# Comment on "Prospects for Joining the European Union," by András Inotai

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I would like to begin by saying that my remarks reflect entirely personal views and should in no way be attributed to the European Commission. I very much enjoyed András Inotai's paper. I thought it was vigorous, straightforward and clear. It covered a vast amount of ground and did so in a very systematic way. I cannot possibly comment on the whole paper, so I am going to confine my comments to a few topics. I will talk almost exclusively about economic aspects. This is in no way to dissent from the view expressed by András Inotai that the security aspects of enlargement are extremely important.

I would also very much agree with another point made by András Inotai that the economics of enlargement are not technical issues, they are highly political. And if I have a general criticism of the paper, it is that it doesn't take enough account of the political nature of the economic issues and indeed some of the sheer administrative aspects of the economic issues.

I will talk briefly about three things touched on in the paper: the Europe Agreements, the opinions and differentiation among candidate countries. I will then talk in a little more detail about the negotiations themselves.

First of all, the Europe Agreements. András Inotai very rightly calls attention to the agreements as comprehensive documents. They go far beyond mere trade agreements. They have a lot of other things in them. Incidentally just to clarify one point: the trade provisions of the Europe Agreements came into force two years before the non-trade provisions. So, whereas we are now approaching the mid-point of the 10-year life of the agreements as far as the trade provisions are concerned, as far as the non-trade provisions are concerned, that will not come for another two years.

The non-trade commitments in the Europe Agreements are far from trivial. For example, in the area of competition policy the Europe Agreement countries are required to adopt rules which are consistent with those of Community competition policy for anti-trust and state aids within three years of entry into force of the Europe Agreements, which for Poland and Hungary will be the end of 1997. This entails not only adapting their legislation to that of the EU but also agreeing on implementing rules. In the context of this commitment the Commission is asking the



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associated countries to set up their own administrations to vet state aids. This is something that no member state and no member of the European Economic Area is required to do because all of those countries have a supra-national authority – the Commission in the case of the member states, the EFTA surveillance authority in the case of the European Economic Area. It is quite a tall order, and one to which the Europe Agreement countries will have to devote considerable administrative resources.

Let me move on to the opinions. According to the conclusions of the Madrid Summit of December 1995, as soon as possible after the conclusion of the IGC, the Council will consider four documents. The first document comprises the opinions; the second is a horizontal paper which will look at accession in a horizontal way with the aim of ensuringthat all applicant countries are given equal, comparable treatment. The third paper, the so-called impact paper, is designed to assess the impact of enlargement on the policies of the Union and the fourth paper is a paper which will examine the financial framework of the Union after December 1999. This is because the present budget arrangements are only in place until December 1999 and new arrangements will have to be agreed for the period after that.

The Council is supposed to consider these four documents and then take decisions for launching accession negotiations. According to the Madrid Summit, the Council hopes that the preliminary stage of accession negotiations with the CEE countries will coincide with the start of negotiations with Cyprus and Malta – and now only Cyprus because Malta has decided that it does not wish to negotiate accession. Cyprus has been promised that its negotiations will be started six months after the conclusion of the IGC, so that is the soonest that negotiations can start with the CEE countries.

The IGC is due to conclude with the Amsterdam Council in June 1997, and the opinions could be delivered very soon after, in July. András Inotai seems to imply that they will probably all be positive, but this is unlikely, as the conclusions of the Commission's seminar on enlargement at the end of November 1996 indicated. Certainly the Commission services take very seriously the responsibility of issuing objective opinions on the readiness of countries for membership. That being said, whatever opinions the Commission comes up with, they are precisely that, opinions. And it is open to the Council to overrule them, in either direction. The Council could decide not to negotiate with a country on which the Commission has delivered a positive opinion, or it could decide to negotiate with a country on which the Commission has delivered a negative opinion. That is entirely up to the Council.



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I agree broadly with what András Inotai has said about how negotiations might most efficiently be launched. One possibility would be to begin negotiations with only a small group of countries. The reasons for this from the Union's point of view are that it is not physically possible to negotiate with ten countries simultaneously, and it is certainly not possible for the Union to absorb ten countries simultaneously. When one thinks that in its entire history, the Union has grown from six countries to 15, or 15 if you count East Germany, it has taken in at most 11 new countries since it was formed. The idea that it could now take in ten in one go is clearly not realistic and no enlargement has involved more than three countries in the past. President Santer is indeed on record as saying that he thinks the first wave of enlargement should probably comprise three or four countries, and the Commission seminar indicated that enlargement was likely to take place in stages.

An alternative would be to begin negotiations with all ten countries at the same time on the understanding that this would be a multi-speed process in which negotiations would advance much faster with some countries than with others, and András Inotai points out that there are a number of good reasons for doing this. It provides some assurance for those who have so far made less progress than others, and it perhaps helps to overcome the fact that among the member states some have preferences for some countries and others have preferences for other countries. One further advantage to this kind of approach is that it allows more flexibility. It provides the possibility that countries could begin slowly but later accelerate if the conditions were appropriate. This might be particularly important for a country where policy changes made the prospects of its accession to the European Union look somewhat different from how they look today.

There is also the crucial issue, to which András Inotai draws attention, of what to do about the countries that are not in the first wave. It will be important not to allow what may be a rather disparate group of countries to become disaffected or dissociated in any way from the rest of Europe. We have to think about what sort of regional linkages we want to encourage and intensify.

Let me go on now to negotiations. I will talk about two aspects from this section in András Inotai's paper, one is the speed of negotiations and the other is the issues involved in the negotiations. The paper places substantial weight on the speed of negotiations and suggests that negotiations could be completed in two years. This is somewhat longer than the time that was taken for the last enlargement negotiations to include Austria, Finland and Sweden, but it is very much less than the period necessary to negotiate the enlargement to include Spain and Portugal. It is important to ask why there was such a difference in the length of negotiations. One very


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clear reason is that the three countries involved in the last enlargement were already part of the European Economic Area which meant that large parts of the *acquis communautaire* had already been taken on by these countries as members of the EEA. Second, there was the familiarity that Mr. Karlsson referred to: each side already knew how the other operated. There were far fewer question marks.

One can also see how ambitious this timetable is from another perspective. If this first wave of enlargement were to take place in 2002, and with derogations of up to ten years, that would mean full membership, having completed transition periods, by 2012. That would be 20 years after the first trade agreements came into effect, which would be faster than any other member state of the European Union. No country has ever gone from a free trade area with the European Community to full membership including the completion of all transition periods as part of the single market in 20 years. In addition, these are transition economies that are aiming to come into this highly developed integration arrangement.

Furthermore, meeting that very ambitious target is not necessarily advisable. While in other sections of the paper András Inotai sets out both sides of the argument, when it comes to rapid accession he discusses only the advantages. At one point, he talks about the costs of non-enlargement against enlargement, but enlargement can be achieved in more ways than one and some may be more satisfactory than others. The new member states are going to be required to take on the entire *acquis communautaire*, though they will be allowed transition periods and limited derogations in doing this. It would be a mistake for either the EU or the applicant countries to give priority to rapid accession over ensuring that the commitments that the applicant countries make are commitments both that they are able to meet and that will not weaken the *acquis communautaire* in ways that might hamper the progress of the European Union.

Now I will turn to some of the issues for negotiation. One of the issues that András Inotai mentioned is sovereignty. He suggests that this may belong to the hardest core of negotiations. But the pooling of sovereignty is not negotiable: it is an integral element of the European Union. So, for instance, in the area of common policies such as the common commercial policy, any country that is going to accede to the Union has to accept that it will not be free to determine independently its external trade policy. In preparing trade negotiations, for example, each member state has an opportunity in the Council (specifically in the Article 113 Committee) to influence the negotiating mandate. It may or may not succeed, and it may have to make concessions to other member states in order to get what it wants. In any event, at the negotiating table in WTO or with bilateral trade partners, it is the Commission that negotiates on behalf of the



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Community. Those arrangements are in place and are not negotiable. So it is important that applicant countries understand what pooling of sovereignty means.

One area where problems will have to be tackled is the environment. The World Bank has been analysing some of these problems and has come to the opinion that virtually all of the applicant countries are quite unrealistic about the amount of time it is going to take to bring the application of environmental standards into line with those of the Union. A further point that the Bank has made is that the cost of implementing these environmental standards will be much higher if it is done in a relatively short time span than if it is done over a relatively long time span. This is because in order to change very quickly, it is necessary to adapt existing plants, whereas if change takes place over a longer period, new plants can be built. It is actually more expensive to adapt existing plants than to build new ones that meet the standards. There are going to be questions here about the transition periods, permissible derogations, the trade-off between the length of time and the money it will cost and whether some financial assistance should be provided and if so, how much and on what criteria and so on.

Another issue which concerns the Commission is the institutional capacity of the applicant countries. This has already been alluded to in earlier sessions. The Union is a rather hybrid animal. It has elements of an intergovernmental organisation and elements of a federal state. To the extent that it is a federal institution, it is more on German lines than American lines, by which I mean that to a large extent, the laws and regulations are implemented and enforced by member states. We often hear references to Brussels which imply that there is some large bureaucracy sitting in Brussels, but this is not the case. The officials of the European Commission number 14,000, which is fewer people than are employed in the Scottish office in the United Kingdom. What is more, one-third of them are interpreters and translators.

The Commission, furthermore, has very few sanctions at its disposal to ensure that member states enforce the rules and regulations of the EU, even in key areas such as the internal market. Hence it is necessary for current member states to have a substantial amount of confidence in the ability and willingness of new member states to implement and enforce the laws and regulations of the Union. Moreover, membership is irreversible. A country cannot be thrown out of the EU. A country can decide to remove itself from the EU, but as long as it wants to stay, the other members have to accept that it is there for the indefinite future. All of these factors mean that establishing the credibility and reputation of institutions is critical, and although this may not be a direct subject of negotiation, the


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concern about the institutional capacity of these countries will impinge on the way that many aspects of the negotiations are treated.

András Inotai points out that preparation for membership will impose costs on the applicant countries, and the Commission is keenly aware of the need for a major effort to help the applicant countries prepare for accession. It has recently drawn up new guidelines for the Phare programme which will in future concentrate on two main objectives: first, to help theapplicant countries develop public services that are able to implement Community rules with the same guarantee of effectiveness as in the member states; and second, to help them to bring their industry and major infrastructure up to Community standards by making the necessary investment. These new guidelines signify the determination of the Commission to work with the applicant countries to ensure that accession is well prepared.



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