribune*, October 12, 2006.

[10] "Hope for a Brighter Future," *The Atlantic Times*, October 2006, and the *Financial Times*, October 2006, *Op. Cit.*

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