

Cambridge University Press

978-0-521-51481-1 - Conflict, Negotiation and European Union Enlargement

Christina J. Schneider

Excerpt

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1 Introduction

“We are here to undertake a common task – not to negotiate for our own national advantage, but to seek it to the advantage of all”
(Jean Monnet)¹

The enlargement of the European Community (EC) and later the European Union (EU) was never particularly popular.² Indeed, the first attempt at widening the EU culminated in the Community’s “first real crisis” when Charles de Gaulle, then-President of France, rejected the British accession in a dramatic press conference at the Élysée Palace (Nicholson and East 1987, 39). He claimed that Britain’s conditions for joining the Union were unacceptable to France. In addition to fearing that a rise in Atlanticism would undermine French dominance in Europe, de Gaulle was particularly concerned about the impact British membership would have on the Common Agricultural Policies (CAP). Political tensions arose from opposite interests of French farmers and the British government that sought to protect the interests of European Free Trade Association (EFTA) members, British farmers, and the Commonwealth. Moreover, it seemed impossible to compromise on granting the Commonwealth access to the common market without hurting the French interest in protecting European farmers from non-European producers. To make matters worse, the expansion of the common market to the Commonwealth would decrease France’s benefits from preferential agreements with its former colonies (Ludlow 1997, 159).

In the course of the accession negotiations, de Gaulle argued that the United Kingdom was too different politically and economically from the six founding members to be included in the Community without threatening the structure and cohesion of the current

¹ Monnet (1976, 323).

² In this book, I use the term EU when I refer to either the EC or the EU.

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system. He therefore opposed any further steps that would lead to the accession of the UK to the EC:³

In short, the nature, the structure, the economic situation, that characterize England, differ profoundly from the Continent. How then could England, as she lives, as she produces, as she trades, be incorporated into the Common Market as it was conceived and as it works?

(Charles de Gaulle, January 1963)

The French persisted in their objections despite strong criticism from all other member states and the British government. This eventually caused the collapse of the accession process, which delayed British entry into the EU for ten years.

Serious tensions arose again thirty-five years later with another EU enlargement – the accession of Central and Eastern European (CEE) countries from the former Soviet bloc. Domestic concerns spilled into conflict among EU member states when negotiations with the CEE countries (about labor markets liberalization for example) revealed considerable divergence in national preferences. Whereas most member states favored granting CEE countries access to the labor market upon accession, German and Austrian workers expected the mass influx of cheap unskilled labor from the East to cause major market disruptions. The German government, which faced elections at that time, responded to these fears and insisted that the migration problem would have to be solved before accession negotiations could proceed. Echoing domestic public debates and the opinion of major labor organizations, the government claimed that the EU could not cope with immigration any more. Consequently, the acceding states would have to be excluded from labor market integration until there was structural and economic evidence of declining migration pressure. The debate about the free movement of labor noticeably delayed the accession of the CEE candidates.

Even though nearly every round of enlargement was accompanied by distributional conflict, the EU has grown to 27 member countries with more states likely to join in the future. The widening of the Union seems unstoppable despite mounting public resentment within the existing member states. The Former Yugoslav Republic

³ This speech was given during a press conference at the Élysée Palace in January 1963.

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of Macedonia (FYRM) formally applied for membership in 2004. Croatia and Turkey have started accession negotiations. The EU itself has indicated that Albania, Bosnia and Herzegovina, Montenegro, and Serbia (including Kosovo under United Nations (UN) Security Council Resolution 1244) could become members if they fulfill the EU accession criteria.⁴

Without doubt, political conflicts triggered by the fear of enlargement complicate the continuing expansion of the EU. Whereas each enlargement clearly increased the aggregate gains of EU membership both for old and new members, it remains quite puzzling that the Southern (to Greece in 1981, and to Spain and Portugal in 1986) and Eastern expansions succeeded despite the misgivings of member states that expected conflicts with distributional consequences.

The puzzle of continuing enlargement of the EU despite these distributional conflicts has received much attention in the literature.⁵ The answers can be grouped into two major categories depending on whether one approaches the puzzle from a rationalist or a socio-cultural perspective. According to most economists and some political scientists, the market and geopolitical benefits from integration can outweigh the costs from diminished political autonomy under certain conditions.⁶ If integrating more states into the European legal framework increases the political and economic stability of new members, then the political stability and the economic prosperity of the entire region would increase as well. Current members then stand to benefit from expansion, and this should induce them to support it.

According to scholars with a sociological and cultural perspective, European integration is a quasi-natural process driven by joint values and socialization.⁷ The willingness to expand is determined less so by economic cost-benefit calculations than by the cultural affinity of candidates and current members and the degree to which they

⁴ The European Commission even “reaffirmed at the highest level its commitment for eventual EU membership of the Western Balkan countries” on its web page for enlargement (<http://ec.europa.eu/enlargement>). See Chapter 2 for a detailed description of the formal accession process and the criteria for EU membership.

⁵ See for example Baldwin et al. (1997), Brenton (2002), Breuss (2002), Böri and Brücker (2000), Schimmelfennig (2001, 2003), Friis and Murphy (1999), and Torreblanca (2001).

⁶ See for example Baldwin et al. (1997) and Moravcsik and Vachudova (2003).

⁷ See for example Fierke and Wiener (1999), Sedelmeier (1998, 2002), and Schimmelfennig (2001, 2003).

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share common norms and values. Schimmelfennig (2001, 2003), for example, argues that the “drivers of enlargement” within the EU referred to a historically developed pan-European vision and rhetorically entrapped the “brakemen of enlargement” into accepting the applicant countries regardless of costs.

I propose a new way of thinking about the seemingly smooth process of EU enlargement. First, I analyze the EU enlargement rounds focusing on the formal structure and the actual process of the multilateral negotiations about the conditions under which enlargement takes place. It may be obvious that an understanding of EU enlargement should require an examination of the accession negotiations. However, recent approaches tend to treat the enlargement process as a black box. Instead of looking at the accession negotiations and the deals agreed upon during these talks, these analyses tend to examine the consequences of enlargement to determine whether it was desirable or not. In contrast, I analyze the negotiations between the heads of governments to show the conditions they demanded and the side-payments they extracted before supporting the widening of the Union in the formal enlargement talks.

Second, I do not treat the EU as a homogenous bloc that negotiates with an (equally homogeneous) group of applicant countries. Like Schimmelfennig, I contend that enlargement affects current members in fairly diverse ways. It is not just outsiders and insiders that engage in distributional conflict, but also relative winners and losers within the Union itself. Indeed, the intra-Union conflict may dominate the enlargement process. Understanding this type of conflict is crucial for gaining insight into the multilateral character of accession negotiations and the outcomes of the enlargement process.

Third, I argue that EU expansion is not a simple process with a dichotomous outcome in which countries are either accepted or rejected. Instead, outcomes vary substantially in their terms – like the transitional limitation of membership rights – and this variation can be explained as a result of bargaining over the allocation of enlargement gains across states. That is, the terms of enlargement are *endogenous* to the accession negotiations.

Fourth, I take into account the institutional context – the formal procedures and requirements for enlargement. For instance, enlargement requires the unanimous approval of EU members. A single “nay” vote by even the smallest one among them would derail the

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enlargement process. But if enlargement causes distributional conflict, then this requirement implies that one can no longer attribute successful enlargement to positive overall gains. Instead, one must show why no member state chose to wield its veto to stop it.

Finally, I approach the puzzle of EU enlargement from an historic perspective. By analyzing all accession negotiations and outcomes from the early 1970s to 2004, I can draw a more complete picture of the political economy of differentiated membership and widening of the EU.

1.1 The politics of EU enlargement

My main argument is that the various EU enlargement rounds “succeeded” *despite* distributional conflicts because governments managed to redistribute EU enlargement gains (a) among the applicant countries and EU member states, and (b) from the relative winners to the relative losers among EU members.

EU enlargement increases the aggregate gains of membership for all current members and at the same time triggers distributional conflict between current and future members. Every enlargement round has fostered political stability and economic growth in Europe. For example, the Eastern enlargement contributed tremendously to the economic development of the accession countries whose economies grew by approximately 3.8% per year between 1997 and 2005 (EU Commission 2006a). However, each of these rounds also saw serious frictions, especially when new members were expected to receive large shares of the European Agricultural Guidance and Guarantee Funds (EAGGF) and European Reconstruction and Development Funds (ERDF). The integration of labor markets further aggravated these frictions because the applicant countries’ per capita income and wages were significantly lower than those of the member states. Although these expectations were partly exaggerated, there is no doubt that enlargement affects EU members unequally. Enlargement does not necessarily divide countries into *absolute* winners and losers, but it does cause tensions between *relative* winners and losers.

Distributional conflict poses a threat to the successful conclusion of accession negotiations because the enlargement of the EU has to be approved unanimously. This specific institutional environment gives the relative losers of enlargement an opportunity to engage

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in delaying tactics in order to obtain a redistribution of enlargement costs and benefits that is more favorable to them. Because they can, at least in theory, delay indefinitely a compromise on the policy being negotiated, the relative losers can credibly threaten the supporters of enlargement to withhold agreement until sufficiently attractive re-distributional measures are accepted. The relative winners of enlargement, on the other hand, have no incentives to demand compensation at the expense of the applicant states.

A good example of the relationship between distributional conflict and the demand for compensation is provided by the debates on the Common Fisheries Policies (CFP) of the Community in the second Mediterranean enlargement round. Some EU member states – France and Ireland in particular – were wary of integrating Spain into the CFP immediately after accession. The cause of this reluctance was the enormous size of the Spanish fishing fleet whose 17,000 boats exceeded numerically the combined fleet of all other member states, and reached almost 70% of the combined tonnage. France and Ireland feared that their domestic fishing sectors would suffer grievously from such a drastic increase in competition, and requested catching quotas for Spain for a transitional period of at least ten years. Tensions arising from the integration of the acceding states into the CFP escalated over the course of negotiations. French and Irish Navy patrol boats repeatedly fired on Spanish fishing trawlers that were operating illegally in French and Irish waters. In response, Spanish fishermen burned foreign lorries. As a result of these conflicts, the French and the Irish governments made it very clear that they would delay accession until the distributive problems were adequately solved.

When a distributive conflict arises between a group of member states and some applicants, then the relative winners and losers of enlargement within the EU and the candidate states have to negotiate during the accession talks the conditions under which the applicants may accede to the Union.⁸ The resolution of this conflict in the form of redistribution of enlargement gains in favor of enlargement skeptics clears the way for the admission of applicant states.

EU members use two principal strategies to tilt the balance of costs and benefits in favor of enlargement. Differentiated (or

⁸ See Chapter 2 for a description of the formal EU enlargement process.

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discriminatory) membership serves as one instrument of redistribution.⁹ The enlargement gains can be reallocated in favor of adversely affected members at the expense of candidates by granting newcomers temporarily restricted membership rights. This compensation secures the votes of the potential losers while maintaining Pareto-efficiency in the longer run because its transitional nature ensures that new members are not permanently worse off.¹⁰

During the second Mediterranean enlargement round, France's and Ireland's refusal to approve the provisional closure of the *acquis* chapter "Common Fisheries Policies" threatened the entire accession process.¹¹ This induced the relative winners to search for a solution to the conflict. Although the Spanish government rejected a proposal with transitional limitations in 1984, it eventually agreed on a compromise to avoid further delay. Under the terms of the compromise, Spain would not be fully integrated into the CFP for seven to ten years. By (temporarily) surrendering some of its membership benefits – and thereby partially defraying the expected costs for France and Ireland over the transition period – Spain increased the likelihood that these two countries would approve its accession.

Whether the candidates are forced to accept some temporary exclusions from the *acquis communautaire* also depends on their bargaining power and the importance of enlargement for the relative winners within the Union. This suggests an alternative instrument to cope with opposition arising from distributional conflict: supporters of enlargement among current EU members can pay some of the costs themselves to compensate the losers. For example, they can offer to increase their contributions to the common EU budget.

⁹ Throughout the book, I will use the terms "differentiated membership" and "discriminatory membership" interchangeably. See Chapter 2 for an in-depth definition of discriminatory membership.

¹⁰ During the accession negotiations, EU members form expectations about the costs and benefits of enlargement. Because they tend to discount the future relative to the present, member states will be more concerned about what happens in the short term than far in the future. Differentiated membership puts off paying the costs of enlargement while allowing the benefits to accrue immediately. Because of discounting, this ensures that the present net gain from enlargement is much higher. See Section 4.2.3 in Chapter 4 for the rationale of transitional periods.

¹¹ The *acquis communautaire* is the body of common rules and laws in the EU. For the enlargement talks, it is divided into chapters representing the different common policies of the Union. See Chapter 2 for a more detailed description of the common *acquis* and a description of the formal enlargement process.

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The accession of Spain and Portugal triggered conflict not only with France and Ireland over the CFP, but also with Greece over the distribution of structural aid. Having recently achieved membership status, Greece was particularly concerned that the accession of two relatively poor countries would cause an unfavorable shift of structural transfers. Consequently, the Greek government declined to approve the accession of the two candidates until the current members offered a deal that largely secured Greece's benefits from the ERDF. The German government, which expected political and economic gains from the second Mediterranean enlargement, agreed to raise its contributions to the common budget thereby preparing the ground for the Integrated Mediterranean Programs (IMP).¹² The IMP provided for additional transfers to the Mediterranean countries in the Union, and these transfers asymmetrically benefitted Greece because of the fixed distributional rules. Through the IMP the relative winners of enlargement inside the Union defrayed some of the enlargement costs to compensate the relative losers.

According to this perspective, EU widening can succeed even when some members expect serious losses in one or more policy areas. This can be accomplished when relative winners (members and candidates alike) transfer some of their enlargement gains to compensate the relative losers who fear the distributional consequences of enlargement.

1.2 Organization of the book

In this book I analyze the politics of EU enlargement by combining political economy reasoning with multi-method empirical tests. Both elements are equally important. I build on a framework that integrates intergovernmentalist and institutional theories with basic political

¹² Germany expected to gain from the Mediterranean enlargement because of the accession of Spain and Portugal for several reasons. First, their accession to the Union promised an increase in political stability and a strengthening of the Atlantic Alliance. Furthermore, the economic gains from market integration were tremendous because Germany was already the largest exporter to both countries and a net importer of Mediterranean agricultural products. Enlargement reduced the risks for German investments and did not adversely affect the economy because Germany did not have to worry about competition from low-priced, labor-intensive goods from the applicants (Tsoukalis 1981, 146f.). See Chapter 7 for a detailed analysis of the second Mediterranean enlargement and the debates around the establishment of the IMP.

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economy assumptions to provide a general theoretical explanation of the relationships among distributional conflict, differentiated membership, and EU enlargement. I then study quantitative and qualitative evidence to triangulate the theoretical expectations and elucidate the links among the preferences of EU member states towards expansion, the course of accession negotiations, and the likelihood of differentiated membership.

Chapter 2 provides a description of the formal process of EU enlargement and some facts about the EU accession negotiations and outcomes. The detailed description of the sequence of steps that lead to enlargement highlights the important role the formal accession process and multilateral negotiations play in EU's enlargement decisions. The historical data show how the accession process allows current members to suspend temporarily the implementation of the common *acquis*. I then examine the accession talks on the chapter "Free Movement of Workers" during the Eastern enlargement. The analysis demonstrates how national politics can influence how member states formulate a common position on the terms of accession. This provides a strong rationale for opening the black box of accession negotiations.

Chapter 3 motivates the main argument with a review of the existing literature. I provide an overview of the major approaches to EU enlargement and discuss why the Southern and Eastern enlargement rounds appear puzzling. While I draw on insights from previous work to provide an explanation of all five EU enlargement rounds, my political economy approach offers a more integrative theory of EU enlargement. Most importantly, whereas I agree with Schimmelfennig that distributional conflicts typically arise in accession negotiations, I show that enlargement can be explained from a rationalist perspective if one accounts for the fact that members and candidates can negotiate the distribution of its costs and benefits.

Chapter 4 develops the theoretical argument. The theory combines intergovernmentalist and institutionalist approaches with political economy logic and focuses on the emergence and resolution of distributive conflicts between EU members and candidates during enlargement negotiations. I argue that distributional conflict is a stumbling block to enlargement because relative losers will condition their support for expansion on receiving adequate compensation. When such distributional conflict arises, enlargement cannot proceed unconditionally. In this case, either the relative winners within the Union or the applicant must bear a disproportionate burden of enlargement

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costs to induce the relative losers to cooperate. From this theory, I derive several testable hypotheses about the conditions that make enlargement more likely to succeed.

In the main empirical part of the book, I test the implications of my theory and examine empirically the relationship between distributional conflicts in the enlargement process, the course of accession negotiations, differentiated membership, and the probability of enlargement. The study relies on a unique data set comprising all five EU enlargement rounds and three policy fields – the Free Movement of Workers (FMW), the Common Agricultural Policies (CAP), and the Common Structural or Cohesion Policies (CSP). I begin with an analysis of the origins of distributional conflict between insiders and outsiders and its effect on the course of accession negotiations. I then study how this conflict affects enlargement outcomes, and then examine the relationship between discriminatory membership and the distribution of enlargement gains across EU member states.

Chapter 5 clarifies the conditions under which distributional conflicts arise in the accession process and how these conflicts affect EU members' interests and the strategies they pursue during the negotiations. In general, EU members tend to demand restriction of membership rights for newcomers when they anticipate being disadvantaged after the expansion. For example, the major beneficiaries of EU structural transfers will oppose the unconditional accession of a candidate that is likely to shift these transfers away from them. Analogously, EU members with serious labor market problems will demand continued protection of labor markets.

Chapter 6 uses these results to analyze whether the emergence of distributional conflict influences the outcomes of enlargement talks. The empirical examination shows that candidates are less likely to be admitted unconditionally if distributional conflict arises. Under these circumstances, the likelihood that applicants receive limited membership rights increases sharply. At the same time, the analysis demonstrates that discrimination is not merely an instrument for the deliberate maximization of enlargement gains for current EU members. Even though the applicant states are typically in a weak bargaining position in the accession process, they only have to accept transitional limitations of their membership rights when distributional conflict emerges. This chapter also provides the first account of alternatives to differentiated membership: If current EU members are willing to internalize some of the enlargement costs, then the likelihood of discrimination diminishes.