

# Question Marks over Enlargement

**A**t the brink of the greatest – and most critical – widening in its history, the European Union presents itself deeply split and paralysed. The Constitutional Treaty turns out to be a source of bitter disagreement rather than a departure to new frontiers. The Janus-faced ghost of a two-speed Europe is reappearing without any sign of positive leadership on the part of the self-appointed “pioneers”. Agreed rules of conduct – an indispensable ingredient of a workable and credible Union of 25 – are being bent by major (power-)players for selfish reasons with the tacit or open support of others. And the heavy financial costs of widening, in the past covered by rhetoric, are now producing a deep rift between net creditors and recipients. The political and economic benefits of enlargement are all of a sudden obscured by discord. Is the EU falling victim to its sheer size and diversity?

The present conflict has one of its roots in the opposite responses to the Iraq war. Not only were the EU members unable to agree on a common strategy vis-à-vis Iraq and the USA, they were also unable to manage their dissent. Bitter accusations, fuelled by the malevolent US distinction between old and new Europe, deepened the split far beyond the issue at hand. At the same time, however, the Convention moved forward and was able to present, on 18 July 2003, a draft Constitutional Treaty. To be sure, that draft has a number of shortcomings – not least the downgrading of price-level stability as a general policy objective and the erosion of the European Central Bank’s independence – and it is far from meeting everybody’s aims and aspirations. Yet it can be regarded as an important, positive step on the way to an integrated Europe of 27 (and more).

A major feature of the draft is the streamlining of the decision-making procedure. In Nice the Intergovernmental Conference (IGC) had agreed on a three-tier voting formula for the “qualified majority vote” (QMV) which gave Poland and Spain, in the first tier, a number of votes largely disproportionate to their population: with (less than) forty million people they have 27 votes whereas Germany with a population more than twice that has only 29. In the course of slimming the voting procedure, the Convention abolished this first tier together with the QMV. Generally speaking, decisions will in future be taken by a majority of countries representing at least sixty per cent of the population (double majority). This formula guarantees, on the one hand, that the EU will not be ruled by a small “directorate” of large countries. On the other hand, the formula makes sure that the majority of the population cannot be outvoted by a majority of small countries. It is therefore a fair blend of numbers and size which should be acceptable to all – so much the more as the 50+/60 per cent rule chosen to define majority need not be the last word. It is therefore difficult to see what “solid reasoning” has led Polish prime minister Miller to block the adoption of the Constitutional Treaty and thus to prevent 23 member countries from moving ahead.

The immediate reaction to Polish (and Spanish) obstruction by Jacques Chirac, Gerhard Schröder and others has been to threaten with resort to a two-speed Europe. This concept has two facets. The positive facet is the notion of moving forward with integration in a “pioneering group”, thus keeping the momentum under conditions where not all member countries are willing or able to follow suit. The most prominent examples have been European monetary integration, the Schengen Agreement and the Social Protocol. The negative facet is the one which the present supporters of a “core club” appear to have in mind: punishing certain member countries by keeping them deliberately out and behind.

Whatever the motives are, the idea of a “pioneering group”, led by France, Germany and perhaps other founding members, has presently little substance. The “pioneers” have no definite goal in mind which they might approach “faster, further and better”. Countless meetings of the French and German leaders have not produced any major initiative which the two countries would wish to pursue jointly, and with Britain, a reluctant third partner, this situation is unlikely to be improved. There is, therefore, little chance that significant positive action will emerge from the initial frustration.

Quite the contrary. France and Germany are united in their neglect of the Stability and Growth Pact (SGP). This neglect has not only led them to disregard their fiscal obligations under the Pact but also to induce the Council (Ecofin) to violate the Excessive Deficit Procedure laid out in the EC Treaty. This attitude has been played down by some with the standard arguments that the limits set under the SGP are arbitrary and too rigid, that the indicators applied are ill-chosen, that fiscal consolidation would be counter-productive in the present economic situation, and that the Pact should therefore be abolished, the sooner the better. This reasoning disregards, firstly, that the SGP is an important barrier against domestic demands for higher deficit spending at the expense of future generations, a barrier that is now likely to collapse. Secondly, the SGP offers the only rules for fiscal cooperation the EU has ever been able to develop and it should therefore be handled – and further developed, if need be – with great care. Finally, and most important, violation of the Treaty and snubbing of the Commission sap the very foundations of the EU at the time of its greatest challenges, and they further undermine the credibility of the European venture to an already sceptic public. One would expect European “pioneers” to have these consequences in mind.

A new (and old) area of conflict emerged soon after the failed IGC in December 2003: the future financing of the Union. In a letter to the Commission, six net contributors demanded that for the next medium-term budget period 2007-2013 the level of Community spending be frozen at the current level of 1.0 per cent of GNI. This move was immediately rejected by the Commission which sees a need to increase the budget to 1.24 per cent – an expansion of €25 billion p.a. over the current €100 billion. All of a sudden it becomes evident that the notion that enlargement was a “free lunch” is a bitter illusion. Under current spending rules the huge income gap and the large size of the agricultural sector call for high and even rising transfer payments to the new member countries. A major revision of these rules would deprive current and future recipients of part of their claims and therefore appears even less manageable now than before. But perhaps the Polish and the Spanish governments, which together wrecked the IGC, can haggle out a joint solution. At the same time, people in the net creditor states are less and less prepared to shoulder ever heavier fiscal burdens for one-way solidarity – public support of the EU is sliding even in traditional pro-EU countries like Germany or the Netherlands. And while the Union has been assigned new and important tasks, including control of the external borders, the public needs to be convinced that the EU is the right agent to be charged with them.

Has the EU25 come to its end before it has even been started? That conclusion would certainly be premature. Conflict has always been a feature of the EU, as can indeed be expected in a union of nation states with diverse, and often antagonistic, interests and political doctrines. In the past these conflicts have always been settled by compromises. This time, again, it is likely that in the end the various elements of conflict will be knit together and resolved in a package deal encompassing voting rights, some policy reform and money. Yet this cannot be expected to happen soon. In the meantime the Union is faced with a likely standstill. Will the “pioneers” seize their opportunity and forge ahead?

*Hans-Eckart Scharrer*  
*Former Vice-President of the HWWA*