

Spring School

**Good Governance as an Essential Tool for
Economic Development**
Chişinău, April 1-4, 2014

**Reform process towards the EU.
Lessons to be learned**

Stefano Braghioli
stefano.braghioli@ut.ee

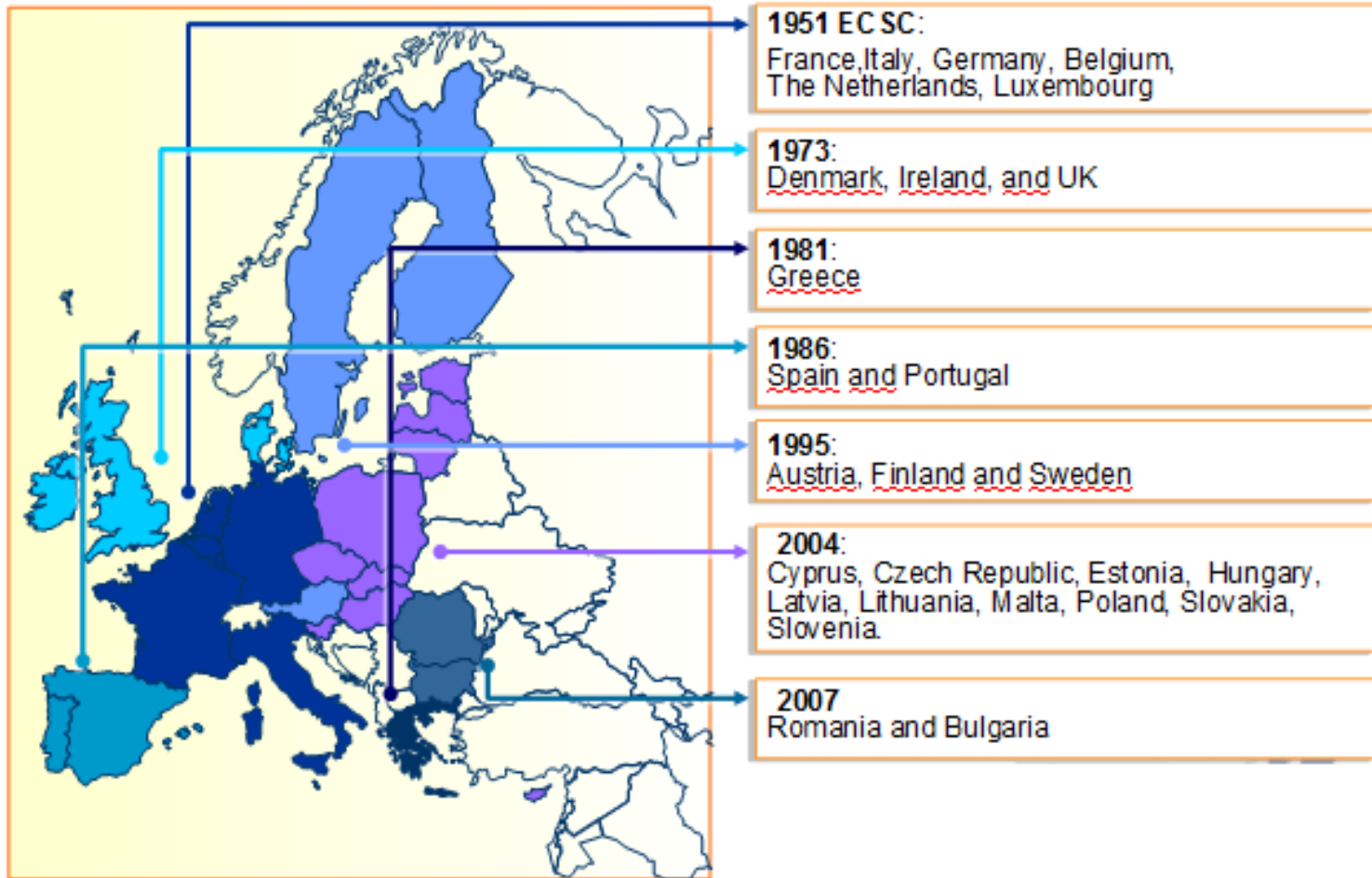


TARTU ÜLIKOOOL
EUROOPA KOLLEDŽ

Structure of the presentation

- *Criteria and regulations*
- *Previous experiences 2004-07*
- *Challenges of the enlargements: costs and benefits of the transitions*
- *Turkey and WBs: Comparable models?*
- *Obstacles to further enlargements: fatigue*
- *Looking at the European public*

Previous enlargements



Future steps

Status	Countries
<i>Candidates</i>	Iceland, Macedonia, Montenegro, Serbia and Turkey
<i>Application submitted</i>	Albania
<i>Recognized potential candidates</i>	Bosnia and Herzegovina and Kosovo
<i>Potential candidates - ENP</i>	Moldova, Ukraine, Georgia, Armenia, Azerbaijan

Conditions for membership

- Art. 49 TEU

Any European State which respects the values referred to in Article 2 and is committed to promoting them may apply to become a member of the Union.

- Art. 2 TEU

The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.

Copenhagen criteria (1993)

1) *Political criteria (Art. 2, TEU)*

The applicant country must have achieved stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.

2) **Economic criteria**

- Functioning market economy
- Capacity to cope with competitive pressure and market forces within the EU.

3) **Acquis adoption and implementation criteria**

- Ability to take on the obligations related to membership, including adherence to the aims of political, economic and monetary union, and to implement them efficiently and effectively.
- The EU's capacity to absorb new members.

Conditions for success

Mandatory requirements

Copenhagen criteria, closure of all negotiating chapters (35), Accession Treaty approved by EP, Council and Commission, ratification by all MS.

More demanding than previous enlargements

Acquis is bigger, more complex (Schengen, EMU, SEM), growing constantly (ECJ jurisprudence) and there are no opt-outs (95% of *acquis* as opposed to 80%).

Limited transition periods - The *acquis*, the whole *acquis*, and nothing but the *acquis*.

For MS from CEE more changes required in terms of political, economic and institutional adaptation.

Conditions were more far-reaching and ambiguous, way beyond the *acquis*.

The 2004/2007 enlargement

On 1st May 2004, after 15 years of reforms, 10 new countries became members of the European Union.

*Poland, Czech Republic, Hungary, Slovakia;
Estonia, Latvia and Lithuania;
Slovenia;
Cyprus and Malta.*

Bulgaria, Romania

Group enlargement; this enlargement added 75 million new citizens to the EU increasing its population to 450 million.

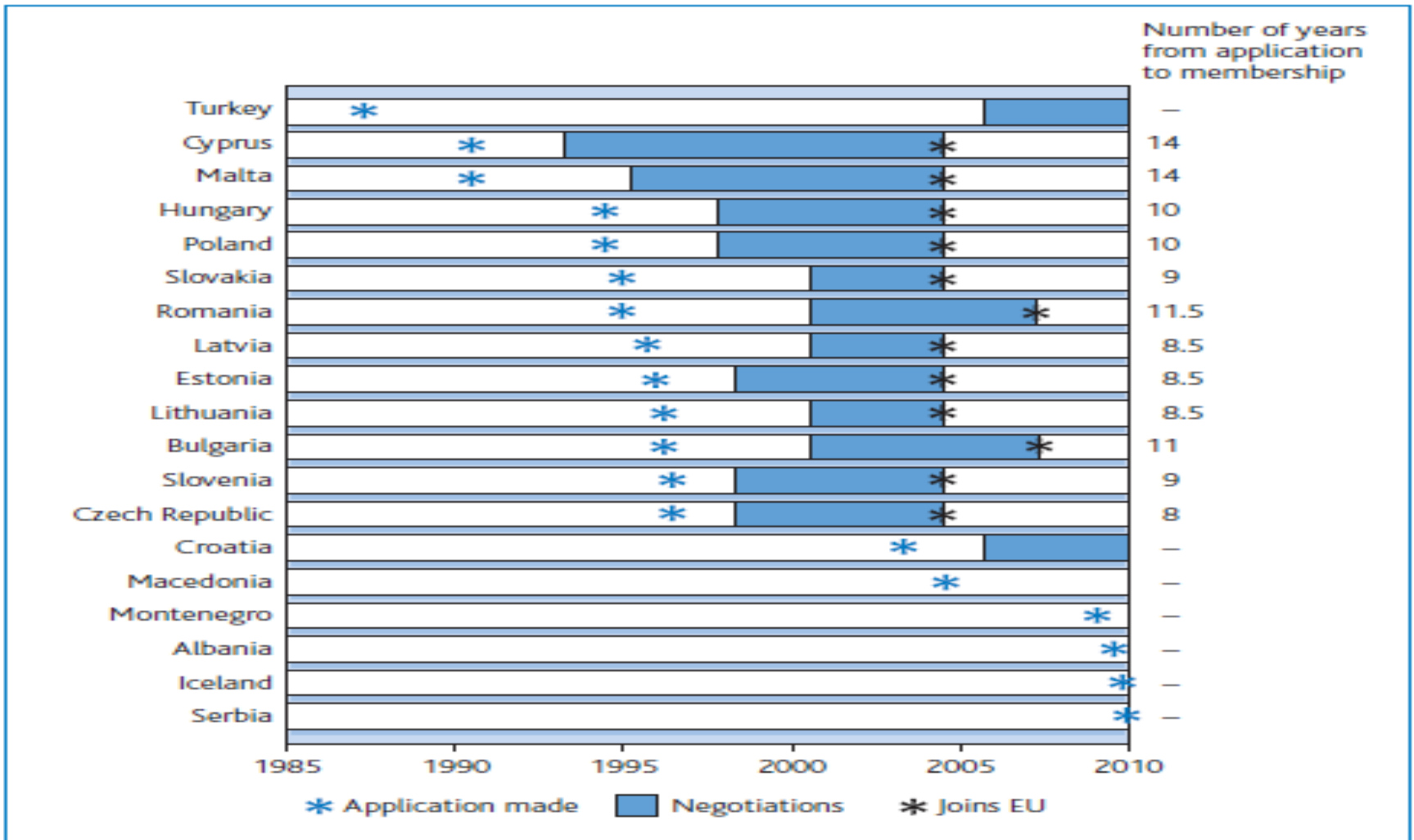


One-by-one vs. Group approach

The case of WB (and ENP): Specifically designed negotiation tools

- Specificity of WB vs. CEE
- Journey approach (steps, instead of final goal)
- Stabilization and Association Process (SAP)
/ Stabilization and Association Agreement (SAA)
- Similarities / differences between WB and ENP

Timing of enlargements so far...



Triple transition: Politics, economics, sovereignty

Politics: from socialism to liberal-democracy

Economics: from central planning to a capitalist/market economy

Sovereignty: from limited to “full” sovereignty

Two main goals of CEE states after 1989/1991:
'Higher living standards' + 'Greater individual freedom'

Transition(s) towards Copenhagen

Key measures aimed to:

- construct a liberal democratic environment through Constitutionalization of fundamental political and social rights and definition of new institutional structure;
- build a market economy from the depths of the transformational recession: shock therapy; unemployment; economic restructuring; market economy criteria; privatization

Copenhagen criteria as minimal requirement

Nature of EU conditionality

Mechanisms of EU conditionality

Dual role: 1. to reassure MS that there would be no disruption; 2. to guide new MS.

Limitations

Copenhagen criteria are vague and not measurable.

Moving target problem: different economic recipes (different types of liberal capitalism); the *acquis* is too broadly defined and the time horizon is vague.

EU's twofold role: aid donor and club owner. Many of the norms are created for developed Western countries, new MS have to cope with that.

Costs and benefits for the EU

Economic benefits

Regional and sectoral disparities represent market opportunities

Gains from trade (economic integration theories - FTA, customs union, common market, EMU), achieved with EU Agreements.

FDI flowing into the region, the EU accounts to more than 2/3. Even though there was criticism (unemployment), labor-intensive firms would have moved anyway.

Induced economic renewal due to: 1. external shock to sectors needing reform (CAP, SFs); 2. out-liberalization by new MS (private pensions, flat tax).

Costs and benefits for the EU

Political benefits

Greater stability, security and democracy in Europe's troubled regions is the main goal.

Overcoming divisions of cold war (Helsinki 1999).

Strengthening EU's international bargaining powers (largest market in the world).

More credibility after the shock of the Yugoslav wars 1991-2001.

Costs and benefits for the EU

Economic and political costs

Budgetary costs harming existing MS: taxpayers, farmers, the Cohesion countries.

Defensive stance in key sensitive sectors (chemicals, agriculture, ECSC products, textiles).

Limited mobility to labor up to 7 years / limits to four freedom (moratorium – phasing in).

Labour dumping (“Polish plumber”), due too poorer labour regulation and salaries

Costs and benefits for new MS

Political and security costs and benefits

Involvement in the negotiations and incremental reform of state structures

“Return to Europe” discourse & legitimation of political elites

Gains in internal and external security (from exogenous hard/soft threats)

Gains from EU conditionality

Costs: 1. loss of sovereignty; 2. exclusivity of EU

Costs and benefits for new MS

Economic benefits

Full access to the EU Internal Market.

Transparency/business friendly environment: EU rules on competition, state aid, public procurement lower the demand and supply of lobbying.

Greater investments (FDIs constitute over 20% of total), lower risk premia and access to EU savings.

Costs and benefits for new MS

Economic costs

Clash between the integration process and developmental goals: 1. no exchange rate policy; 2. over-competition; 3. problems for small business and informal economy.

Low support: candidates got 8.8% of the operational budget (much less than Mediterranean countries).

Process-related regulation not flexible enough for new MS (case of environmental regulation).

Accession negotiations: The process

Opening of chapters to the negotiations:

Screening

EU-27 unanimous decision (Intergovernmental conference)

For each chapter to be opened:

Negotiating position by candidate country

Draft Common Position by Commission to the Member States

EU common position adopted by MS unanimously

Acquis, if not negotiable?

Transitional measures may be negotiated: limited in time and scope.

Ex: free movement of workers environment

Exceptions? RO - BG... not in the future!

Accession negotiations: The process

Annual Progress reports by the Commission

Accession Partnership: Set the priorities for reforms

Peer reviews: Cover the issues mentioned in the reports



The case of Turkey: Impasse and mistrust

- Never ending process (1987 – 1995 - 2005 - ...)
- Opposition from public; functional use of TR by political elites;
- Ongoing disputes and issues; vetoes;
- Economic crisis in the EU;
- TR increasingly self-confident and polyphonic.

“Three pillars” of TR accession strategy

Political reforms:

Accession Partnership + Regular Reports to monitor the process

Increased financial assistance from 2004 to promote reforms.

Continuous efforts needed i.a. on democracy and human rights, freedom of expression, freedom of religion, women’s rights, of minorities, and structural and market reforms.

Negotiation scheme: UE-28 - Turkey

Unanimity required. Benchmarking before opening of negotiations, eg. implementation of Protocol to Ankara Agreement

Negotiations to be closed not before 2020, (new financial perspectives).

Possibility to suspend negotiations in case of violations of Political Criteria.

Civil Society Dialogue:

strengthening links EU-Turkey. Civil Society
(Communication in June 2005).

Dead end track - negative outcome?

The process in the WBs

European vocation' confirmed at European Council of March 2006, following Thessaloniki Agenda of 2003.

Continuation of the **Stabilization and Association Process (SAP)**, designed specifically for the Western Balkans.

Main SAP instruments:

Stabilization and Association Agreements (SAA)

trade measures

financial assistance (CARDS program)

Regional cooperation

Close monitoring:

annual Progress reports + European Partnerships.

The process in the WBs

CARDS Provided financial assistance to potential candidate

Priority sectors:





























- Administrative capacity building
- Democratic stabilisation
- Minorities
- Justice and home affairs
- Economic and social development
- Environment and natural resources

Instrument for Pre-Accession Assistance (IPA) from 2007 onwards

Obstacles to further enlargements

- Growing opposition (both elites and public); different set of reasons (pragmatic vs. identitarian)
- Enlargement fatigue / digestion capacity
- Crisis
- Too far, too big, too poor (?)
- Re-nationalization (?)

Support for enlargement among European public

	%	For		Against		DK	
		EB 76.3	Diff. EB 75.3	EB 76.3	Diff. EB 75.3	EB 76.3	Diff. EB 75.3
 EU 27		36	-6	53	6	11	0
 BE		35	-7	63	7	2	0
 BG		54	-4	21	1	25	3
 CZ		38	-9	54	11	8	-2
 DK		42	-1	52	0	6	1
 DE		17	-5	76	5	7	0
 EE		46	2	45	0	9	-2
 IE		24	-6	56	6	20	0
 EL		44	-2	47	-1	9	3
 ES		45	-6	36	6	19	0
 FR		23	-9	71	10	6	-1
 IT		37	-5	45	0	18	5
 CY		44	-5	45	9	11	-4
 CY (tot)		44	-1	32	7	24	-6
 LV		45	-8	45	8	10	0
 LT		60	-1	26	5	14	-4
 LU		34	5	62	-2	4	-3
 HU		56	-9	35	7	9	2
 MT		50	-4	26	7	24	-3
 NL		31	-4	64	5	5	-1
 AT		18	-5	77	5	5	0
 PL		69	0	21	4	10	-4
 PT		37	-9	44	8	19	1
 RO		58	-6	21	6	21	0
 SI		50	-5	44	4	6	1
 SK		48	-12	47	14	5	-2
 FI		27	-4	70	4	3	0
 SE		47	-12	49	11	4	1
UK		29	-8	59	6	12	2

Fatigue

Waning support from both sides

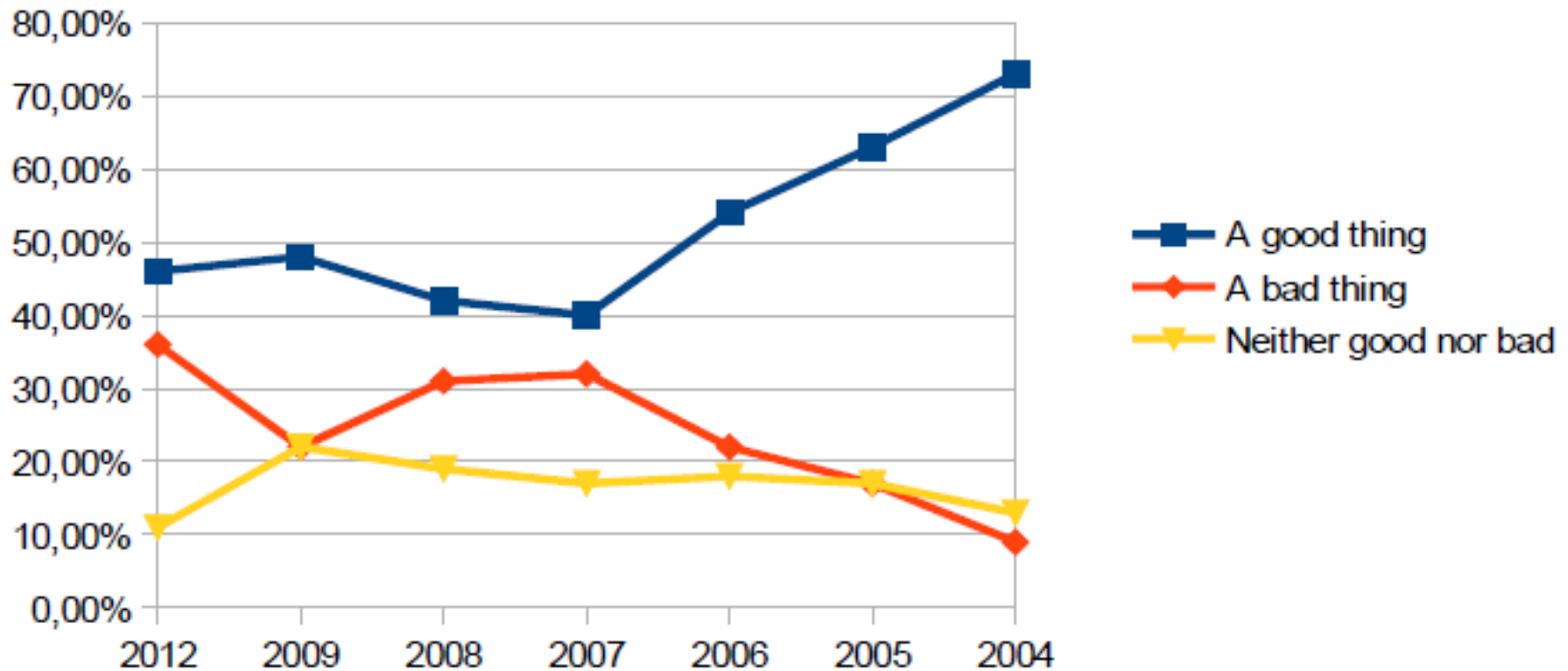
After the 2007 enlargement, the support for further expansion dropped to less than 40% in AT, FR, GE, LX (crime, loss of jobs, delocalization). Only 44% say that EU has been strengthened by enlargement.

In potential new MS support fell everywhere. Cases of HR, TR, and KS Albanians

High vs. low politics: enlargement is seen as anchor of stability and democracy in the region (O. Rehn), and at the same time used as scapegoat for current EU ills.

The case of Turkey

Support for the Turkish membership among the Turkish public



Fatigue

Economic concerns

Both the right and left equated enlargement with unfair competition.

The 'Polish plumber' issue on four freedoms.

Unfinished economic reforms / Tension donors vs. receivers (redistribution)

Security concerns

Political discourse equating enlargement to immigration. Crime gangs / prostitution / human trafficking / Roma ---> Free movement of labor will be further penalized.

Fatigue

Waning support from both sides

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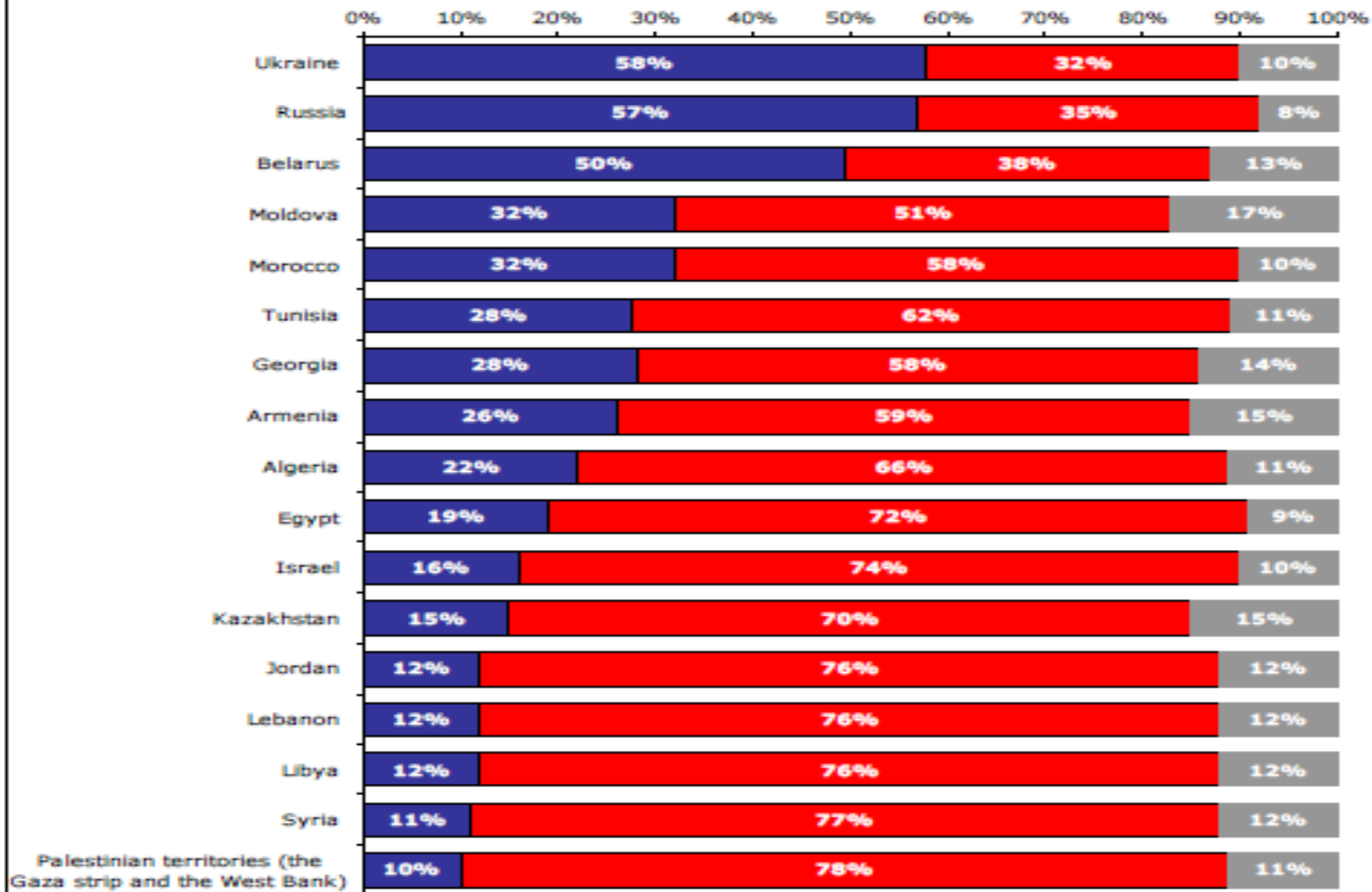
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		Positive and negative statements	EU25		
			AGREE	DISAGREE	DK
QD11a.4	Positive	Facilitates mobility of people like students, businessmen, etc. within Europe	82%	8%	10%
QD10a.2	Negative	Increases jobs transferring to countries where labour is cheaper	75%	14%	11%
QD10a.4	Negative	Increases settlement of workers coming from future member States in the European Union	73%	13%	14%
QD11a.3	Positive	Enriches Europe's cultural diversity	71%	17%	12%
QD9a.1	Positive	Ensures peace and stability in the European Continent	67%	21%	11%
QD9a.3	Positive	Promotes democracy in the European Continent	67%	19%	14%
QD9b.2	Positive	Strengthens the role of the European Union on the international scene	67%	19%	14%
QD10a.3	Positive	Increase the support for the development of candidate and potential candidate countries	66%	16%	19%
QD11a.1	Positive	Reinforce the power of the European Union to fight criminality and terrorism	66%	21%	13%
QD9b.4	Positive	Increases the protection of human rights and minorities in the European Union	65%	21%	15%
QD9a.5	Positive	Facilitates progress towards a political unification in Europe	62%	23%	15%
QD11b.1	Negative	Increases risks of criminal activities	62%	27%	11%
QD11b.2	Positive	Facilitates the expansion of European Union life standards and norms on the European territory	61%	22%	17%
QD11b.4	Negative	Increases illegal immigration in Europe	60%	29%	11%
QD10b.3	Negative	Decreases budgetary resources for (OUR COUNTRY)	57%	25%	18%
QD10b.4	Positive	Ensures better integration of populations from future member States in the European Union	57%	25%	17%
QD10a.1	Positive	Makes of the European Union the biggest trade player in the world	47%	36%	17%
QD9b.1	Negative	Increases dissensions and political instability in the European Continent	46%	37%	17%
QD9b.3	Negative	Weakens the democratic decision-making in the European Union	43%	38%	19%
QD10b.2	Positive	Increases prosperity for all Europeans	43%	42%	15%
QD11a.2	Negative	Lowers life standards in the European Union	42%	43%	16%
QD11b.3	Negative	Makes cultural identities and traditions disappear	41%	48%	10%
QD10b.1	Negative	Decreases economic development opportunities in the European Union as well as in (OUR COUNTRY)	40%	43%	18%
QD9a.2	Negative	Reduces the chances for a common European Union voice in the world	37%	46%	17%
QD9b.5	Negative	Hinders any project of political unification of the European Union	34%	44%	22%
QD9a.4	Negative	Worsens the situation of human and minority rights	30%	55%	15%

QA4 For each of the following countries, please tell me if you consider it to be a neighbour of the European Union.

EU25



■ You consider it to be an EU neighbour
 ■ You do not consider it to be an EU neighbour
 ■ DK

You consider it to be an EU neighbour

EU neighbour?	EU25	Highest percentage of YES		2nd highest percentage of YES	
Ukraine	58%	Poland	91%	Slovakia	85%
Russia	57%	Finland	92%	Latvia	88%
Belarus	50%	Latvia	88%	Poland	85%
Moldova	32%	Bulgaria	57%	Latvia	53%
Morocco	32%	France	49%	The Netherlands	45%
Tunisia	28%	Malta	50%	France	46%
Georgia	28%	Cyprus	57%	Greece	42%
Armenia	26%	France	47%	Bulgaria	38%
Algeria	22%	France	44%	Malta	36%
Egypt	19%	Cyprus	55%	Malta	37%
Israel	16%	Cyprus	58%	Malta	36%
Kazakhstan	15%	Bulgaria	26%	Finland	22%
Jordan	12%	Cyprus	39%	Malta	23%
Lebanon	12%	Cyprus	56%	Malta	22%
Libya	12%	Malta	43%	Cyprus	42%
Syria	11%	Cyprus	53%	Malta	23%
Palestinian territories (the Gaza strip and the West Bank)	10%	Cyprus	42%	Malta	19%

QA5 Please tell me, for each of the following statements, if you agree or disagree with it.

EU25

