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European Union Committee

53rd Report of Session 2005–06

**The Further
Enlargement of the
EU: threat or
opportunity?**

Report with Evidence

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General correspondence should be addressed to the Clerk of the European Union Committee, Committee Office, House of Lords, London, SW1A 0PW

The telephone number for general enquiries is 020 7219 5791. The Committee's email address is euclords@parliament.uk

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FOREWORD—What this Report is about

Successive rounds of enlargement have increased the number of countries in the European Union from an original six to 25 (and 27 once Bulgaria and Romania have joined in January 2007). On balance, evidence shows that the Union has coped well with its growing membership. The 2004 enlargement in particular has brought benefits to all members; the prospect and process of accession helped to transform the Central and Eastern European countries into liberal economies and pluralist democracies.

Many countries would like to follow the newest Member States into the EU. Croatia and Turkey started accession negotiations in 2005, Macedonia was given formal candidate status, and the EU has agreed to give an accession perspective to Albania, Bosnia, Macedonia and Serbia / Kosovo. Some States, formerly part of the Soviet Union, such as Moldova and Ukraine, have also expressed an interest in one day joining the EU.

In this report the Committee evaluates the impact of previous enlargements; looks at current attitudes towards further enlargement; considers the concept of 'absorption capacity' and the debate concerning the borders of Europe; takes a detailed look at candidates and potential candidates for membership and considers possible alternatives to enlargement and the probable costs of not enlarging.

We conclude that there is a sharp contrast between public perceptions about the impact of the last round of enlargement and the assessment of it by most experts. The enlargement has not led to institutional gridlock and the economic impact of enlargement on both the EU-15 and the new Member States has been positive.

We consider the debate about absorption capacity to be unhelpful, and indeed harmful, since the term is inherently vague and is interpreted by many in the candidate countries as an excuse for closing the Union's doors. Similarly, we believe that it would be politically undesirable for the EU to attempt to define its final boundaries and also that it would be a mistake for the EU to impose an artificial 'pause' on enlargement.

Whilst we believe that the idea of a 'core Europe' of a fixed group of countries is unlikely to receive much support, we think that the increasing use of 'variable geometry' and enhanced co-operation in a further enlarged Union is both inevitable and desirable.

We conclude that a larger EU will need institutional change and more efficient decision-making procedures. Importantly, it will also require a rebalancing of the respective representation of large and small countries.

We urge Member States to keep their commitment to offer full membership to both Turkey and the countries of the Western Balkans if and when they are ready to assume the obligations of membership. We do not find the alternatives that have been canvassed, such as 'privileged partnership', either viable or desirable.

We further recommend that the EU needs to develop an attractive and strengthened neighbourhood policy for those countries that do not have the immediate, or, in some cases, even longer term, prospect of full membership.

Further Enlargement of the European Union: threat or opportunity?

CHAPTER 1: SETTING THE SCENE

1. On May 1st 2004, ten countries joined the European Union, bringing the number of Member States to 25. Bulgaria and Romania will follow suit on January 1st 2007¹. Although in terms of the number of countries joining, this was the Union's biggest ever wave of accession, the east and southward enlargement has to be put into perspective. Successive previous rounds of enlargement had already led to changes in the nature of the European Community and, since 1992, the Union.
2. The accession of Denmark, Ireland and the UK in 1973 increased the number of people in the EU more in proportion to the existing population than the 2004 enlargement.² The Mediterranean accessions of the 1980s (Greece 1981, Portugal and Spain 1986) for the first time brought countries with much lower income levels and fragile democracies into what had hitherto been a relatively homogenous club. By comparison, the accession of Austria, Finland and Sweden in 1995 was relatively straightforward, not least since these countries' economies were already integrated with the Union through the European Economic Area (EEA).
3. **The history of the EU, as well as the legal texts on which the EU is based, show that the process of enlargement has been an integral part of its development over the last 50 years.** Progress towards political and economic integration within the Union has always made the Union more attractive for those countries outside. Successive rounds of enlargement, in turn, were accompanied by further steps towards policy co-operation and integration. In other words, widening and deepening have always proceeded in parallel.

BOX 1

Enlargement in the EU Treaties

The Treaty of Rome (Article 237) stated that "any European State may apply to become a member of the Community".

Article 49 of the Treaty on European Union (hereafter the 'EU Treaty') now provides: "Any European State which respects the principles set out in Article 6(1) may apply to become a member of the Union. It shall address its application to the Council, which shall act unanimously after consulting the Commission and after receiving the assent of the European Parliament, which shall act by an absolute majority of its component members.

The conditions of admission and the adjustments to the Treaties on which the Union is founded, which such admission entails, shall be the subject of an agreement between the Member States and the applicant State. This agreement shall be submitted for ratification by all the contracting States in accordance with their respective constitutional requirements."

¹ For more on the accession process of Bulgaria and Romania see '2006 Monitoring Report on the state of preparedness for EU membership of Bulgaria and Romania' (COM [2006] 549 final).

² The 1973 enlargement added a total of 64 million people to the EEC's 167 million people, an increase of 33 per cent. By comparison, the 2004 enlargement brought 74 million people into the EU, which translates into a 20 per cent increase of the EU-15 (with 381 million people).

4. After the 2004 enlargement, both widening and deepening have been called into question. In mid-2005, French and Dutch voters rejected the Treaty establishing a Constitution for Europe (hereafter ‘the Constitutional Treaty’) in national referendums, thus throwing into doubt the EU’s ability to work effectively and drive integration forward. At the same time, public scepticism about future enlargements began to mount and this opposition was indeed one of the reasons cited by Dutch and French opponents of the Constitutional Treaty.
5. Many people in the “old” EU Member States think that the EU has not yet successfully digested the 2004 enlargement.³ They feel that the addition of the Central and Eastern European countries has changed the nature of the Union. There are fears amongst West European workers that the consequences of adding 40–50 million low-cost workers to the EU’s single market will be to lower wages in the EU-15.
6. Concerns about the future functioning of the Union and the impact of low-cost competition on labour markets are legitimate, and they matter greatly for the future of enlargement, not only because they set the tone of current enlargement debates, but also because France and Austria have promised to hold referendums on future accessions.
7. **There is a sharp contrast between public perceptions (and some political rhetoric) about the impact of the last enlargement and the assessment of it by most experts.** The policy-makers, commentators, economists and academics from whom we took evidence for this report almost unanimously agree that the 2004 enlargement has been a great success.
8. Enlargement is one of the EU’s greatest achievements, both in terms of underpinning democracy and stability across the European continent and increasing the prosperity of all its citizens. However, the future of enlargement is increasingly in doubt. Politicians from some EU countries, as well as EU officials, insist that future enlargements will have to wait until the EU has regained its ability to consolidate internally and work more effectively.⁴ Such demands are often subsumed under the heading of “absorption capacity”.
9. Public opposition to further enlargement and the EU’s burgeoning internal problems are being monitored with a degree of apprehension by those countries that are still hoping to join. Bulgaria and Romania have already signed their accession treaties and are on course to join the EU on January 1st 2007. However, some experts warned that these two countries are not as well prepared for EU membership as previous candidates. The case of Bulgaria and Romania harbours lessons for future enlargements.
10. Croatia and Turkey started their accession negotiations in October 2005. Both countries have already made swift progress in “screening” their legal framework for EU compatibility and adopting parts of the EU’s accumulated

³ Despite this, there are still more people in the EU who favour further enlargement than who oppose it, according to Eurobarometer polls.

⁴ For example, on September 25th 2006 Commission President Jose Manuel Barroso said in Brussels: “There is no formal decision but.. I think it would be unwise to bring in other member states apart from Bulgaria and Romania, which will be joining us soon, before we have sorted out the institutional question.” Germany’s Chancellor Angela Merkel said during a visit to Turkey on 5th and 6th October 2006: “We currently have accession discussions with Croatia and with Turkey, but we also know that, in the foreseeable future, we can’t accept any other member states.”

rulebook (the *acquis communautaire*). Croatia, in particular, can be expected to be ready for membership by the end of the current decade.

11. The prospects for candidates and potential candidates after Croatia are significantly more uncertain. At the EU-Balkan summit in Thessaloniki in 2003, EU leaders promised the countries of the Western Balkans that they too could one day join the Union, provided they fulfilled the Copenhagen accession criteria. At the end of 2005 the EU accepted Macedonia as an official candidate for EU membership, although it has not yet started accession negotiations. However, the other countries of the Western Balkans—Albania, Bosnia-Herzegovina, Montenegro and Serbia—are less advanced in their accession preparations. Moreover, there are still many sensitive political issues to be resolved, ranging from the status of Kosovo to the functioning of Bosnia's multi-layered state.
12. Experts and politicians from the Western Balkans blame the lack of momentum in their countries at least partly on what they perceive as a weakening commitment on the part of the EU to accept them as candidates. When EU foreign ministers met with their counterparts from the Western Balkans in Salzburg in 2006, they explicitly mentioned "absorption capacity" as a consideration (though not as a condition) in future enlargement decisions. Although Olli Rehn, the European Commissioner for Enlargement, subsequently clarified that absorption capacity would not be added to the list of EU accession criteria, many people in the Western Balkans fear that their efforts at pre-accession preparations will ultimately be in vain since the EU may eventually decide that it will not admit them regardless.
13. In Turkey, the EU's diminishing appetite for further enlargement and the perceived hostility of parts of the West European public to Turkey's accession in particular has contributed to a significant reduction in public support for the government's EU objectives. Turkey has made considerable progress with economic and political reforms, but there are still problems over human rights issues and the question of Cyprus. The Turkish government insists that it will only live up to its commitment to extend the Turkey-EU customs union to the new Member States (which would involve opening Turkish ports and airports to vessels and aircraft registered in Cyprus) if the EU in turn agrees to free up trade between the northern part of the island and the EU. Mr Rehn has warned that unless this Cyprus issue is resolved, EU-Turkey accession negotiations could be heading for a "train crash".
14. From the perspective of those in the EU who are resistant to further enlargement, a stalling or even failure of the accession processes of Turkey and the Western Balkans may look like an acceptable or—in the eyes of some—even desirable outcome of the current EU debates. However, the EU needs to consider the costs of non-enlargement. Without the prospect of a common European future, the countries of the Western Balkans are unlikely to be able to resolve the many difficult issues that are now on their agenda. Economic and constitutional reforms could stall. Radicalism and nationalism could once again threaten this volatile region. The ability of these fragile states to deal with threats such as organised crime, smuggling and terrorism may diminish. As a result, the EU could be faced with political instability and economic deprivation within the geographical area of the expanded Union, and the wars of the 1990s stand as a reminder of just how costly that could be in economic and security terms.

15. Turkey—as a large country with relatively consolidated democratic institutions—is less likely to descend into instability if the enlargement process should stall or fail. Nevertheless, the costs of non-accession could be substantial. Turkey could be a valuable asset to the EU, with its strategic geographical location, established links to the countries of the Middle East and the Black Sea region, its large army⁵, and young, fast-growing population. By keeping Turkey out, the EU would run the risk of being seen as an inward-looking, Christian club.
16. Given signs of “enlargement fatigue” in many Member States, the EU has been very reluctant to offer even a remote prospect of accession to additional countries that have not yet been acknowledged as candidates or potential candidates. Several countries from the former Soviet Union have expressed an interest in eventually joining the Union, most notably Moldova and Ukraine, but also Armenia, Azerbaijan and Georgia. While the EU has not made any further commitments to enlargement beyond the Western Balkans and Turkey, it has devised a policy to bind these countries more closely to the Union without offering the prospect of membership.
17. It is perhaps too early to evaluate the success of the European Neighbourhood Policy (ENP), which applies to both European neighbours (such as Ukraine and Moldova) and the neighbours of Europe (such as Morocco and Israel). However, our interviews with policy-makers and academics suggest that the ENP will have to be strengthened considerably if it is to achieve its aim, namely to encourage economic and political change in those countries that have not been offered a membership perspective. There must be serious doubts as to whether any of the European countries concerned will accept the ENP as a long-term alternative to membership, rather than a short-term way-station on the road to it.

Structure of this Report

18. In Chapter Two of this Report we consider current attitudes towards enlargement both in the new Member States and in the ‘old’ EU-15. We look at the preferences that have been shown for certain candidate countries and evaluate the impact future referendums in France and Austria could have on the enlargement process.
19. Chapter Three looks at the impact of the last round of enlargement in 2004. We explore the economic, political and social consequences of that enlargement and consider the extent to which it has put a strain on the working practices of the EU Institutions.
20. Chapter Four explores the concept of ‘absorption capacity’ in relation to the Copenhagen accession criteria. We also consider the nature of the EU’s borders and the argument over whether or not they should be clearly defined.
21. In Chapter Five we look at the conditions that would be necessary for further enlargement and consider the future of the EU institutional arrangements in this context. We also explore the idea of a core Europe and take a look at the future of the EU budget.
22. Chapter Six contains analyses of the current status of the candidate countries and potential candidate countries. We consider the cases of Croatia, the countries of the Western Balkans and Turkey.

⁵ Approximately 514,000 under arms and 380,000 in reserve.

23. In Chapter Seven we consider the possible alternatives to further enlargement, including the European Neighbourhood Policy and ideas concerning a “privileged partnership”. We also consider the potential costs of not enlarging further.
24. Chapter Eight contains a summary of our conclusions and recommendations.
25. **We make this Report to the House for debate.**

BOX 2

Chronology of Enlargement

1973—Denmark, Ireland and the United Kingdom
1981—Greece
1986—Spain and Portugal
1995—Austria, Finland and Sweden
2004—Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia
2007—Bulgaria and Romania
2009?—target date for accession of the Croatian government
2014?—earliest possible entry date for Turkey
 The EU has acknowledged Macedonia as a candidate but has not started accession negotiations. The EU has in principle agreed that the other countries of the Western Balkans can become candidates, namely Albania, Bosnia-Herzegovina, Montenegro and Serbia.

BOX 3

The Accession Process

<p>A country that wishes to join the EU submits an application for membership to the Council, which asks the Commission to assess the applicant’s ability to meet the conditions of membership. If the Commission delivers a positive “opinion”, and the Council unanimously agrees a negotiating mandate, negotiations are formally opened between the candidate and all the member-states organised in the form of an ‘intergovernmental conference’, or IGC. The actual negotiating sessions are held at the level of ministers or deputies, i.e. Permanent Representatives for the Member states, and Ambassadors or chief negotiators for the candidates.</p> <p>During the pre-accession phase, the EU seeks to assist a candidate in preparing itself to meet the requisite accession criteria. The EU does this through:</p> <ol style="list-style-type: none"> a) comprehensive bilateral treaties covering trade, political co-operation and the participation of candidates in various EU policies (called Europe Agreements, Association Agreements or Stabilisation and Association Agreements); b) bilateral setting of priorities for the accession preparations (through the Accession Partnerships or European Partnerships);

- c) pre-accession financial assistance (through instruments such as Phare, ISPA); candidate countries can also receive co-financing for their accession preparations from other international financing institutions such as the World Bank and the European Investment Bank
- d) participation in EU programmes, agencies and committees;
- e) assisting candidates in drawing up their national programme for the adoption of the *acquis*;
- f) the Commission's annual "regular reports" (usually published in October) in which Commission experts assess each candidate's progress in the pre-accession preparations over the previous year.

Negotiations start with a "screening" process during which the candidate's laws and regulations are analysed with regard to their compatibility with the *acquis*. Once the outstanding problems have been identified in each area, the candidate country submits a "negotiating position". The Commission submits a Draft Common Position (DCP) for the EU side on which all the Council members need to agree.

For the purpose of the negotiations, the EU has divided the *acquis* into 28 "chapters" (31 for the purpose of the current negotiations with Croatia and Turkey). For the present accession negotiations with Croatia and Turkey (and also the forthcoming ones for the countries of the Western Balkans), the EU is employing a new system of "benchmarking". EU countries set benchmarks both for the opening and closing of individual chapters. These should usually relate to progress with adopting and implementing EU law, but they can also relate to the broader political and economic reform process in the candidate country. Unanimity among all 25 (soon 27) EU Member States is required for the setting of benchmarks.

The *acquis* itself is not open to negotiations and the EU does not grant opt-outs to new candidates similar to the one the UK has won on the euro or EU social legislation. Therefore, the only issue open for negotiations are "transition periods" during which either the old Member States or the new ones suspend the application of the *acquis* for a certain period of time after accession. During the last enlargement, many of the existing Member States suspended the free movement of labour for workers from the new Member States. The new Member States gained transition periods for the applications of difficult or costly parts of EU environmental legislation.

The Commission keeps the Council and the Parliament informed about the candidates' preparations with help of the so called "regular reports". They also serve to guide the candidate countries in their preparations since they identify the areas where action is most urgently required.

Once negotiations are concluded on all chapters the results of the negotiations are incorporated in a draft accession treaty, which is agreed between the Council and the acceding countries. This draft Treaty is subsequently submitted to the Commission for its opinion and to the European Parliament for its assent. After signature, the accession treaty is submitted to the Member States and to each acceding country concerned for ratification by them in accordance with their own constitutional procedures. When all existing Member States and the acceding country have ratified the treaty, the candidate becomes a member of the European Union.

CHAPTER 2: CURRENT ATTITUDES TOWARDS ENLARGEMENT

26. **Perhaps the single biggest obstacle to future enlargements is inadequate public support in Western Europe, combined with a hostile or ambiguous stance taken by many political leaders in the Member States. Little attempt has been made to explain the benefits that enlargement has brought.** A number of EU politicians, including from traditionally pro-enlargement countries such as Germany and the Netherlands, have called for a halt to enlargement once Bulgaria, Romania and maybe Croatia have joined. Some argue that there should be a “pause” in enlargement until the EU has reached a new institutional settlement and has regained momentum for internal integration. Others want enlargement to stop altogether, with the EU offering other applicants a closer association through the European Neighbourhood Policy (ENP) or a “privileged partnership”. Some argue in favour of the EU admitting the countries of the Western Balkans but argue against Turkish membership. Many of those who support Turkish accession do so more on the basis of *pacta sunt servanda* than out of real conviction. The lack of positive leadership and communication exacerbates public scepticism towards enlargement.

Recent survey evidence

27. According to a Eurobarometer poll conducted between March and May 2006, there are still more people in the EU who support future enlargements than people who oppose it. However, the gap between supporters and opponents is small and narrowing: 45 per cent were in favour and 42 per cent were against enlargement in the spring of 2006. This compares with 49 per cent in favour and 39 per cent against in the previous survey conducted in the autumn of 2005.⁶
28. The new Member States that joined in 2004 are more supportive of future enlargements than the old EU-15. In the EU-10, 66 per cent support enlargement,⁷ whereas in the EU-15 it is only 41 per cent. Among the EU-15, there were absolute majorities in favour of enlargement only in three countries (Denmark, Greece and Spain) and relative majorities in another five (Ireland, Italy, Portugal, Sweden and the UK). In Germany, France and Austria more than 60 per cent of those polled said they opposed future enlargement. Similar levels of opposition were found in Finland and Luxembourg.
29. Curiously, when asked more generally about their attitudes towards enlargement as a policy, Europeans were quite positive: 55 per cent of the people polled across the EU-25 considered enlargement as something positive⁸. However, there is a clear difference between perceptions of the political and economic impact. According to the Commission’s special Eurobarometer on enlargement published in July 2006, a clear majority of people in the EU think that enlargement has been good for the EU politically. Typically between 62 and 67 per cent of those polled thought that enlargement has helped to reunite

⁶ Eurobarometer, ‘Standard Eurobarometer’ Number 65, July 2006 and Number 64 December 2005.

⁷ Sabina Woelkner, Desk Officer—Konrad Adenauer Akademie, (Q 373) pointed out that support for further enlargement in the new Member States was not particularly solid. It was not based on knowledge about the potential candidates or strategic considerations but on cultural and historical ties with neighbouring countries. Therefore the new members mainly supported the accession of Ukraine and Moldova but not of Turkey.

⁸ Eurobarometer, ‘The future of Europe’, Special survey, May 2006.

the European continent, has strengthened the EU's position in the world, and has been good for European democracy and the protection of human rights.

30. However, this generally positive assessment weakens when EU citizens are asked who specifically would benefit from future enlargements. More than 50 per cent think that Turkish EU membership would be primarily in the interest of Turkey, and only 7 per cent thought the EU as a whole would be the main beneficiary. The balance is similar for the countries of the Western Balkans (45 per cent versus 9 per cent).⁹

Economic and social consequences are the main concern

31. Witnesses from Germany and France reported that the main concerns of citizens in these countries with regard to enlargement were related to economic insecurity and employment (Q 332, Q 340, Q 418). Similarly, successive Eurobarometer surveys have found that economics is uppermost in the minds of EU citizens when they evaluate EU policies. When asked what they consider helpful for strengthening the Union and their own sense of attachment to it, many more people mentioned "comparable living standards" and a "European welfare system" than "a European constitution".¹⁰ More than 40 per cent of Europeans say unemployment is their prime concern, with most of them being rather pessimistic about job market trends in their country.¹¹ More than half of EU citizens want the EU to do more to create and protect jobs, and to safeguard social security.
32. The Commission's enlargement survey also found that more people want to be better informed about the economic consequences of enlargement (38 per cent) than about any other impact that enlargement may have, including immigration, crime, political integration or values.
33. Perceptions of the economic and social impact of enlargement are less positive than those of the political impact. Some 40 per cent of EU citizens think that enlargement has been bad economically for their country, and for the EU as a whole. In Germany, Greece and Finland, the share is closer to 50 per cent. Similarly, well over half of all Germans, French and Austrians think that enlargement lowers the standard of living in the EU.¹²
34. Most importantly, many Western Europeans think that enlargement increases their risk of becoming unemployed. In 2003 (before eastward enlargement), 43 per cent of the people in the EU-15 feared that enlargement would lead to increased unemployment in their country. In 2006, the share had risen to 63 per cent. In Germany, the country that had received by far the biggest inflow of Eastern European workers before enlargement, the share rose from 56 per cent in 2003 to 80 per cent in 2006.¹³ In France and Austria, around three-quarters of the people fear that enlargement threatens their jobs. People in these two countries are also much less convinced about other potential benefits of enlargement, such as cheaper goods for consumers or an increase in the EU's influence in the world.

⁹ Eurobarometer, 'Attitudes towards European Union Enlargement', July 2006.

¹⁰ Eurobarometer, 'The future of Europe', Special survey, May 2006.

¹¹ Eurobarometer, 'Standard Eurobarometer', December 2005. Curiously, West Europeans are much more upbeat about their personal economic and job prospects than about the prospects for their country.

¹² Eurobarometer, 'Attitudes towards European Union Enlargement', July 2006.

¹³ Eurobarometer and EOS Gallup, 'The enlargement of the European Union', Flash Eurobarometer 140, 2004 and 'The future of Europe, Special survey, May 2006.

TABLE 1

Percentage of people who agree that enlargement...

	is a positive thing.	increases problems in the job market.	has made many products cheaper.	improves the EU's influence in the world.
EU-25	55	63	34	61
Poland	73	45	37	76
Slovakia	68	50	36	71
Sweden	66	59	69	70
Czech Rep	64	49	43	73
Ireland	62	66	44	63
Netherlands	61	62	20	63
Denmark	60	51	53	61
Hungary	59	54	47	54
Italy	59	58	37	63
Spain	55	46	38	56
Germany	52	80	30	60
UK	49	64	36	55
France	42	72	21	50
Austria	40	75	32	43

Source: Eurobarometer, 'The future of Europe', May 2006.

35. The immigration of workers from the new Member States—where wages are much lower than in most of the EU-15—appears to be the main reason for concern. Well over half of all EU-citizens think that the 2004 enlargement was followed by significant migration flows. Only one-quarter do not associate the last round of accessions with important migration flows. Concerns about the immigration of low-cost workers also apply to future enlargements: 80 per cent or more of Germans, Dutch and Austrians are convinced the future enlargements will result in an increasing inflow of workers from future member states.¹⁴
36. Economic concerns were also behind much of the opposition to the Constitutional Treaty. Surveys conducted after the French and Dutch referendums showed that voters were not opposed to EU integration or enlargement per se. Only a small number cited the loss of national sovereignty or the prospect of future accession as their main reason for voting No. But many French and Dutch voters were concerned about the nature of the integration process, which they perceived as too free market oriented.¹⁵ They thought that the parallel process of market opening and accepting new, low-wage countries was causing job losses and eroding social protection in their countries. Even though survey evidence does not show enlargement as a major reason why French voters rejected the Treaty, the French elite is convinced that enlargement played a key part in the French Non (Q 419).

Preferences for certain candidates

37. One possible reason why support for enlargement was stronger in the past is that past candidates looked rather similar to the existing members of the Union. Whenever this was not the case, there was an anxious debate about

¹⁴ Eurobarometer, 'Attitudes towards European Union Enlargement', July 2006.

¹⁵ EU-Consent, 'EU-25 Watch No 2', Survey among the 25 Member States, January 2006.

the changing nature of the EU. The people in the founding Member States—Germany, France, Italy and the Benelux countries—have always appeared uncomfortable with candidates that seemed noticeably different, be it in economic, political or cultural terms. Thus, the Mediterranean enlargements of the 1980s (Greece, Portugal and Spain) encountered a lot more opposition than the accession of the Nordic countries and Austria during the 1990s. For the people in the EU’s founding Member States, the European project was about bringing “together people who were similar, who looked and felt like each other, did things together and defended the common interest” (Q 419). The addition of countries that are politically or culturally dissimilar is therefore seen as problematic.

38. For many West Europeans, the accession of the Central and Eastern European countries was more acceptable than that of Bulgaria and Romania. Looking forward, EU citizens are clearly more comfortable with the prospect of Norway and Switzerland joining the EU than with letting in countries from the Balkans or the former Soviet Union both of which groups of countries are perceived as poor, politically unstable and ridden by problems of organised crime. Moreover, since these countries are perceived as different—politically, economically and culturally—the “we” feeling that drove the 2004 enlargement is now largely absent (Q 368).
39. It is Turkey that encounters most popular opposition among EU citizens, be it because of its size, its relatively low income levels, the fact that it is a predominantly Muslim country or because they question whether it is really a part of Europe. A majority of people in the EU-25 are opposed to Turkey’s accession, with opposition in Austria, France and Germany reaching 70 per cent or more. Fewer than one-third of the people in the EU-25 support Turkish membership¹⁶ (more is said on the reasons for this lack of support in Chapter 6).

TABLE 2

Percentage of people in the EU—25 who support the accession of...

	For	against	undecided
Switzerland	77	13	10
Norway	77	12	11
Iceland	68	18	14
Croatia	51	35	14
Bulgaria	48	37	15
Romania	43	42	15
Ukraine	42	43	15
Macedonia	41	42	17
Bosnia	40	43	17
Serbia	39	44	17
Albania	33	50	17
Turkey	31	55	14

Source: Standard Eurobarometer, December 2005.

¹⁶ The share of people supporting the accession of each of the candidate and potential candidates was higher in the special Eurobarometer “Attitudes towards European Union Enlargement” where the question about the desirability of a particular candidate specifically pointed to the necessity of complying with all the conditions set by the EU as a premise of membership.

The referendum “threat”

40. Voter sentiment matters more than ever at a time when the EU has entered a new age of populism. The EU referendums on the Constitutional Treaty (and also those on accession held in the new Member States) have set an important precedent. In the past, decisions about EU integration and enlargement were usually made at the governmental and parliamentary level. In future more EU countries may find it difficult to agree to EU treaty change or further enlargements without consulting electorates in a popular vote¹⁷.
41. In 2005, France inserted a clause into its constitution that requires future governments to hold a referendum on every future accession after Bulgaria, Romania and Croatia have joined. French voters appear to be mainly concerned about Turkish accession, and some witnesses from France were sanguine that the accession treaties of Macedonia and other Western Balkan countries would be approved in a referendum (Q 460). Others cautioned however that a negative vote cannot be entirely ruled out on the accession treaty of one or more of the Western Balkan countries, because French voters may think that enlargement has already gone too far (Q 196) or because they are expressing their frustration on an unrelated question, for example dissatisfaction with their current government (Q 312).
42. Similarly, the former Austrian government of Wolfgang Schüssel has promised to hold a referendum on Turkish accession—although this is so far a political promise and not legally binding. Paul Luif of the Austrian Institute of International Affairs pointed out that it would be very difficult to predict the outcome of a referendum to be held in a decade or more, if at all. He also alerted us to the fact that Austria’s opposition to Turkish accession varies considerably depending on what kind of questions the public are asked (p 180). While only 10 per cent of Austrians express support for Turkish accession in Eurobarometer polls, national polls show that 58 per cent of Austrians expect Turkey to be ready for membership at some point. Only 32 per cent ruled out Turkey ever qualifying for membership.
43. In the recent past, the commitment of one EU government to put an important decision to the people has tended to be followed by demands in other EU countries to do the same. This was true for both the referendums held on accession in the new Member States and the referendums on the Constitutional Treaty. It is therefore not inconceivable that when France (and perhaps Austria) do hold referendums on future accessions, other countries will follow suit.
44. Several of those who appeared before us over the course of this inquiry pointed out that the prospect of referendums in one or more of the current EU Member States has changed the nature of the accession process. In the past, a country could be virtually certain that once it had fulfilled the EU’s accession criteria it would be allowed to join the Union. In the new environment, however, there is a risk that at the end of prolonged and arduous membership negotiations a country may be refused entry because of a negative vote on its accession treaty in one of the existing Member States. The threat of a negative referendum outcome, however remote, weakens the attractiveness of the accession process and diminishes the leverage that the

¹⁷ Mark Leonard, ‘Democracy in Europe: How the EU can survive in an age of referendum’, CER essay, March 2006.

EU has over candidates and potential candidates. It is also possible that countries which are planning to hold a referendum on the entry of a candidate will be more demanding with regard to the terms of accession. However, even in the absence of referendums, there is a risk that the conclusion of a Turkish accession might founder through rejection in one or more EU parliaments (Q 404).

45. In countries such as Germany, which does not have provisions for referendums in its constitution, there is a movement towards greater parliamentary involvement in the accession process. The German Bundestag is dissatisfied with the current situation under which parliament only gets involved in enlargement once the accession treaty has been signed. At this late stage, the question of the accession of a particular country becomes reduced to yes or no. It is very difficult for parliament to reject an accession treaty that has been laboriously negotiated, accepted by the candidate country, and the governments of all existing Member States. Therefore, the Bundestag has proposed that the German government seek its approval before the start of new accession negotiations (Q 366, Q 400).

How engrained are anti-enlargement attitudes?

46. Although there is a general trend towards less support for enlargement, these attitudes appear to be partly related to ignorance about enlargement and partly to other considerations, such as the state of the European Union's economies, personal economic circumstances or general attitudes towards the European Union. In other words, it is by no means certain that the current trend of growing scepticism towards enlargement will continue and cannot be reversed.
47. Many of those interviewed for this inquiry lamented a "communication failure" on the part of the European Union; most importantly on the part of Member States' governments. It appears that most of the Member States' governments have failed to communicate the positive aspects of recent enlargements and have thus left the field open to populist fears about immigration, low-cost competition and crime to dominate the public debate (Q 54, Q 87).
48. However, government officials in Germany also pointed out to us that it was extremely difficult to get the press to report enlargement in a positive fashion because for the media "bad news is good news" (Q 346). The problem is that it is much easier to illustrate the negative consequences of enlargement, which afflict individuals or narrow groups, than the positive consequences, which happen at the macro level. People sympathise with the plight of a German plumber or abattoir worker who lost their job because of low-cost competition but they do not grasp the fact that total German exports have increased as a result of enlargement (Q 332). However, even the corporate sector, which has gained significantly from the business opportunities provided by enlargement, is often reluctant to report on these successes because the companies "cannot complain to the government that they need benefits somewhere else" (Q 332). Witnesses argued that it would still take a long time before the public had a better overview of how enlargement has impacted on the EU and its economy. They advised that governments should work more closely with the media, and that information about enlargement should already be provided in schools (Q 347).

49. Only 30 per cent of the people in the EU-25 perceive themselves as being well-informed about enlargement while 68 per cent say they are not well informed. Worryingly, the share of those thinking they are well informed is falling in most Western European countries. The survey also detected a correlation between the level of information people have about enlargement and their support for the process.¹⁸ It is also particularly striking that in those countries that have big majorities against enlargement, the people feel they know much more about problems associated with enlargement than the potential benefits. In France, for example, only 10 per cent say they are well informed about the benefits of enlargement while 54 per cent think they know about the problems associated with the process.
50. **Much public opposition to future enlargements stems from misunderstandings about the impact of past enlargements, in particular the accession of the Central and Eastern European countries in 2004. As subsequent chapters explain, this impact has been positive. The governments of the existing Member States, supported by the European Commission, must make significant efforts to explain the impact of enlargement to Europe's citizens, including issues such as migration, the link between enlargement and globalisation and the need to find a way of living harmoniously with different religious communities.**
51. Attitudes towards enlargement cannot be considered in isolation. It appears that support for enlargement is inversely related to economic prospects in the Union. Eurobarometer surveys show that support for enlargement peaked in 2001, when EU growth was still robust, and then declined gradually as the EU economy stagnated. Perhaps not surprisingly, those countries that are least enthusiastic about enlargement are also those most gloomy about their present economic situation. For example, in Germany, where opposition to enlargement is high, three-quarters of those polled list unemployment as the main challenge facing their country and only a third see globalisation as an opportunity. Although Austria has much lower unemployment rates, worries about employment are still much more pronounced than in most other EU countries. In France, pessimism about the EU's ability to cope with enlargement is part of a wider feeling of 'malaise' about the country's economic future.
52. The eastward enlargement took place at a time when other developments considerably added to economic uncertainties in Western Europe, most notably globalisation (the integration of China and other emerging economic powers into the world trading system); German reunification (which depressed the German economy that had traditionally been the motor for growth for much of Europe); and social changes (population ageing, the rise in long-term unemployment and the breakdown of traditional family structures, which required difficult reforms of traditionally generous social welfare systems in many Western European countries). For European citizens, it has been difficult, if not impossible, to disentangle the various sources of the rise in economic uncertainty that they have experienced since the early 1990s.¹⁹

¹⁸ Eurobarometer, 'Attitudes towards European Union Enlargement', July 2006.

¹⁹ Katinka Barysch, 'Enlargement two years on: Economic success or political failure?', Briefing paper for the Confederation of Danish Industries and the Central Organization of Industrial Employees in Denmark, April 2006.

53. Growing scepticism towards enlargement has come against the background of a wider questioning of the benefits of EU membership. The proportion of those who consider EU membership to be “a good thing” has been falling in all large Member States, and at the end of 2005 stood at just 50 per cent in the EU-15. Similarly, the share of people in Western Europe who thought that their country has not benefited from being a member of the Union has been growing. In traditionally pro-EU countries such as Germany and Austria (the two countries most affected by enlargement) there are now as many people who think their country does not gain from membership as in euro sceptic Britain.
54. Michel Rocard MEP argues that there is link between enlargement and declining support for the EU more generally: since the EU failed to implement the reforms needed to function effectively with a membership of 25, its legitimacy has been decreasing (p 191). Sylvie Goulard, Lecturer at the College of Europe, argued that the backlash against enlargement was related to the EU’s tendency to see enlargement as a foreign policy tool and disregard the impact it has on the EU’s internal functioning, its economy and its citizens’ sense of identity (Q 311).

TABLE 3

Do you think your country has benefited from EU membership? (Results given as a percentage of those asked who felt EU membership had been positive for their country)

	Spring 2004*	Autumn 2004	Spring 2005	Autumn 2005	Spring 2006
Belgium	58	72	69	65	66
Spain	69	70	69	69	71
France	46	54	53	51	50
Germany	39	49	50	46	46
Austria	38	43	41	35	39
UK	30	39	40	37	42
Sweden	27	36	36	32	43
Hungary	58	48	47	41	52
Poland	50	55	62	63	64
Czech Rep	46	42	56	55	62
Estonia	41	56	58	56	66

Source: Eurobarometer.

55. The latest Eurobarometer poll taken in the spring of 2006 showed a noticeable improvement in support for the EU in a number of member-states, including Austria and the UK as well as some of the new member countries. The turnaround suggests that attitudes towards the Union—and its policies—remain fluid. Witnesses thought that an economic upswing in the big eurozone countries—coupled with a gradual better understanding of the positive impact of enlargement—could lead to a more positive public attitude towards future accessions. However, this was going to be a medium or long-term process (Q 336).
56. Representatives from the German states of Brandenburg and Bayern (both of which have long borders with new Member States and high unemployment along these borders) reported that enlargement-related fears were already subsiding in Germany. Fears of higher unemployment and an increase in cross-border crimes had not materialised. On the contrary, Brandenburg’s economy had gained from dynamic economic growth in neighbouring Poland

while crime that involved Eastern Europeans had fallen because of the improved co-operation between German and Polish police-forces and prosecutors. As a result, people in Germany were slowly re-evaluating their attitudes towards future enlargements. (Q 340, Q 341).

57. Similarly, our witnesses in Paris reported that initial negative attitudes towards enlargement were changing as businesses report their successes in Central and Eastern Europe and the economy recovers. Dominique Moisi²⁰ thought that French opinion towards enlargement could change radically once the country had a new, younger leadership and a new sense of purpose and optimism. However, he warned that the French attitude towards Turkey would always remain “totally emotional” (Q 444).
58. A thorough reading of Eurobarometer’s special survey on enlargement also indicates that attitudes towards enlargement are not firmly held. The Commission’s pollsters deliberately asked people about the same enlargement-related issues from different angles, using both negative and positive statements. The fact that EU citizens agreed or disagreed with the same or similar statement depending on how it was phrased suggests that attitudes towards enlargement are not deeply entrenched. Similarly, although Eurobarometer polls show that a majority of German citizens are against future enlargement, the picture changes drastically if the question is posed differently. Asked whether they would support enlargement if the process was slowed down and all EU conditions were strictly adhered to, over 70 per cent of Germans were in favour of enlargement (Q 366).
59. **Attitudes towards enlargement remain fluid, are influenced by non-enlargement related developments (such as economic growth) and are partly related to lack of information about enlargement. A concerted effort on the part of EU politicians and other opinion formers could help to increase public support for enlargement.**

²⁰ Deputy Director of the French Institute for International Relations (IFRI).

CHAPTER 3: THE IMPACT OF THE LAST ENLARGEMENT

60. It is very early to evaluate the impact that the last enlargement has had on the Union. It is nevertheless important to try to conduct a more thorough analysis, for at least three reasons. First, such an analysis may provide useful background when trying to evaluate the impact that future enlargements could have on the EU. Second, it will help to assess the changes that are needed in the EU to speed up the digestion of the last enlargement. Third, it is important to counter general fears about the costs of enlargements, both past and future.
61. There is little doubt that the prospect of accession has fundamentally transformed the candidate countries in Central and Eastern Europe. Enlargement Commissioner Olli Rehn pointed out that the process of accession triggered “a major democratic and economic transformation without a single bullet being fired in Central and Eastern Europe” (Q 140). Graham Avery²¹ called the eastward enlargement “the most successful example of political and social engineering that Europe has seen for a long time” (Q 54). The Croatian chief negotiator, Vladimir Drobniak encouraged the doubters to take a walk through the streets of Prague, Budapest or Bratislava and see for themselves how much these countries had changed since the collapse of Communism (Q 127). Tina Fordham²² argued that any evaluation of the past impact of enlargement has to go beyond quantitative balance sheets and look at the intangible benefits of exporting the EU’s “brand value” of democracy, human rights, openness and accountability (p 183).
62. However, such arguments seem to do little to convince the people and politicians in the EU-15 that eastward enlargement was positive for the Union as a whole. In countries where people think that they have been substantially affected by the 2004 enlargement, opposition to future enlargements is particularly strong. This applies particularly to Austria and Germany—which are geographically close to the new Member States and have received a significant share of workers from these countries even ahead of their accession. It also applies to France and the Netherlands, which feared a loss of influence and identity in the enlarged Union (Q 56).
63. While the people in the ‘old’ EU-15 fear mainly the economic consequences of enlargement, political elites are more concerned with the impact on how an EU of 25 (and soon 27 or 28) Member States functions.

The economic consequences of enlargement

64. The written and oral evidence we have gathered almost unequivocally states that the economic impact of the 2004 enlargement has been positive, both for the old EU-15 countries and for the new Member States. An extensive study conducted by the European Commission on the economic impact two years after accession concludes that “the fifth enlargement has acted as a catalyst of economic dynamism and modernisation for the European Union, helping the economies of old and new Member States to better face the challenges of globalisation. At the same time, the economic changes induced

²¹ Oxford University, European Studies Centre

²² Director, Economic Political Strategies, Citigroup Global Banking

- by this enlargement have been absorbed quite smoothly, and there is no evidence of disruptive impacts on the product or labour markets.”²³
65. There are two main conclusions from the analysis of the economic impact of eastward enlargement. First, much of it had taken place by the time the ten new members actually joined the EU in May 2004²⁴. Second, the impact has been much bigger for the acceding countries than for the EU-15.
 66. Most of the new Member States (with the exception of Poland) are small, and their income levels are much lower than in most of the EU-15 countries. Taken together, their economies have a GDP of €5.6 billion, which is the equivalent of the size of the Dutch economy and accounts for only around 5 per cent of the EU-15 GDP. Therefore, it is clear that the impact has been significantly bigger for the new members than the old ones. While the EU-15 is the destination of 70 per cent or more of the new members’ exports, the new members account for only around 4 per cent of EU-15 trade. Total EU-15 exports amount to €2,150 billion, of which €82 billion go to the new Member States. The equivalent figures for imports are €2,070 billion and €59 billion.
 67. Similarly, flows of foreign direct investment (FDI) from west to east have been hugely important for the recipient countries, but much less so for the countries where they originate. In 2004 the new Member States accounted for only 4 per cent of the FDI outflows from the EU-15 (53 per cent went to other EU-15 countries, and 12 per cent to the US). **Taking these asymmetries into account, it is safe to assume that the impact of enlargement on the new members is roughly 20 times larger than on the old ones.**
 68. The EU accession process (rather than the actual accession) shaped economic developments in the candidate countries in two ways: first, the process of accession served as an “anchor” for economic and institutional reforms; second, accession entailed the gradual demolition of trade and investment barriers long before the Central and Eastern European countries joined the EU.
 69. To prepare for EU accession, the candidates took over the EU’s single market *acquis*—ranging from product standards for chemicals to best practice in public procurement. This led to rapid improvements in their business environments. It also made foreign investors feel more at home in these countries as their business environments began to resemble those found in the EU-15 (and EEA) countries. Moreover, because the Copenhagen economic criteria are rather broad (see Box in Chapter 4) the European Commission’s demands extended into many areas not directly related to the *acquis*, such as banking sector privatisation or the management of public finances.
 70. In addition to the direct impact the EU had on policy-making, the accession process also fostered “policy competition” among the candidate countries as they were competing against each other in the race to join the EU in the first wave of eastward enlargement. This competition was most obvious in tax policy, where one candidate country after another moved to simpler and lower corporate taxation (p 187).

²³ European Commission, Bureau of European Policy Advisors and the Directorate-General for Economic and Financial Affairs, ‘Enlargement, Two Years After—An Economic Success’, European Economy Occasional Papers No 24, May 2006.

²⁴ Katinka Barysch, ‘Enlargement two years on: Economic success or political failure?’, Briefing paper for the Confederation of Danish Industries and the Central Organization of Industrial Employees in Denmark, April 2006.

71. The EU and the Central and Eastern European countries started to dismantle bilateral trade barriers in the early 1990s, even before they agreed timetables for full liberalisation through the “Europe agreements” in the mid-1990s. By 1997, the EU had abolished all tariffs and quotas for imports from the candidate countries—with the exception of food products, some ‘sensitive’ items and services. The deadline for the Central and Eastern Europeans to open fully their markets came somewhat later, in 2002.
72. The lowering of mutual trade barriers—alongside rapid industrial restructuring—fuelled an export boom across Central and Eastern Europe that has been instrumental for the region’s recovery. In the ten years before accession, Hungarian exports rose by 380 per cent (in dollar terms) and Czech ones by 280 per cent. By 2000, the big Central European countries were already sending 60 to 75 per cent of their exports to the EU. In other words, long before membership, they were trading more with the EU than many of the EU countries were trading with each other.
73. The export success was closely related to large-scale inflows of foreign direct investment (FDI). Foreign investors did not wait until the accession date to acquire newly privatised companies in Eastern Europe and to take advantage of the region’s growing markets and low-cost, skilled workers. Companies from the EU-15 countries have invested more than €150 billion into the ten Central and Eastern European accession countries since the early 1990s, accounting for three-quarters of total FDI inflows into these countries. For the recipient countries, FDI inflows from the EU have typically amounted to 20 per cent of total investment and 5 per cent or more of their GDP. FDI has financed the build-up of massive new production capacities across Central and Eastern Europe, in particular in the automotive sector, but also in electronics, furniture, pharmaceuticals and other manufacturing sectors. Furthermore, FDI has helped to create modern services sectors such as retail, banking, telecoms and transport.
74. Overall, gradual economic integration with the EU has been instrumental for the new members’ economic success. In the period of 1997 to 2005, the new Member States’ economies grew by an average of 3.8 per cent a year, while the old Member States’ economies grew by 2.5 per cent.

TABLE 4

Basic indicator for the new Member States 2003

	Population, m	GDP, bn	GDP growth, per cent	Inflation, per cent	GDP per head, per cent EU average at PPP ²⁵
Poland	38.1	240.5	3.2	2.2	46.2
Czech R.	10.2	98.4	4.9	1.9	65.6
Hungary	10.0	87.8	4.2	3.6	59.2
Slovakia	5.4	37.3	5.5	2.7	56.9
Lithuania	3.4	20.0	6.7	2.7	51.5
Latvia	2.3	12.8	9.8	6.7	46.3
Slovenia	2.0	27.4	3.9	2.5	82.8
Estonia	1.3	10.3	9.1	4.1	58.5
Cyprus	0.8	13.4	3.7	2.6	77.2
Malta	0.4	4.5	1.0	3.0	67.8
EU 25	459.0	10,793.8	1.5	2.1	100.0

Sources: The Economist Intelligence Unit, Eurostat.

²⁵ PPP stands for purchasing power parity.

75. The economic impact of enlargement cannot be measured directly, since too many other, non-enlargement factors influence trade flows, investment decisions, inflation rates and employment. Instead, there have been various attempts to use macro-economic models to estimate the impact of enlargement on the EU economy as a whole and on individual Member States.
76. **Although the available studies have relied on very different assumptions and methodologies, they have come to broadly similar conclusions: First, the impact of eastward enlargement on the EU-15 has been limited. Second, the impact—though small—is positive. Third, as pointed out above, much of the impact has taken place already since economic integration between Eastern and Western Europe has proceeded gradually since the early 1990s. Most studies conclude that the cumulative economic gain for the old EU is below 1 per cent over a period of five to ten years²⁶.**
77. For most of the old EU Member States, trade and investment links with the candidate countries are simply too small to have a direct, measurable impact on their economies. The only exceptions are Germany and Austria, which conduct significant trade with the new members and, alongside France and the Netherlands, account for the biggest share of foreign investment there. These countries are likely to be among the biggest net winners from enlargement.
78. Other countries might be indirectly affected by eastward enlargement, for example because their products can no longer compete in the big eurozone markets or because they may lose EU aid to the poorer East European countries. Portugal or Greece may be among the losers in this respect. For smaller, richer EU countries with limited trade and investment links to the East, the impact is extremely difficult to calculate. Whether the outcome is positive or negative depends entirely on the assumptions used, for example about future migration flows, growth rates in the new members or the distribution of the EU budget²⁷.

Enlargement and globalisation

79. Most economists assume that the impact of enlargement on the EU-15 was marginally positive. However, eastward enlargement may be changing the EU economy more than macro-economic studies indicate. The eastward enlargement process has taken place at a time when global competition was becoming more intense due to the integration of China and India into the world economy. Western European companies have reacted to heightened global competition by shifting some production processes into Eastern Europe, where wages are cheaper. Moreover, as the European Commission points out: “The fifth enlargement, more than others in the past, has many characteristics that mirror closely the broader features of globalisation, chief among which being the cost differentials in favour of the new member-states [...], advantages for enterprises to divide the production chain and engage in

²⁶ Katinka Barysch, ‘Does enlargement matter for the EU economy?’ CER policy brief, May 2003.

²⁷ Wilhem Kohler, ‘Eastern enlargement of the EU: A comprehensive welfare assessment’, HWWA discussion paper 260, 2004.

vertical specialisation as well as the promise of new markets [...]”.²⁸ Therefore, many European citizens find it difficult to disentangle the forces of globalisation from the impact of enlargement. As Valéry Giscard d’Estaing²⁹ explained, French people see globalisation as an external threat and enlargement as an internal threat to their social model (Q 420).

80. According to the European Commission, hourly labour costs in 2003 (the last year for which comparable data are available) ranged from 12 per cent of the EU-15 average in Latvia to 53 per cent in Slovenia. In the larger countries—Poland, Hungary and the Czech and Slovak Republics—wage levels are 20–30 per cent of the West European level. Although productivity levels also tend to be much lower (most estimates put Eastern Europe’s productivity at 35–40 per cent of the EU-15 level), this still leaves the new members with a sizeable advantage in unit labour costs. This advantage is much bigger in export-oriented industries that have attracted substantial foreign direct investment, where productivity is often close to West European levels.
81. The relocation of production facilities to the East has nourished fears of employment losses in the EU-15. However, much of the FDI that has flowed from Western to Eastern Europe has come from sectors that are under growing global competition, such as automotive, pharmaceuticals and information and telecommunications technology (ICT). For the investing companies, the choice was not between producing in their home countries or in a cheaper location. The choice was between cutting costs or losing market shares—and thus reducing employment at home anyway. In other words, FDI from west to east may have caused some employment losses in Western European locations. But by helping Western European companies to stay competitive on a global scale, it has also helped to preserve jobs in Germany, the Netherlands or France. According to one survey, 20 per cent of the German companies with investments in Eastern Europe had shifted jobs eastward, while 60 per cent said their investments had helped to preserve or create jobs at home.³⁰ The integration of Central and Eastern Europe into the EU’s single market has brought about a new European division of labour, which has benefited both sides.³¹

The movement of labour

82. Fears ahead of eastward enlargements and negative public reactions in its aftermath have often been related to the immigration of workers. EU membership entails the “four freedoms” of the single market: the free movement of goods, services, capital and people. However, in the case of the Mediterranean and eastward enlargements, the EU gave Member States the option to impose temporary restrictions on the workers from the acceding countries. In the case of eastward enlargement, these so-called transition periods were mainly the result of pressure from the German and Austrian

²⁸ European Commission, Bureau of European Policy Advisors and the Directorate-General for Economic and Financial Affairs, ‘Enlargement, Two Years After: An Economic Success’, European Economy Occasional Papers No 24, May 2006, Chapter 5.

²⁹ Former President of France

³⁰ IKB and KfW, *Studie zu den Auslandsaktivitäten deutscher Unternehmen: Beschäftigungseffekte und Folgen für den Standort Deutschland*, preliminary version. Cited in Michael Knogler, *Auswirkungen der EU-Osterweiterung auf die Arbeitsmärkte der neuen Mitgliedstaaten und der EU-15, insbesondere Deutschland*, Working Paper 257 (Munich: Osteuropa-Institut, January 2005).

³¹ Katinka Barysch, ‘Europe’s new division of labour’, CER bulletin Issue 48, June–July 2006.

governments. Some 60 per cent of the approximately one million East Europeans who had moved to the EU before accession went to Germany, with Austria taking another 5–10 per cent, albeit in a much smaller labour market. Most other EU countries subsequently decided to apply the transition periods too, with only Ireland, Sweden and the UK deciding to keep their labour markets open (although they restricted the access that East European workers would have to their social security systems).

83. In 12 of the EU-15 countries, Poles, Hungarians or Latvians still require work permits, and there are strict quotas for Central and Eastern European immigrants, either for the whole economy or for individual sectors. Existing restrictions remained valid for an initial period of two years. Member States could then decide whether to keep them in place for an additional three years (until 2009). Thereafter, those countries that still fear disruptions in their labour markets from a large influx of Central and Eastern European workers can keep restrictions for an additional two years, until 2011. After that, the free movement of labour will be applied to the ten new Member States that joined in 2004. On the occasion of the first review of the restrictions in May 2006, Spain, Finland and other EU countries decided to follow the example of the UK, Ireland and Sweden and open their labour markets. Other countries, including France and the Netherlands, announced a limited or sector-by-sector loosening of the restrictions. Germany and Austria indicated that they would keep restrictions in place until at least 2009 and probably until 2011.
84. A report from the European Commission, published in February 2006, raised serious doubts on the rationale for continued restrictions³². Available national statistics suggest that some 1.7 million people from EU-10 (EU-8 plus Cyprus and Malta, which have no restrictions on free movement) have applied for work in the 'old' EU-15 since enlargement³³. To circumvent the limitations of statistics on worker registration, the Commission also relies on data from EU-wide labour force surveys. These indicate that the stock of workers from the new Member States in the EU-15 reached 0.4 per cent of the local labour force in 2005. This means that the Central and Eastern Europeans are by far outnumbered by immigrants from other EU-15 countries (2.1 per cent of the EU-15 labour force) and non-EU countries (5.1 per cent of the labour force).
85. The distribution of Central and Eastern European workers suggests that national restrictions have not been very effective. The existence of established immigrant communities and available job opportunities are the main determinants of where workers want to go. Despite strict immigration limits, Germany continued to be the single most important destination of workers from the new Member States: in 2004 and 2005 alone, Germany issued one million work permits to jobseekers from the new members (although the vast

³² European Commission, 'Report on the functioning of the transitional arrangements set out in the 2003 accession treaty', February 2006.

³³ This number is highly tentative for several reasons: for some countries data is only available for 2004 but not 2005; in Ireland (a major destination), the statistics include not only applications for work but also for other purposes, such as healthcare or social services; many of those who registered or applied for work were already in the EU but working illegally (in the UK the share has been estimated to be as high as 40 per cent); and the number of work or residency permits issued does not equal the number of East European workers that have settled in the EU-15 because most permits are issued for only a limited period. In Germany, for example, 95 per cent of the work permits granted in 2005 had time limits, and in Italy 76 per cent of all permits went to seasonal workers.

majority for seasonal workers in construction and agriculture). Inflows into Austria also rose after enlargement. In 2005 workers from the new Member States accounted for 1.4 per cent of Austria's labour force. In neighbouring Italy, on the other hand, the quota for Central and Eastern European workers remained unfulfilled. Countries that resorted to transition periods did not seek to close off their labour markets altogether but they wanted to keep a high degree of control over who came in, for what purpose and for how long (Q 333)

TABLE 5

Resident working age population by nationality, 2005, in per cent of total

	National	EU-15	EU-10	Non-EU
Belgium	91.3	5.8	0.2	2.8
Denmark	96.4	1.1	N/a*	2.4
Germany	89.5	2.8	0.7	7.0
Greece	94.0	0.3	0.4	5.3
Spain	90.5	1.2	0.2	8.1
France	94.4	1.9	0.1	3.6
Ireland	92.3	3.0	2.0	2.8
Luxembourg	57.9	37.6	0.3	4.2
Netherlands	95.7	1.4	0.1	2.8
Austria	89.2	1.9	1.4	7.5
Portugal	97.0	0.4	N/a ³⁴	2.6
Finland	98.3	0.4	0.3	1.0
Sweden	94.8	2.3	0.2	2.7
UK	93.8	1.7	0.4	4.1
EU15	92.4	2.1	0.4	5.1

Source: Eurostat, Labour force survey 1st quarter 2005 (Ireland 2nd quarter 2005).

86. Among those countries that had abolished restrictions, the UK received the largest inflows. According to estimates from the Home Office, some 600,000 workers from the new Member States have applied to the new 'workers registration scheme' since May 2004. This is vastly more than the annual inflow of 13,000 that the government had initially forecast. Ireland's fast-growing economy has attracted some 200,000 Central and Eastern Europeans, the highest share if compared with the local labour force. Sweden saw only very limited inflows.
87. In those countries that have retained quotas and work-permit requirements, Central and Eastern Europeans have often found work in the black economy, especially in services jobs such as cleaning, caring or catering. Some have also relied on the EU's more liberal rules for the freedom of establishment and the 'posted workers directive' which allows companies in one country to send workers to another EU country. The number of Central and Eastern Europeans who work in the old EU on the basis of temporary contracts or through setting up their own business is probably limited. But they have caused a disproportionate amount of political upheaval. The alleged job competition from cheap 'Polish plumbers' fuelled anti-EU sentiment during France's referendum on the Constitutional Treaty. In December 2004, 14 Latvian builders were forced to stop working in Sweden for what a local

³⁴ Data not reliable due to small sample size. Italy is excluded, since it does not disaggregate by nationality.

trade union had claimed were ‘unfairly’ low wages. Similarly, in March 2005 the Danish authorities fined a Polish construction company (owned by a Dane) for undercutting local wages. And Germans were outraged in the autumn of 2004 when about 25,000 abattoir workers lost their jobs to Poles or Czechs willing to work for €5 an hour or less.

88. A study, commissioned by the British Department for Work and Pensions found that there was “no discernible statistical evidence” that migrant workers from the new Member States had contributed to a rise in those applying for social benefits. It concluded: “Overall, the economic impact of migration from the new EU Member States has been modest, but broadly positive.”³⁵ However, faced with signs of public unease about the free-movement policy, the Home Office announced in October 2006 that restrictions would be applied to workers from Bulgaria and Romania after these two countries joined in January 2007.
89. On the basis of the foregoing analysis, it is clear that in economic terms, eastward enlargement has been—and continues to be—beneficial for both the old and the new Member States. Because of the much larger size of the EU-15 economy and the need for catch-up in Central and Eastern Europe, the benefits were vastly greater for the new Member States. However, with their fast-growing economies and large pool of highly-skilled, low-cost workers, the new Member States have helped West European companies to cope better with the competitive pressures coming from emerging Asia and elsewhere. Therefore, enlargement has left the EU economy as a whole better prepared to cope with globalisation.

The political impact of enlargement

90. Before the 2004 enlargement, there were widespread fears that the increase in the number of Member States from 15 to 25 would lead to gridlock in EU decision-making. For some, such fears were exacerbated by the rejection of the Constitutional Treaty in mid-2005 because it seemed to indicate the EU’s inability to move forward with integration and reform, and it left it with the often cumbersome provisions of the Nice Treaty.³⁶
91. Some witnesses argued that the large number of countries that joined in 2004 represented a particular challenge for the EU: Eastward enlargement was “like a 12 course meal and not the usual three course meal which we have digested in previous enlargements”. (Q 324). Most witnesses however thought that, by and large, the enlarged EU functioned rather smoothly (Q 89, Q 54, Q 74). One of the best examples of its ability to reach agreement was the compromise on the new financial perspective in December 2005.
92. Some suspect that there has been a slowdown in decision-making, and the EU seems less able to deliver even in areas where joint action would have

³⁵ Andrew Taylor, ‘Workers from new EU states had broadly positive impact’, *Financial Times*, February 28th 2006. See also our Report on ‘Economic Migration to the EU’ (14th Report, Session 2005–06, HL Paper 58). However, it is also worth noting that a leaked report from the UK Treasury warned that the influx of Eastern Europeans may have put additional pressure in public services, such as schools and hospitals in some locations.

³⁶ The Constitutional Treaty would have made it easier for common decision making to override national objections by introducing simpler decision making in the Council of Ministers (the double majority voting system), reducing the number of European Commissioners and MEPs and transferring some policy areas that currently require unanimity to qualified majority voting.

broad public and political backing, such as justice and home affairs (Q 74). However, this perceived slowdown in decision-making could be related as much to the general difficulties that the EU is facing at the moment (slow growth, lack of public support, weak governments) as to enlargement per se. Moreover, some of the decisions that have been on the agenda since May 2004, such as the Services Directive, have caused divisions as much among the old Member States as between the old and the new members.

The Council of Ministers

93. Witnesses were divided on whether and to what extent the effectiveness of decision-making in the Council of Ministers has suffered from the increase in membership.³⁷ Some pointed out that gridlock is no more likely with 25 members than it was with 15 (Q 76). However experience of decision-making with 25 members is limited and we cannot be sure that no problems will be encountered in forthcoming years. The Council still predominantly relies on consensus-building, with formal votes taking place in only 8 per cent of the decisions taken (Q 199).
94. In those areas of EU policy-making where unanimity is required, it is not the number of members that is the key factor but whether individual countries are using (or threatening to use) their national veto. It appears that so far, the new members have used their veto sparingly. Notable exceptions are Poland's attempt to bloc an EU decision on value-added tax (from which it eventually climbed down) and Cyprus' use of its vote to block the EU from freeing up trade between Northern Cyprus and the rest of the EU. However, such incidences of national interests blocking EU action did occur even when the EU had six, 12 or 15 Member States (Q 109).
95. In many areas the new members are still finding their feet and they have been cautious in adopting positions or wielding their veto. This could change, however, once the new members have settled into the EU, in which case decision making would become more complicated (Q 200).
96. The larger size of the Council has undoubtedly rendered meetings more time-consuming. The Council has taken a decision not to insist on a full *tour de table* for 25 ministers in every meeting. However, on important questions, all or most countries still want to present their positions, leading to lengthy introductions and less time for real discussions and compromise-seeking. The same applies to Coreper (the Committee of Permanent Representatives), where the prevalence of prepared statements has made representatives stick more closely to their governments' position and reduced the room for manoeuvre and informal compromises (Q 199).
97. As a result, some EU countries (the larger ones in particular) are said no longer to regard the Council as an effective decision-making forum. They are more likely to co-ordinate their positions ahead of Council meetings in informal meetings and sometimes dispatch the minister's deputy or another representative to Council meetings (Q 96). The problem appears to be particularly acute in foreign policy, where the large countries no longer rely on a forum of 25 predominantly smaller Member States. Instead, foreign

³⁷ Under the rules of the Nice Treaty, votes in the Council are weighted according to population size, although the larger countries tend to be under-represented compared to the size of their populations. A qualified majority constitutes 72 per cent, or 232 out of the total 321 votes. The Constitutional Treaty would have simplified Council voting by introducing a "double majority" system under which a measure is passed if it has the backing of 55 per cent of the votes representing 65 per cent of the EU population.

policy-making is increasingly moving to smaller groups. Moreover, the larger size of the Council forces Member State governments to invest more time and effort to explore possible coalitions well ahead of the actual meetings (Q 204).

The European Commission

98. Opinions are equally divided on the functioning and weight of the enlarged European Commission. On the one hand, the Commission should have gained in influence because smaller Member States (as most of the new members are) tend to support a strong Commission. And in an EU with 25 members, the proposals from the Commission should have become more important. On the other hand, the new members are said to have a preference for intergovernmental co-operation over supra-national decision-making (the Community method). They prefer a “Europe of nations” because they fear that in a federal Europe “their voices would be lost”. (p 200).
99. As to the Commission’s effectiveness, some observers suggested that the current college of 25 Commissioners is too large to work effectively. Others were concerned that the current system of one Commissioner per country has reinforced a tendency among Commissioners to act as representatives of their country rather than in the name of the EU as a whole, which is their official mandate (Q 68, Q 241).
100. The size of the Commission will in any case have to be adjusted when the number of Member States reaches 27. However, experts point out that the rotation principle foreseen in the Constitutional Treaty would not be workable. First, the legitimacy of the EU could suffer further if each Member State no longer has its “own” Commissioner. Second, the rotation system could lead to a scenario where there is a five-year term during which small countries are severely over-represented. For example, the college could theoretically include Commissioners from seven small Balkan countries but no German, French or British Commissioner (Q 416). When the EU decides on this matter, it may find it preferable to move to a system where there is still one Commissioner per country, but they divide into senior Commissioners and junior Commissioners (Q 90, Q 93, Q 267).

The European Parliament

101. British members of the European Parliament were predominantly positive on the arrival of the new members. Richard Howitt MEP, Charles Tannock MEP and Baroness Nicholson reported that the Parliament’s work has become “richer, more interesting, more diverse but ultimately just as effective” (Q 160 Q 275, p 185). The representatives from the new Member States are said to have brought new perspectives and fresh enthusiasm to the Parliament.
102. However, some of the MEPs who spoke to us also suspect many of the parties from the new Member States do not fit well into the European Parliament’s traditional left-right divisions. Andrew Duff MEP noted that enlargement has brought some “fairly curious political parties, especially on the right” (Q 240). As a result, the cohesion of the main political groupings may have been weakened and decision-making may have become more complicated and less predictable.

The quality of decision-making

103. As Frank Vibert³⁸ pointed out, it is not only or even primarily the ability of the EU institutions to act that is at stake (p 178). It is the quality of decisions, rather than their quantity that matters for progress in the EU, as well as the Union's legitimacy. The EU's *acquis* already spans 97,000 pages so the real challenge of the EU is not only to add more laws but also to purge its existing rulebook of superfluous or cumbersome laws, and to apply the principle of subsidiarity more rigorously.
104. Mr Vibert does not find clear evidence of the impact of enlargement on the quality of EU decisions or the Member States' commitment to better regulation. But he suspects that enlargement reinforces the need for higher-quality decision making and subsidiarity and therefore will be beneficial for the Union in the long term (p 179).
105. **The increase in the number of Member States and the concomitant wider spread of interests and positions has made aspects of EU decision-making more laborious. But suggestions that enlargement could lead to gridlock in the EU institutions are not borne out by evidence.**

The impact on EU policies

106. It is too early to evaluate the impact of enlargement on individual EU policies. Among the general impressions that we have heard were that the new Member States tend to be: in favour of open markets and economic reform; sceptical about the harmonisation of taxes and social standards; in favour of a larger EU budget (but divided on the merits of the current common agricultural policy); more transatlantic in their foreign policy, and more critical towards Russia.
107. When it comes to the single market, the new members tend to be in favour of taking the steps needed to complete it. For example, they have been calling for all EU countries to uphold the principle of the free movement of labour and most of them supported the adoption of a more ambitious draft of the Services Directive. The European Commission points out that the new Member States have in many cases been more studious in adopting and implementing the *acquis* than the old members. By March 2006 the new members had transposed 99 per cent of all EU directives into national law. The only area where the new members lag behind the EU-15 is competition policy.
108. Generally, the new members tend to be in favour of a larger EU budget since they are all net beneficiaries, in particular through their sizeable expected receipts of structural funds. On the CAP, the arrival of the Central and Eastern European countries has weakened or even dissolved the established blocs of interests (producers vs non-producers, north vs south) and the situation now appears much more fluid (Q 200). Since the new members are still struggling with the costs of implementing existing EU environmental rules, they are less keen on the EU adopting new environmental standards.
109. Opinions on the impact of enlargement on EU foreign policy were mixed. On the one hand, the arrival of ten new members has given the EU more weight in world politics. It has also brought considerable expertise on and

³⁸ Director of the European Policy Forum

close ties with the countries along the EU's new eastern border, such as Ukraine and the Western Balkans. The pro-American stance taken by most of the new members may have helped the EU to strengthen transatlantic ties, but it may also have exacerbated intra-EU divisions over such issues as the intervention in Iraq.

110. On the other hand, with 25 members the EU could be finding it more difficult to agree on common foreign policy decisions, which could weaken its ability to act. Historical grievances between some of the new members and Russia may have complicated the EU's attempt to find a coherent and cohesive policy vis-à-vis its biggest neighbour—although experts pointed out that it is the larger Member States that mostly shape the EU's foreign policy, which implies that the new members only have limited influence (Q 88, Q 200).

The balance between small and large countries

111. Beyond the immediate impact on decision-making and policies, the growth in the number of Member States may reinforce a broader trend in the EU towards 'variable geometry', where smaller groups of Member States agree to pursue or implement a policy without seeking to get all 25 members on board. There are already signs of this happening in justice and home affairs and foreign policy (Q 75). This trend is explored further later in this Chapter.
112. The last enlargement has also further skewed the balance between large and small Member States since all the new members, with the exception of Poland, are small countries. Valéry Giscard d'Estaing described as "grotesque" the current state of affairs where a large country such as Germany only assumes the EU presidency every thirteen and a half years and has the same representation in the European Commission as a small Baltic nation (Q 416). Édouard Balladur thought that the situation in which a German MEP represents 800,000 people whereas an MEP from a small Member State represents 30,000–40,000 was unsustainable (Q 428).
113. The Constitutional Treaty would have gone some way in redressing the disproportionate representation of smaller Member States (in terms of their weight in decisions in the Council of Ministers, the European Commission and the Parliament). The danger is that in a Union with so many small Member States, the larger ones may regard the EU institutions as working mainly in the interest of the smaller ones. The big EU countries could therefore move increasingly towards a system of informal decision-making outside the EU institutions (Q 105). The small countries, on the other hand, could lose confidence in the system (Q 68). In the absence of continuing institutional reform, this risk will be reinforced if and when the Western Balkan countries join the Union. The accession of very small countries has also raised concerns in the German Länder, some of which are several times larger (both in terms of population and GDP) than the Baltic states or potential future members such as Montenegro or Kosovo. Karl-Theodor Freiherr zu Guttenberg³⁹ raised the question why these very small countries should have direct representation in the Council of Ministers and their own Commissioner while Bavaria, with 10 million people, did not (Q 353).

³⁹ Member of the Foreign Affairs Committee in the Bundestag

Lessons for future enlargements

114. If the EU is to continue to enlarge, it is important that it must learn from previous accessions. Overall, our witnesses deemed the 2004 enlargement a success. However, they also pointed out that the EU should be mindful of the following lessons to guarantee that future enlargements proceed smoothly and do not disrupt the functioning of the Union:
115. As a first lesson, witnesses pointed out that an official target date for accession did not—as some may have hoped—help to sustain momentum for reform in the candidate countries. On the contrary, target dates seem to diminish the leverage the EU has over acceding countries: “It is as if you have a boy in school who is told: ‘You will not graduate this year if you fail your courses, but you will certainly graduate next year. Will you work?’ No, he will clearly not work.” (Q 325).
116. The EU set a ‘target date’ for the accession of Bulgaria and Romania of January 1st 2007, partly to console them over the fact that they were not included in the first wave of enlargement in 2004 and, in the view of some, to compensate them for the economic losses they suffered as a result of the NATO bombing of Belgrade and the action in Kosovo (Q 54). There are now widespread concerns that these two candidate countries are not sufficiently prepared for EU entry, most notably due to widespread corruption, a high incidence of organised crime and ineffectiveness in their judicial systems. Some experts pointed out that by giving Bulgaria and Romania a date for accession, it had weakened its own leverage over these countries.
117. The EU subsequently sought to rectify this situation by providing for a possible one-year delay in their accession, unless they rapidly addressed Brussels’ remaining concerns. However, while Romania made notable progress in improving the working of its judiciary, Bulgaria continued to lag behind (Q 140). Threat of a one-year delay proved ineffective in encouraging reform since the governments in Sofia and Bucharest knew that they would join in 2008 at the latest, even if reforms continue to stall. Although Croatia has set itself a target date of 2009 to join the Union, the EU has been very careful not to officially endorse such a date (Q 325). Similarly, politicians from EU countries have rebuffed requests from Macedonia to be given a date for accession (Q 345).
118. **We recommend that in future the EU does not endorse target dates for EU entry until the accession negotiations with the candidate in question are almost complete and the EU is fully satisfied that the candidate can assume the obligations of membership.**
119. Witnesses warned that the EU should not admit countries that have outstanding questions of border delineation, separatism or the integration of ethnic minorities. This was particularly important with a view to the potential accession of the Western Balkan countries (Q 222, Q 277).
120. The EU had hoped that the two parties in Cyprus would have reached a sustainable political solution to the island’s division before Cyprus entered the Union. The Annan Plan (a UN-sponsored plan to reunify the island as a federation) was put to a referendum in both parts of the island just before Cyprus was scheduled to join the Union in 2004. The Greek Cypriots rejected the plan while the Turkish Cypriots accepted it. As a result, a divided island joined the EU shortly afterwards (officially, the divided island

is now a member, but the *acquis* is suspended in the Northern part of the island).

121. Since Cyprus has joined the EU, its motivation and willingness to seek a political solution to the problem or help alleviate the economic isolation of the Turkish Cypriots in the north of the island appears to have been low. Turkish officials also accuse the Greek Cypriots of using their status of an EU Member State to complicate Turkey's EU accession process and so force compromises that are more in Cyprus's interest.
122. Some witnesses pointed out that the EU should not admit the countries of the Western Balkans before outstanding issues—such as the 'final status' of Kosovo or the divisions of power in Bosnia—have been settled on a sustainable basis (Q 61). If the EU admitted Bosnia before a sustainable solution was found to its statehood and governance, this could cause "absolute mayhem" in the EU (Q 61).
123. **It is essential that future enlargements do not import existing disputes about borders, the treatment of minorities and recognition into the Union. At the same time, however, the EU must be careful not to allow third countries to effectively gain a veto over the accession of a candidate by preventing the settlement of an existing dispute.**
124. Witnesses agreed that the EU has transformative powers over countries that wish to accede. However, it risks squandering this leverage unless it uses conditionality in a consistent and credible manner.
125. As Graham Avery pointed out (Q 54) the real novelty of the last enlargement round was not the state of preparedness of the candidates (similar concerns had been voiced about the Mediterranean candidates in the 1980s). It was the use of conditionality. The EU used both the "carrot" of membership and the "stick" of exclusion to drive economic and political reforms in the candidate countries. The EU devised the "regatta principle" according to which each candidate progresses towards accession as fast as its own pre-accession preparations allow. Each country joins if and when it fully complies with the Copenhagen criteria. The main incentive for candidates to keep up the pace of change was the threat of exclusion from the first round of accession. However, by admitting ten candidates in a "big bang" enlargement (and promising the remaining two to join shortly thereafter), the EU to some extent undermined the credibility of its own conditionality, since not all of them were at the same level of preparedness (pp 194–195). If there are doubts about the EU's willingness to use conditionality, its leverage over current candidates, both the countries of the Western Balkans and Turkey, will be reduced. Witnesses therefore urged the EU to apply the regatta principle more rigorously, and not aim for another big bang enlargement, especially in the case of the Western Balkans: "Regarding the Western Balkans, [accession] will be a long process to which the roads for Croatia and Albania cannot be compared" (Q 324).
126. Several of our witnesses encouraged the EU to be "tough" on current and future candidates and to enforce conditionality rigorously. They pointed out that by letting standards slip, the EU risks harming not only the credibility of the accession process but also the candidate countries, which are the main beneficiaries from the reforms the EU is demanding. The worst thing, in the opinion of Lord Patten of Barnes, the former Commissioner for external

relations, would be for them to pretend they are reaching the standards and for us to pretend we believe them.⁴⁰

127. In its monitoring of the accession preparations the European Commission has increasingly shifted its emphasis from the adoption of EU-conforming laws to their implementation and enforcement. In the current round of negotiations, the conditions for progress have become even stricter. The EU now sets “benchmarks” for the opening and closing of each chapter (see box in Chapter 1).⁴¹ This means that the EU can require a candidate country to provide evidence that it is applying EU law in a certain area before negotiations in this area are closed, or even opened.
128. The Croatian chief negotiator, Vladimir Drobniak, who described his country as the “guinea pig” for the stricter monitoring regime, said that benchmarking added a degree of uncertainty to the accession process because individual member-states could block the negotiations at any stage. There are also suspicions that existing EU members could use the benchmarking process to hold up the negotiations with a country with which it has a particular political problem (such as Cyprus with Turkey or Italy with Croatia over the restoration of property).
129. Mr Drobniak acknowledged, however, that the EU’s more rigorous approach to accession negotiations could in the end work in a candidates favour. Since the public and national governments will be reassured that candidates are well prepared, the ratification of the accession treaty should proceed smoothly (Q 123).
130. **The EU must use conditionality in a consistent and credible manner. Rather than aiming for a “big bang” enlargement of the Western Balkans, the EU should stick to a system under which each country progresses towards membership as fast as its pre-accession preparations allow.**

⁴⁰ Q 27, Lord Ashdown of Norton-sub-Hamdon citing the opinion of Lord Patten of Barnes.

⁴¹ Although it is the European Commission that conducts most of the actual negotiations, formally accession negotiations are held between the candidate country and an “Intergovernmental Conference” in which all current members are represented. In practice this means that each EU government has a veto over the opening and closing of new “chapters” in the negotiation process.

CHAPTER 4: ABSORPTION CAPACITY AND THE BORDERS OF EUROPE

The Copenhagen accession criteria

131. The EU treaties do not provide any guidance on the question of which countries can and should join the Union. Article 49 of the Treaty of the European Union states that any European country that respects and applies European values (democracy, human rights, the rule of law and fundamental freedoms) may apply for membership of the EU (see box in Chapter 1). It was only in 1993, at their summit meeting in Copenhagen, that EU leaders drew up a more detailed list of the conditions that a country should fulfil before it can join the Union.
132. The so-called Copenhagen criteria refer to a candidate country's political system, the functioning of its economy and its ability to apply EU law (see box in Chapter 3). They do not include any reference to the EU's ability or willingness to admit more countries. In recent years, politicians from several EU countries have called on the EU to modify the list of accession criteria, both to include a definition of where geographically the final borders of the EU should lie and to add a reference to the EU's ability to "absorb" new members.
133. The debate about "absorption capacity" and the borders of the Union has caused considerable uncertainty in those countries hoping to join the EU in the future. Enlargement Commissioner Olli Rehn has warned that the people and politicians in the Western Balkans and Turkey are following these debates "like the devil reads the bible" and that the ensuing doubts about their accession process is already eroding support for the reforms that are needed to prepare their countries for membership (Q 140).
134. Andrew Duff MEP advised the EU to incorporate a clear definition of the accession criteria into any new treaty it may adopt in the future (Q 229), arguing that this would help to reassure European citizens that only well-qualified candidates will join the Union. However, such a move entails the risk that those Member States that are opposed to further enlargement would try to raise the bar for accession in the future.
135. Professor Richard Rose⁴² points out that the EU's focus on the *acquis* in evaluating a country's readiness entails the risk that it might miss broader political and social developments. He therefore advocates that the EU pay more attention to the attitudes and bottom-up developments in the candidate countries themselves (pp 192–194). This may be a useful suggestion for future candidates. It could help the EU for example to ascertain how far and how fast reforms are acceptable in say, Turkey, or whether current constitutional/political reforms in the Balkan countries will be sustainable in the long run.
136. **The Copenhagen accession criteria have enabled the EU to encourage and monitor economic and political change in the candidate countries. The EU should not modify the list of the criteria or set them in stone by including them in a future treaty.**

⁴² Centre for the Study of Public Policy, University of Aberdeen

BOX 4**The Copenhagen criteria for EU Membership**

At the European Council in Copenhagen in June 1993, EU leaders for the first time explicitly acknowledge the Central and East European countries as candidates. At the same time, they spelled out the conditions for accession, which then became known as the Copenhagen criteria.

There is one political criterion, two economic ones and one relating to the adoption of the *acquis*. The Council added (and has reiterated on various occasions since), not as a new criterion, that “the Union’s capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries.”

The Copenhagen criteria require candidates to have:

- stable institutions to guarantee democracy, the rule of law, human rights and respect for and protection of minorities;
- a functioning market economy;
- the capacity to cope with competitive pressure and market forces within the EU’s internal market;
- the ability to take on all the obligations of membership.

In 1997, at the Luxembourg European Council, EU leaders specified that compliance with the political criterion should be a prerequisite for the opening of any accession negotiations. This was applied to Slovakia, whose application was suspended as long as the government of Vladimir Meciar, which disregarded democratic principles and civil liberties, stayed in power. In the case of Croatia, the start date of the accession negotiations was postponed until the EU declared itself satisfied that the government was co-operating with the war crimes tribunal in The Hague.

The economic criteria and the *acquis* criterion were to be assessed in a “forward-looking, dynamic way”. The European Commission submitted its ‘opinions’ on the preparedness of the candidates in 1997 and subsequently assessed progress towards accession in annual ‘regular reports’. The Commission has used these documents to elaborate on the Copenhagen criteria.

For its assessment of whether a country has a ‘functioning market economy’, the EU has looked at: the working of market forces: free prices and liberalised trade; barriers to market entry (establishment of new firms) and exit (bankruptcies); business regulation, protection of property rights, contract enforcement; financial sector to channel savings into investment; macroeconomic stability: inflation, budget, external account; and a broad consensus about the essentials of economic policy.

Whether a country has the ability to compete in the single European market would depend on: the existence of a functioning market economy; macroeconomic stability; human and physical capital; economic policy: trade, competition, subsidies, small enterprises etc; innovation and flexibility, small firms; and existing trade integration with the EU.

Critics have argued that the Copenhagen criteria are too vague to be operational. There were negative reactions whenever the Commission upgraded some candidates as ‘functioning market economy’ but not others. The EU has tended to focus on the rate of progress rather than absolute measures of preparedness, which is difficult to compare across countries. Some economists have criticised the heavy emphasis on the *acquis* criterion

On the other hand, the vague nature of the criteria allows the EU to get involved in most areas of reform. The EU has been able to specify different priorities for each country through the ‘accession partnerships’, ranging from orphanages in Romania to banking sector reform in the Czech Republic. They also allow for different paths toward compliance, leaving the candidates with more flexibility. The criteria do allow a certain intrusiveness on the part of the EU. But arguably, since most of the candidates have been (and are) small open economies, they have limited policy-making autonomy anyway.

The borders of the EU

137. Under Article 49 of the Treaty of the European Union, “Any European State which respects the principles set out in Article 6(1) may apply to become a member of the Union.”⁴³ The EU has not so far attempted to define what “European” means in this context, and no collective effort had been made to take a decision on where its final borders should lie. Quentin Peel pointed out that the EU had implicitly defined what does *not* constitute a “European” country when it rejected Morocco’s application for membership (Q 57). The question of the EU’s ultimate borders really only arose after the collapse of the Berlin Wall. Before that, the Soviet Union closed the eastern borders of the EU (Q 65).
138. The subsequent eastward enlargement was partly driven by the Central and Eastern European countries’ desire to “rejoin Europe” and partly by the EU’s desire to have stable, secure and prosperous countries as its neighbours. Germany in particular was in favour of eastward enlargement since it did not want to be the frontier country after the collapse of the Berlin Wall. Now that the EU’s external border has shifted further east, there is a new wave of countries interested in joining, including former Soviet countries. Just like Germany before it, Poland and other Central and Eastern European countries are now pushing for the EU to be prepared to admit Ukraine because they fear that excluding it would increase the risk of instability across their eastern borders.
139. With regard to the EU’s continued enlargement, Quentin Peel suggested that: “Somewhere we have to stop” (Q 64). Some witnesses argued that EU citizens will not feel comfortable in a Union that cannot define its borders

⁴³ Article 6(1) states: The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States.

and therefore its identity. In a survey conducted before the last enlargement, 76 per cent of EU citizens were in favour of defining the EU's borders before commencing another round of enlargement (p 173).

140. But the majority of our witnesses took the view that for the EU to try and define its external borders was neither feasible nor desirable. Several experts agreed that a geographical definition made little sense. David Bakradze⁴⁴ makes the point that since the EU is a political project, its borders should also be political (p 170). In other words, which countries are allowed to join the EU should be determined by whether they share a common vision and common values with the existing members.
141. Quentin Peel argued that the EU's current policies on enlargement already put paid to any geographical definition of "European". He pointed out that Turkey—a candidate for membership—only has a "small bit" in Europe.⁴⁵ Russia—which no witness regarded as a potential future member⁴⁶—is "half and half" (on the basis of a widely adopted definition of Europe stretching to the Ural mountains). Édouard Balladur (Q 434) pointed out that the EU would face the dilemma of either including the western part of Russia in its potential territory or drawing an artificial line along the Eastern border of Ukraine and Moldova.
142. According to the conventional geographical definition of Europe, Ukraine and Moldova lie entirely within Europe. Yet the EU has not offered them candidate status. Graham Avery (Q 59) argued that these former Soviet states could conceivably join under the provisions of the treaties, although he added that the EU had already "bitten off more than we can chew" and may not be able honour further promises with regard to enlargement.
143. **Since the EU Treaty gives any European country the right to apply for Union membership, any attempt to draw a final boundary around its territory which excluded European countries would not be consistent with the Treaty. Moreover, politically it would be undesirable for the EU to attempt to define its final boundaries since this would weaken the EU's ability to encourage positive change in potential candidates. Ambiguity is preferable to a definite 'no'.**

Absorption capacity

144. In the debate about future enlargements, some EU leaders have repeatedly pointed to the Union's 'absorption capacity' as a possible obstacle for taking in new members. When EU foreign ministers met their counterparts from the Western Balkan applicant countries in Salzburg in March 2006, they noted in their official communiqué that the EU's "absorption capacity has to be taken into account" in future enlargements. Shortly afterwards, the European Parliament in a resolution asked the European Commission to draw up a report on absorption capacity. And it reminded EU governments (inaccurately) that "the capacity for absorption of the Union [...] remains one of the conditions for the accession of new countries". The European

⁴⁴ Chairman of the Committee on European Integration, Parliament of Georgia

⁴⁵ Turkey's eligibility for membership was laid out in the Treaty of Ankara signed between Turkey and the EU in 1963. The treaty explicitly referred to the possibility of Turkish membership in the future.

⁴⁶ The accession of Russia would cause the EU "mega-indigestion" (Q 57) or would be "a contradiction in terms" because "it would be more like the European Union joining Russia" (Q 59).

Council in Vienna in June 2006 similarly concluded that “the pace of enlargement must take the Union’s absorption capacity into account”.

145. Enlargement Commissioner Olli Rehn has explicitly stated that absorption capacity would be a “consideration” in future enlargements but not a formal accession criterion. However, Christian-Democrat politicians from several EU countries, including Bavarian Minister President Edmund Stoiber and the former Austrian Chancellor Wolfgang Schüssel, have said that the Union’s absorption capacity, rather than the preparedness of the candidates, should be the “decisive criterion” in the EU’s further enlargement. Consequently, Mr Stoiber has called on the EU to halt enlargement once Bulgaria, Romania and Croatia have joined. Mr Schüssel would like the EU to proceed with enlargement to the Western Balkans but argues that the EU would not be able to cope with the accession of Turkey.
146. Even some of those strongly in favour of enlargement, for example Charles Grant⁴⁷ (Q 84) and Hannes Swoboda MEP (pp 198–200), thought that absorption capacity was a legitimate concern, and that it was the task of those who support future enlargements to explain how the EU could function with an increasing number of members. Other witnesses, however, expressed concern that the term absorption capacity could become a shield behind which the opponents of future accessions (in particular that of Turkey) could hide. In short, absorption capacity could just be an excuse to keep Turkey out (Q 71) or to stop enlargement altogether (Q 156).
147. Witnesses pointed out that the thinking that underlies the current debate about “absorption capacity” was not new. With every previous enlargement the EU worried about the impact that the new member(s) would have on its institutions, policies and its budget. So far, it appears, the EU has been able to absorb all five previous rounds of enlargement without too much difficulty (Q 140). In 1993, the EU included a reference to absorption capacity when it defined the three Copenhagen criteria for accession. However, absorption capacity was not added to the list of criteria but was meant as a “reminder” to the existing members that they need to proceed with internal reforms and integration rather than a new criterion for accession (Q 68). Subsequent enlargement-related documents, such as Agenda 2000, looked in detail at how eastward enlargement would impact on the EU’s budget and its policies, implicitly addressing the question of absorption capacity.
148. The EU has not defined what absorption capacity means, and many of the witnesses we spoke to suggested that it defies a definition that would render it operational in policy terms. It appears that the term absorption capacity invariably includes elements that are part of a much wider debate about the future of Europe, such as the debate about the EU’s institutions and the acceptance of enlargement by the European public.
149. A number of enlargement experts have started to deconstruct the concept into its possible components. Such an exercise is likely to show that each individual challenge of absorption—with regard to EU decision-making, its institutions, its budget or individual EU policies—is solvable (Q 142, Q 179). This change from “fuzzy absorptive capacity” to “tangible absorptive capacity” (Q 202), could change the nature of the current debate.
150. In response to a request from the European Parliament, the European Commission has been working on a report on absorption capacity. This was

⁴⁷ Director of the Centre for European Reform

scheduled to be published on November 8th, after this inquiry was concluded. According to the Commission, the report will provide an “intellectual framework” for the debate on how to ensure the smooth integration of further members. In particular, the Commission will focus on three questions: First, which institutional and policy changes are required to ensure the EU’s smooth functioning in the future? Here the Commission will provide some input to the ongoing or forthcoming debates about the future of the EU constitutional treaty and the 2008–09 EU budget review. Second, how can the EU provide better guidance for the candidate countries during the accession process? In particular, the Commission will recommend impact assessments at key stages of the accession process. Third, how can the EU improve communication about the costs and benefits of enlargement? The Commission says it is committed to increasing the quantity and quality of information on enlargement, and to providing this information in more user-friendly form. But the Commission will also remind the Member States that they will remain chiefly responsible for explaining enlargement to their national constituencies.

151. Another factor to be borne in mind is that new countries do not only constitute a burden to be “absorbed”, as Baroness Nicholson noted they also bring new “capacity” to the Union (p 186). They make contributions in terms of budgetary resources (which is particularly true for the Nordic/Austrian accession), economic dynamism (eastward enlargement) or military capacity (which would hold true particularly in the case of Turkish accession).
152. The European Council has linked the Union’s absorption capacity to public opinion in the Member States. In its June 2006 summit conclusions, the Council asked that the Commission in its report on absorption capacity should “also cover the issue of present and future perception of enlargement by citizens and should take into account the need to explain the enlargement process adequately to the public within the Union”. As noted previously (in Chapter 2), linking future accessions directly to public opinion risks undermining the credibility of the enlargement process and could therefore weaken the transformative powers that enlargement has had in the past.
153. **The debate about absorption capacity is harmful since the term is inherently vague and is interpreted by many in the candidate countries as an excuse for closing the Union’s doors. However it now seems unlikely that the debate will go away. We therefore believe that it would be best if the term was deconstructed into its individual components and considered in that light. The debate would then shift on to solid ground and focus on real issues such as budgetary capacity and institutional adjustments. “Absorption capacity” would become a to-do list for the existing Member States rather than a barrier to the candidate countries or an excuse for delaying or preventing their accession.**

CHAPTER 5: THE POLITICAL CONTEXT FOR FUTURE ENLARGEMENTS

154. The EU's absorption capacity is not set in stone. Whether the EU is able successfully to integrate Turkey, the Western Balkan countries and perhaps some former Soviet states depends on how the Union itself changes in the future. Although past enlargements, including the 2004 round, have been largely successful, there is an overwhelming sense that the EU will have to change significantly to allow it to continue to grow without disrupting its ability to function, in terms of its internal policies and as a foreign policy actor. In other words, many of our witnesses suggested that the EU has now reached a point where there could be real tension between further widening and deepening of the Union.
155. In the past, widening and deepening have always proceeded in parallel: In the early 1970s, the accession of Denmark, Ireland and the UK coincided with agreement on Community financing, as well as the Community's first attempt to build a monetary union, based on the Werner report. The UK's accession also led to some reforms of the common agricultural policy (CAP) and the creation of an EU regional policy. During the 1980s, when Portugal and Spain joined, the Member States committed to completing the single European market and they massively expanded the EU's structural funds for regional development. In the 1990s, the Union adopted a single currency and strengthened its co-operation in internal and external security while taking in another group of countries, namely Austria, Finland and Sweden. The east and southward enlargement of 2004 was accompanied by attempts to work out a new EU constitution to adapt the Union's institutions and decision-making procedures to its larger membership (Q 54).
156. This parallel process has been driven by what Charles Grant calls "the implicit bargain between deepeners and wideners"—between those who seek continued political integration and those who want the EU to continue spreading stability and prosperity across the continent.⁴⁸ However, the visions of the deepeners and wideners are not easy to reconcile. The former want a federal Europe, the latter see the EU as little more than a large, and growing, single market. Édouard Balladur differentiated between two visions of Europe: a "commercial Europe" that would be based on trade and could include as many as 30 countries, including Turkey. And a "political Europe" that would be based on existing achievements such as the euro, the CFSP and Schengen and would continue to evolve towards deeper integration and more intensive co-operation. A political Europe would only be feasible with a limited number of like-minded Member States (Q 428).
157. It was perhaps inevitable that at some point these different visions would halt, or at least slow down, the parallel process of widening and deepening. The EU now appears to have reached this point. The two sides are blocking each other—with neither the deepeners nor the wideners being able to make much progress (Q 237).
158. While enlargement is becoming more difficult, so is further political and economic integration. The stalemate already became apparent during the negotiations on the Constitutional Treaty. Since the ratification process is

⁴⁸ Charles Grant, 'The EU's blurred boundaries', CER pamphlet.

suspended, the EU will have to continue, at least for the time being, to function on the basis of the not totally satisfactory Nice treaty.

159. Witnesses pointed out that those in favour of further deepening had hoped that the eastward enlargement would spur further internal reforms and integration. However, the institutional problems that arose from the rejection of the Constitutional Treaty have left many pro-Europeans deeply disappointed. “At the beginning it was deepening before enlarging, and then it became deepening and enlarging, and then we had enlarging without deepening” (Q 320). Now those in favour of a more integrated political Europe argue that this imbalance needs to be redressed (Q 348), “We still think that we should have a European Union which is a political union” (Q 408).

The future of the EU institutions

160. The Nice Treaty⁴⁹ provides that once the EU reaches 27 Member States the number of Commissioners needs to be reduced.⁵⁰ Since it does not provide for voting weights and other institutional adjustments for enlargement beyond 27, such changes will have to be included in a new treaty, or in future accession treaties.
161. Most of our witnesses concurred with the European Commission and the European Parliament (as well as several EU governments) that a Union of 25 or more Member States would need adjustments if it is to function effectively in the future (pp 80–81). Enlargement Commissioner Olli Rehn suggested that once Croatia joins, the EU, at a minimum, should amend the voting weights in the Council of Ministers and the number of seats in the European Parliament. Others would go much further, calling for a comprehensive institutional or constitutional settlement before enlargement can proceed further.
162. In September 2006, in a speech to the German Bertelsmann Foundations, Germany’s Chancellor Angela Merkel argued that Europe should now focus on defining its destiny and that there should be “no promises for enlargement beyond the Balkans soon”⁵¹. Commission President Jose Manuel Barroso echoed this sentiment shortly afterwards establishing a more explicit connection between institutional reform and the future of enlargement. In a press briefing in Brussels he said: “There is no formal decision but...I think it would be unwise to bring in other member states apart from Bulgaria and Romania, which will be joining us soon, before we have sorted out the institutional question”⁵². The view that the EU should have a “pause” in enlargement until it has reached an agreement on institutional reform has now gained widespread support in the Member States (Q 324, Q 397).
163. In terms of institutional reform, the EU is still in a “period of reflection” following the rejection of the Constitutional Treaty in referendums in France

⁴⁹ Article 4 of the Protocol on the enlargement of the European Union, as amended by Article 4 of the Accession Treaty of 2003.

⁵⁰ This change could be effected by unanimous decision by the Council of Ministers (Q 89, Q 101).

⁵¹ Angela Merkel in her speech to the International Bertelsmann Forum in Berlin on 22–23 September 2006, reported on Euractiv <http://www.euractiv.com/en/enlargement/merkel-promises-balkans/article-158119>

⁵² Jose Manuel Barroso during a press conference in Brussels on September 25, 2006, reported by the BBC news website <http://news.bbc.co.uk/1/hi/world/europe/5378822.stm>

and the Netherlands in mid-2005. In Germany, the coalition government under Chancellor Angela Merkel has promised to revive the debate about institutional reform during the first half of 2007 when Germany will hold the EU's rotating presidency. However, most observers assume that the EU will not be able to reach an agreement on how to proceed before the French presidential elections, which are scheduled for April and May 2007. Therefore, the German presidency is unlikely to achieve much more than drawing up a timetable on future steps with regard to institutional change.

164. Most EU governments now seem to accept that the Constitutional Treaty in its current form is unlikely to be adopted. However, there is no agreement on how extensive any new treaty should be and what it would cover. Some governments, including those of Germany, Italy and Spain, adopt a maximalist position, wishing to save as much as possible from the Constitution. Others, including the British and Polish governments, would like to shelve the Constitutional Treaty and adopt only those provisions that appear necessary to streamline the EU's decision-making and its foreign policy machinery.
165. Under one scenario, a short and focused intergovernmental conference could agree on a scaled-down treaty, which could then come into force in time for the new European Commission and new European Parliament in 2009 (Q 103). However, by unravelling the intricate bargain that underlies the Constitutional Treaty's many compromises, the EU risks opening the door to new, ambitious demands from individual Member States. To reach a new agreement could therefore be time-consuming. Moreover, if the new treaty contained more than modest adjustments to the EU's institutions, some EU countries would once again hold referendums on the document.
166. Future enlargement will require some institutional adjustments. For example, the accession of the Western Balkans could lead to what Charles Tannock MEP called the "proliferation of mini-states" (Q 250). There are already a number of small, even tiny countries in the EU. Some witnesses feared that potential future members would not have the capacity to assume the obligations of membership effectively. For example, would Montenegro or Macedonia be as effective at running a European presidency as Luxembourg? Therefore, the accession of further small countries is likely to revive calls for the abolition of the rotating EU presidency and the creation of an EU foreign minister, as initially envisaged in the Constitutional Treaty.
167. **A larger EU will need institutional change and more efficient decision-making procedures. It will also require a rebalancing of the respective representation of large and small countries. An overstretched and ineffective EU cannot play a stabilising role in its neighbourhood and the wider world. We recommend that EU governments acknowledge that the Constitutional Treaty will not be adopted in its current form. Sensible and functionally oriented improvements to the working practices of the Union could be dealt with in a new intergovernmental conference; including a careful review of the rationale for all institutions where currently there is one representative per Member State.**
168. **We believe it would be a mistake for the EU to impose an artificial "pause" on enlargement while these institutional debates are proceeding. Such a pause would be destabilising for applicants and could become a trap from which it would be difficult to emerge (if a**

pause was officially declared, it would also need to be ended by a unanimous decision, which may prove problematic). Instead, the Union should proceed in a measured way, handling all applications on their merits, neither accelerating nor retarding the process. In fact, this would mean at most one more accession in this decade, namely Croatia.

Variable geometry and the notion of a core Europe

169. If the EU's constitutional gridlock were to continue beyond 2009, pro-integrationist politicians could argue that enlargement should remain suspended until the EU has regained its ability to drive integration forward. Charles Grant concludes that the era of treaty-based integration is over, for the foreseeable future. He argues that the EU should still be able to change, on the basis of EU laws and gradual institutional adjustments. Moreover, in some areas new policy initiatives might only be possible with a sub-group of members rather than with all 25, 27 or 28. In other words, the enlarged European Union will increasingly rely on variable geometry to drive integration forward.
170. Variable geometry is different from the idea of a core Europe. Variable geometry, or "enhanced co-operation" as already provided for in the Amsterdam and Nice Treaties, denotes the possibility of a sub-group of Member States agreeing to implement certain policy proposals without trying to get all member-states on board. Different sub-groups would co-operate in different areas, and an enhanced co-operation would leave the door open for other members to join in the future. A core Europe would be an EU where one small group of Member States (say, the largest ones, the six founding members or the current members of the eurozone) would further co-operate and integrate across a whole host of areas, including economics and foreign policy. It would divide the EU into "an A team and a B team", in the words of Charles Grant (Q 112). A number of politicians, such as Guy Verhofstadt, Jacques Chirac and Nicolas Sarkozy have put forward proposals for different kinds of core Europe. Most of our witnesses dismissed the idea of a core Europe as unfeasible and/or undesirable. Experts pointed out that any credible European initiative in foreign and defence policy would have to involve the UK—one of the countries least likely to sign up to a core Europe (Q 112). Moreover, few politicians in Germany—which would be an indispensable ingredient to any kind of core Europe—are enthusiastic about the idea (Q 112).
171. Variable geometry, on the other hand, is increasingly being used in the European Union. The EU inserted a clause allowing for "enhanced co-operation" in the Amsterdam Treaty and then further refined it in the Nice treaty.⁵³ It has so far not been used.⁵⁴ Nevertheless, there are several

⁵³ See Article 43 TEU, as amended. At least eight Member States must be involved in enhanced cooperation, but it must remain open to any other Member State wishing to participate. It may not constitute discrimination between the participating members and the others. Enhanced co-operation must also further the Treaty objectives and respect the whole of the *acquis*. It may not apply to an area that falls within the exclusive competence of the Community. The Nice Treaty sought to simplify the procedure and abolished the veto that each member-state previously had over each project of enhanced co-operation.

⁵⁴ The Treaty of Prüm—on police co-operation and data sharing—is likely to become the first instance of enhanced co-operation under the Treaty provisions, once Finland has joined, bringing the total number of signatories to eight. See Doc 11910/05 2 September 2005: New ideas on Counter-Terrorism for the July JHA—Nest Steps. Para 3 contemplates the possibility of 'reinforced co-operation' under the Treaty.

instances of de facto enhanced co-operation. First, there are instances where certain Member States have chosen not to participate in a policy initiative (so-called opt-outs). The euro and Schengen are the best examples. Then there are instances where only a small group of countries are willing or able to take part in an initiative.

172. In foreign and security policy, small groups of countries have come together to implement initiatives that they considered important and/or urgent. For example, Poland and Lithuania took the initiative to try to mediate in the Ukrainian election crisis in December 2005 while the larger Member States stayed on the sidelines. It is the EU-3 (France, Germany, the UK, plus the Council's High Representative for Foreign Policy, Javier Solana), not the EU-25, that negotiate with Iran on its nuclear programme. The Nordic countries decided to send peacekeepers to Aceh, in Indonesia, without waiting for the EU to reach a consensus in the Council. Spain has opted out of a new EU code of conduct designed to make the EU defence market work more efficiently (Q 114).
173. Various examples can also be found in Justice and Home Affairs (JHA). The interior ministers of Britain, France, Germany, Italy, Poland and Spain—the 'G-6'—collaborate more closely in fighting terrorism. In May 2005, seven member-states (Austria, the Benelux three, France, Germany and Spain) signed the Treaty of Prüm which among other things enables the signatories to share information on finger-prints and DNA, and to co-operate on aircraft security. There are no objections to groupings of this sort, provided they are transparent and adequately publicised.⁵⁵
174. Other forms of flexibility may also be required. The EU will have to adhere more closely to the principle of subsidiarity if enlargement is to continue (Q 263) so as not to overburden the Union's central institutions. Moreover, future acceding countries may need to accept very long, if not indefinite derogations. For example, Turkey may have to accept that its workers will not gain the freedom of movement for a very long time after it joins (Q 286).
175. Witnesses also pointed out the limits of enhanced co-operation. First, there are certain areas that are so fundamental to the EU that witnesses believed that no opt-outs and enhanced co-operations should be allowed. The EU's external trade policy and its competition policy are such examples. This essentially leaves four areas suitable for enhanced co-operation: economic policy making in the Euro Group; the harmonisation of corporate taxes; justice and home affairs; and defence (Q 114). A Union that increasingly uses variable geometry could become significantly more complicated to run; if enhanced co-operation is done informally, it could interfere with the functioning of the EU's institutions (Q 115).
176. **A Union of 27 or more Member States will require more flexible ways of policy-making. While the idea of a "core Europe" is unlikely to receive much support, the increasing use of "variable geometry" or "enhanced co-operation" appears both inevitable and indeed desirable. While moving in this direction, the EU needs to take care not to endanger existing achievements, such as the single market, and to ensure democratic accountability of new initiatives.**

⁵⁵ See our Report on 'Behind closed doors: the meeting of the G6 Interior Ministers at Heiligendamm' (40th Report, Session 2005–06, HL Paper 221).

The future of the EU budget

177. Several witnesses pointed out that the EU would require a major overhaul of its budget before it could take in more members, although the degree to which changes are required has been open to debate (Q 202, Q 233). Some 80 per cent of current EU spending goes on the CAP and on structural funds, and this will not change fundamentally during the EU's next "financial perspective" for 2007–2013. Since both Turkey and the countries of the Western Balkans are poorer than most current Member States and their economies are relatively more agricultural, many Europeans fear that further enlargement would put unsustainable pressure on the EU's limited resources.
178. Such fears also existing in the run-up to previous enlargements, but they have never been borne out in practice. Ahead of the 2004 eastward enlargement, the EU found various ways to limit transfers to the new Member States, and thus keep the overall size of the budget small, despite the big increase in membership. Farmers in the new Member States were initially entitled to only 25 per cent of the level of direct payments that their West European counterparts obtain. This share is gradually rising, to reach 100 per cent by 2013. With regard to structural funds, the EU decided to cap transfers at 4 per cent of the recipient country's GDP. Under the current financial perspective that runs until the end of 2006, the EU has allocated some €40 billion. Since the new members also have to pay contributions into the EU budget (some € 15 billion in 2004–06), their 'net' benefit is smaller, at around €25 billion over three years. This sum amounts to less than 0.1 per cent of the EU's combined GDP—a tiny price to pay for the reunification of Europe.
179. It is very difficult to estimate how much future enlargements will cost. First, the candidates and potential candidates are changing very fast. For example Turkey's rapid economic expansion will eventually diminish its need for EU regional aid. Second, the structure of the EU budget itself may have changed by the time of the next enlargement round.
180. As part of its agreement on the 2007–2013 financial perspective, the EU has already agreed to conduct a thorough review of its spending policies in 2008–2009. Any changes agreed in this review would come into force during the following budget period (2014–2020), when further EU enlargement may be a possibility. Some witnesses expressed the hope that the last enlargement and the prospect of more countries joining the Union would drive EU politicians to accept more radical changes to the EU budget, such as a scaling back of the costly common agricultural policy and a redirection of structural funds to the EU's poorest Member States (Q 266, p 197).
181. **The budget review of 2008–09 must take into account the possible impact of future enlargement. A serious restructuring of the EU's spending priorities will be required for successful future accessions, in particular those of Turkey and the countries of the Western Balkans.**

CHAPTER 6: CANDIDATES AND POTENTIAL CANDIDATES

The Western Balkans: The risk of returning instability

182. The accession perspective is most important for the area that the EU refers to as the Western Balkans: Albania, Bosnia-Herzegovina, Croatia, Macedonia, Montenegro and Serbia, as well as Kosovo whose “final status” is currently being negotiated. Witnesses urged that the Western Balkans should take priority on the enlargement agenda since it is the only part of Europe where the collapse of the Berlin wall led to war and genocide (Q 61) and because its exclusion from the European Union would probably give rise to a region of economic and social instability within the geographical area of the enlarged EU (Q 25).
183. At the European Council in Thessaloniki in 2003, EU leaders accepted the countries of the Western Balkans as EU candidates in principle. This promise has underpinned significant positive change across the region, as governments have adopted costly and politically controversial reforms in their attempt to move closer to the EU. Although no-one underestimates the challenges still facing these countries, it is important to acknowledge the tremendous progress that has been achieved in a region that less than a decade ago was ravaged by bloody civil wars. Although it would be wrong to assume that this progress has become irreversible, it is fair to say that the region is “firmly and sustainably on the path to stabilisation” (Q 25). The prospect of EU accession is the crucial underpinning for positive changes to continue.
184. In the course of 2005 and in early 2006, most of the Western Balkan countries made progress on their way towards EU membership. Croatia started accession talks; Serbia and Montenegro as well as Bosnia began negotiations on a Stabilisation and Association Agreement (SAA); Macedonia was accepted as an EU candidate; and Albania concluded its SAA with the EU. In a referendum on May 21st 2006, Montenegrins voted in favour of ending the “state union” they had maintained with Serbia since 2002. The vote and the subsequent preparations for independence went surprisingly smoothly.⁵⁶
185. However, the first half of 2006 also brought signs of slowing momentum and the re-appearance of various problems in the Western Balkan accession process. On May 3rd, the European Commission called off SAA talks with Serbia because the government in Belgrade had failed to arrest and extradite General Ratko Mladic, who stands accused of war crimes at the International Criminal Tribunal for the Former Yugoslavia in The Hague. Shortly afterwards, EU foreign ministers, at a meeting with their Western Balkans counterparts, explicitly mentioned “absorption capacity” in their official communiqué. Bosnia has seen a slowdown in the constitutional reforms required to create a viable state out of its complicated, multi-layered, multi-ethnic structure.⁵⁷

⁵⁶ Tim Judah, ‘The EU must keep its promises to the Western Balkans’, CER policy brief, June 2006.

⁵⁷ Lord Ashdown pointed how far Bosnia still was from being a functioning European state, with its five presidents, 11 prime ministers, 11 ministers of interior and 13 policy services. Some 70 per cent of tax income goes on public administration (Q 47).

186. Meanwhile, negotiations on the final status of Kosovo, which started under UN auspices in Vienna in February 2006, have seen little progress. Kosovo, which is predominantly ethnic Albanian, seeks full independence from Serbia. Belgrade, however, insists that Kosovo remains part of Serbia. It has offered extensive autonomous powers while also demanding rights and guarantees for the remaining 100,000-strong Serb minority in Kosovo. Although the final status negotiations are led by Martti Ahtisaari on behalf of the UN, Commissioner Rehn pointed out that the EU was willing to assume special responsibility for making any solution sustainable, both by sticking to its pledge to admit the countries of the region as members and by maintaining an EU presence on the ground in Kosovo (Q 140).
187. As noted in Chapter 3, the question of the final status of Kosovo is likely to complicate the accession of both Serbia and Kosovo itself. The admission of Kosovo to the EU cannot take place as long as it is not a fully recognised state that can assume international obligations. The EU is unlikely to admit Serbia as long as it makes territorial claims on what could become a neighbouring country. (Q 330)
188. Witnesses argued that finding sustainable solutions to the Kosovo and other questions in the Western Balkans would be vastly facilitated if efforts were backed by a credible EU accession perspective. If this perspective was taken away, the countries of the region would find it extremely difficult to address the many challenge of governance, statehood, minority issues and economic reforms that are now on the agenda. It is the “genius of Europe” (Q 46) that helps the region to transcend nationalism and allows States that would otherwise not be viable or stable to exist within the broader framework of the European Union.
189. Accession prospects and active EU support will also be crucial if these countries are to address problems of corruption and organised crime. Lord Ashdown acknowledged that corruption was “endemic at every level” across the region, and that 70 per cent of the drugs and illicit goods smuggled into Europe were trafficked through the Western Balkans. He pointed out that the international community itself was partly to blame for this. After the Balkan wars it gave priority to the holding of elections rather than the restoration of the rule of law. The absence of authority created fertile ground for corruption and organised crime to flourish (Q 30, Q 37).
190. Now the EU could compound this mistake if it were to treat the Western Balkans in the same way as the Central and Eastern European countries, by stating its entry conditions and leaving national governments to fulfil them at their own pace. However, Lord Ashdown cautioned that these unstable countries needed a much more pro-active use of conditionality and assistance than previous candidates.
191. The additional costs of admitting the Western Balkans would be relatively limited: All these countries taken together (excluding Croatia) have a population that is equivalent to that of Austria and a GDP comparable to that of Luxembourg (Q 25). Moreover, the EU already pays considerable sums to the Western Balkan countries under current aid schemes; so the additional costs of admitting them as full members may be less than expected (Q 202).
192. Lord Ashdown pointed out that the case for Balkan accession does not purely rest on the costs of non-accession. The region also has an important asset to bring to the EU, namely European Islam: “It is not Islam as we see it

on the streets of our cities and in Bradford, a generation or two generations old; it is Islam that goes back 400 years, and is quintessentially European in its nature [...] In the dialogue of the deaf between ancient Christendom and modern Islam, they are a uniquely valuable asset to us, acting as a bridge.” (Q 25)

193. Lord Ashdown therefore made a powerful plea for EU leaders to prevent public opinion turning negative on Balkan enlargement in the way it has turned against Turkish membership. He advised that the EU should separate the question of Turkish accession from that of the Western Balkans, and portray the latter as “unfinished business” (Q 33). Andrew Duff MEP, on the other hand, disputed that Western Balkan accession could proceed while Turkish accession stalled. He warned that the EU would find it difficult to help pacify the Balkans unless Turkey too was on a westward and modernising path (Q 220).
194. All witnesses agreed that it would take a long time for the Western Balkan countries to join. The EU should therefore strengthen its pre-accession policy for the Western Balkans, to “integrate the whole of the Western Balkans into as many of the functional policies of the EU as possible” (Q 190). The EU should furthermore include the Western Balkans into the customs union it has maintained with Turkey since 1996. Removing all trade barriers to exports from the EU, Turkey and the Western Balkan states would hurt some producers in these weak economies. But it might also bring substantial benefits in terms of trade creation. More importantly perhaps, foreign investors would regard the Western Balkans as a part of the European market (Q 218).
195. **If the countries of the Western Balkans are to be able to address their many challenges in terms of economic reform, statehood and the integration of minorities they need to be offered a credible EU perspective. Without such the Western Balkans could turn into an area of political and economic instability surrounded by EU Member States, where nationalism, economic deprivation and organised crime could flourish. The Union could be faced with the stark choice between integrating the Western Balkans into the EU or having to take responsibility for running them as protectorates if they turn into failed states. The Union must therefore adhere to its Thessaloniki commitment to the eventual accession of these countries and should avoid any linkage between the entry of Turkey and the entry of the countries of the Western Balkans.**
196. **The accession of the Western Balkans confronts the EU with new challenges compared with the previous eastward enlargement. The countries that joined the EU in 2004 were relatively homogenous, stable nation states that were motivated by the desire to ‘rejoin Europe’. In the Western Balkans, the EU is dealing with more fragile, fractious countries. To help these countries along the path to greater stability and prosperity the EU needs a more proactive approach: simply setting conditions and waiting for governments to fulfil them in their own time will no longer be enough. The EU must also devote real resources to the accession process, both in terms of expertise and money. Since the accession of these countries will take time, the EU needs to find ways of maintaining momentum for positive change. It should gradually integrate the candidates into various EU policy areas, and should include them in a customs union.**

TABLE 6

Basic indicators for candidates and potential candidates

	Population, million	GDP, US\$ bn	GDP per head, US\$ (PPP)	GDP growth, %
Albania	3.2	8.4	4,760	5.5
Bosnia- Herzegovina	4.0	9.4	6,040	5.0
Bulgaria	8.0	26.7	9,220	5.5
Croatia	4.4	37.6	12,160	4.1
Macedonia	2.1	5.0	7,640	3.8
Romania	21.7	98.6	8,780	4.1
Serbia- Montenegro	8.1+	26.2*	5,350*	4.7
Turkey	70.0	362.5	7,950	7.4

Sources: European Commission, IMF.

+ 7.5 in Serbia and 620,000 in Montenegro

* Since data are for 2005, no separate statistics are available for Serbia and Montenegro.

Croatia: Fast-track into the EU?

197. Although Croatia was initially included in the enlargement agenda laid out in Thessaloniki, it has since moved into a category of its own. The country has always been more economically developed and much of it was spared the devastation of the Balkan wars. What prevented Croatia from becoming part of the first wave of eastward enlargement, alongside Slovenia, was the existence of an authoritarian regime under President Franjo Tudjman and his nationalist Croatian Democratic Union (HDZ). It was only after a coalition of moderate opposition forces formed a new government in 2000 that progress towards EU accession became possible. However, in March 2005 the EU postponed the start of Croatian accession negotiations, on the grounds that the authorities were not sufficiently co-operating with the International Criminal Tribunal for the Former Yugoslavia (ICTY) in The Hague, in particular by arresting the war-time general Ante Gotovina. Once the Croatian government had reassured the Union of its willingness to support the ICTY, the country was given the go-ahead to start accession negotiations in October 2005, alongside Turkey, and shortly thereafter Gotovina was arrested in Spain and delivered to the Hague.
198. As the Croatian chief negotiator, Vladimir Drobniak, told us, his country has already made considerable progress towards accession. By July 2006, Croatia had completed two-thirds of the “screening” process (whereby national laws are tested for the compatibility with the EU *acquis*) and it had closed negotiations on one of the 31 “chapters” that constitute the *acquis*. Mr Drobniak was confident that his country would finalise the screening process in October 2006 as planned and open and close a number of further chapters before the end of the year.
199. Mr Drobniak explained that Croatia had created an extensive but streamlined negotiating structure which consisted of 2,000 experts and officials. Just for the screening done so far, Croatia had to produce 14,000 pages of legal text in English and 14,000 pages in Croatian (Q 123).

200. Croatia has set itself a target date for accession of 2009 (when the next round of elections will be held to the European Parliament and a new European Commission will come into office). Although Mr Drobnjak admitted that the changes to the accession process (in particular the introduction of benchmarking) had brought an added degree of insecurity for candidates, he said that a target date was needed to focus the minds of policy-makers in his country.
201. Enlargement Commissioner Olli Rehn commended Croatia for its well-functioning negotiating machinery and expressed confidence that the country would continue to make swift progress towards accession (Q 140). Although the EU has not endorsed Croatia's target date for accession of 2009, Mr Rehn thought it possible that Croatia would join "around the end of the decade" (Q 141). However, the subsequent statement from Commission President Barroso and other political leaders, that the EU should wait with further enlargements until it has reached a new institutional settlement, leaves Croatia's accession date hostage to the EU's ability to reform its institutions.
202. Croatia is a special case not only in terms of its preparedness but also because its accession encounters much less public opposition than that of other candidate countries. Mr Drobnjak pointed out that Croatia had certain advantages when it comes to its image in Western Europe, namely its tourism industry (80 per cent of the 9 million tourists that visit Croatia every year come from the EU), its well-known sports personalities and the qualified Croatian workers that have found employment within the current EU (Q 132).
203. What happens in Croatia also matters greatly for the outlook of the rest of the Western Balkans. As Lord Ashdown pointed out, the opening of accession negotiations with Croatia in October 2005 sent an "extremely powerful" two-fold message to the Western Balkans: first that the EU is serious about further enlargement and second that Balkan countries can achieve the standards required by the EU for progression along the accession path (Q 28).
204. **Croatia is making good progress with its accession preparations, and the EU should not discourage the country by making its eventual accession date dependent on an agreement on institutional reform among the existing Member States. If the EU Member States have not agreed institutional changes by the time Croatia is ready, the minimum changes required for Croatian membership would need to be included in Croatia's accession treaty. It is important that Croatia should be able to join the Union if and when it has completed its accession talks, not only for Croatia's sake but also for the credibility of the EU accession process. Delays in Croatian accession would send a negative signal to the Western Balkans.**

Turkey: A special case?

205. Turkey's membership of the European Union has been challenged in recent months on four fronts. The first difficulty arises from the admission of Greek Cyprus to the EU, at a time when the Greek Cypriots had rejected the UN's reunification plan which the Turkish Cypriots supported. Second, Turkey's population is already over 70 million, with a current overall GDP per head under \$8000. There are concerns that potentially this number of people

could move freely into the EU. Third although Turkey is constitutionally a secular state it is widely perceived in the EU as an Islamic country. Fourth, Turkey's progress on human rights and freedom of expression is incomplete.

206. Turkey is another good example of the power that the prospect of EU accession can have in candidate countries. In order to obtain EU agreement on the start of accession talks, the Turkish government has already implemented eight reform packages and is currently pushing through another one. Many of the measures undertaken were previously deemed too politically controversial. Amongst other things, Turkey abolished the death penalty, reduced the role of the military in the political process, gave improved rights to the Kurdish minority and clamped down on torture in police stations. Ambassador Akin Alptuna described what had happened in his country as a "silent revolution" (Q 291). Tina Fordham (p 183) argues that the Turkish case "illustrates the power of the EU idea to overcome huge obstacles, vested interests and fears, and its potential to create positive changes that can be felt by everyday people far in advance of membership".
207. Under the auspices of both the EU and the IMF, Turkey has also moved from macro-economic instability towards sound economic management. The inflation rate fell from 54 per cent in 2001 to 8 per cent in 2005. The budget deficit fell from 16 per cent of GDP in 2001 to just 2 per cent (Q 301). Successive Turkish governments have also implemented a series of structural reforms, such as privatising state-owned companies, deregulating public monopolies and simplifying the tax system. Real GDP growth has averaged 6.5 per cent a year over the last five years. Meanwhile, Turkey's external trade volume has risen from around \$ 40 billion in 1994, before it entered the customs union, to an estimated \$ 200 billion in 2006 (Q 301).
208. These positive changes have produced a marked shift in investor sentiment. Over past decades, foreign direct investment had largely passed Turkey by, despite its large and fast-growing market and its strategic locations. Recent reforms and much-improved macro-economic stability have been accompanied by a significant increase in foreign direct investment (FDI). FDI inflows rose from only around \$ 1–2 billion in 2003–04 to almost \$ 10 billion in 2005 and could reach \$ 16 billion in 2006. As in the case of the Central and Eastern European countries, foreign companies feel more comfortable investing in a country that is heading for EU accession. (Q 304)
209. Following the start of accession negotiations in October 2005, Turkey has already been able to report some progress. The first chapter has been opened and closed, and the legal "screening" process is on course to be completed in December 2006. Already, a large part of the *acquis* is being applied in Turkey, through the custom union and co-operation in other areas. More than 2,000 experts and officials are involved in the accession process on the Turkish side. In Brussels, the Turkish team is lauded as efficient, focused and committed.⁵⁸
210. Nevertheless, there is a risk that Turkey's accession process could be derailed just one year after it gathered momentum. Enlargement Commissioner Ollie Rehn has warned of a possible "train crash" in Turkish accession due to the unresolved issue of the extension of the customs union and a slowdown in Turkish domestic reforms (Q 140). As part of the agreement that preceded

⁵⁸ Katinka Barysch, 'One year on—Turkey's progress towards the EU', Conclusions from the 3rd Bosphorus conference on September 15–16 2006.

the opening of Turkish accession talks, Turkey committed to ratifying the Ankara protocol that extends its customs union with the EU to the ten new Member States, including Cyprus. In the EU's view, this would entail the opening of Turkish ports and airports to Greek Cypriot ships and aircraft. Turkey has argued that it cannot ratify the protocol unless the EU lives up to its political commitment to free up trade between Northern Cyprus and the EU. However, the latter step is blocked by Cyprus.

211. The Commission's "Regular Report" on Turkey was scheduled to be released on November 8th, after the conclusion of this inquiry. According to the Financial Times (which obtained a draft copy of the report), the Commission will criticise the Turkish government for failing to allow access to Cypriot ships to its ports, which it states infringes the EU's customs union agreement with Turkey.⁵⁹ It will also urge Turkey to re-launch its reform process. In particular, the draft report states that Turkey should focus on modifying or repealing article 301 of the penal code to end "prosecutions and convictions for the expression of non-violent opinion", which the draft report describe as a "cause for serious concern". The prosecution of Nobel prize winner Orhan Pamuk and other writers for "insulting Turkishness" have raised considerable concern in EU capitals.⁶⁰ The Commission draft also states that "cases of torture and ill treatment are still being reported, in particular outside detention centres," although it notes a diminution in the incidence of torture. Furthermore, the Commission is concerned that the armed forces still "exercise significant political influence" and it faults Turkey for corruption, insufficient independence of the judiciary, and inadequate protection of minority rights. However, it does commend Ankara for training the judiciary and for its steps towards establishing an ombudsman to help citizens win redress against the government. Some witnesses argued that the EU would have to react to Turkey's failure to live up to its obligations under the Ankara protocol. "There needs to be an impact on the negotiations, otherwise we will never have Turkey abiding by any conditions we set them because they will feel that in the end we will cave in." (Q 337)
212. While some witnesses reported a slowdown in the pace of Turkish reforms (Q 337), others disputed that this was the case (Q 293, 294). They reported that economic reforms were still ongoing and that the slowdown in political reforms was more perceived than real. First, Turkey has already adopted most of the big measures before the start of accession negotiations, so what remains to be done now is less headline grabbing. As Kirsty Hughes⁶¹ put it: "You can only abolish the death penalty once" (Q 293). Second, Turkey is now concentrating on the implementation of reforms, for example eradicating torture in police stations across the country.
213. It may be easier for the EU to find a compromise on the Cyprus issue if Turkey shows its willingness to adopt the remaining steps that the EU has been calling for, in particular an abolition of Article 301 (Q 293). However, the government may find it more difficult to gain support for further reforms demanded by the EU in view of the forthcoming parliamentary election and

⁵⁹ Daniel Dombey and Fidelius Schmid, 'Report puts Turkey's EU hopes in jeopardy', Financial Times, October 30th 2006.

⁶⁰ These cases were initiated by a group of nationalist lawyers rather than the government. None of the writers has been convicted (Q 297, 298).

⁶¹ Associate Fellow of the European Institute, London School of Economics

due to falling public support for the government's EU objective. Surveys indicate that the proportion of Turkish citizens who support their country's EU accession has fallen to around 50 per cent, from 70 per cent just two years ago.

214. There are three reasons why the Turkish public may be becoming less enthusiastic about EU accession. First, the debates surrounding the Cyprus questions have left many Turks with the impression that the EU is applying double standards. It was the Greek Cypriots who rejected the Annan plan while the Turkish Cypriots endorsed it. The EU then admitted Cyprus as a member regardless. At the time, both the UN and the EU promised to help ameliorate the consequences for Northern Cyprus by providing aid and freeing up trade, but this has not happened due to the Greek Cypriot veto. The EU is now threatening that unless Turkey fulfils its obligations under the Ankara protocol its enlargement negotiations could be at risk. This sequence of events has created a sense of unfairness among the Turkish public. Ambassador Alptuna suggested that a possible compromise would entail the simultaneous opening of Turkish ports to Greek Cypriot ships and of Northern Cypriot ports to trade with the EU (Q 308–310).
215. Similarly, many Turks were enraged when the French parliament (mainly with the backing of Socialist MPs) passed a draft law that would make it a criminal offence to deny that the mass killings of Armenians in 1915–19 constituted “genocide”. The law is unlikely to come into force since it is likely to be rejected by the Senate. Nevertheless, our witnesses described the attempt to legislate on another country's history as “unacceptable” (Q 407) as well as “stupid” (Q 453).
216. Second, witnesses argued that the EU has been overly critical of the remaining shortcomings and has not sufficiently acknowledged the progress already achieved in Turkey: “The ‘must try harder’ disdain for Turkey's advances which has been shown by some more established European leaders has been insulting and foolish” (p 196). Third, there is a growing suspicion that the EU is unlikely to admit Turkey even if it fulfilled all the requisite accession criteria. Turkish people think that “Europe smiles at us but it does not mean it” (Q 315). One Brussels official said that Turkish accession was different because in the case of the Central and Eastern European countries it was a question of “when not whether” whereas in the case of Turkey it was “whether, not when” (Q 315). Repeated public statements by West European politicians about the desirability of a “privileged partnership” and strong scepticism among the European publics (coupled with the prospect of at least one referendum) have fuelled a sense of pessimism.
217. Witnesses summarised fears about Turkish membership as the perception that the country was “too poor, too big and too Muslim”. Michael Emerson⁶² argued that many Europeans feared that the accession of Muslim countries could undermine “our sense of European identity” (Q 182). However, he also added that this sense of identity was not well defined and the presence of sizeable Muslim minorities in many current EU Member States would in any case force EU citizens to find a way of integrating Muslims. Ambassador Alptuna pointed out that Turkey was wrongly seen as an Islamic country because many people in the EU were not aware of its secular constitution which prescribes a strict separation of the state and religion. Sylvie Goulard argued that public concerns were not so much related to the fact that Turkey

⁶² Associate Senior Research Fellow, Centre for European Policy Studies

- was a Muslim country but to the historical and cultural differences that shaped its current political system. She pointed in particular to Turkish problems with protecting religious freedoms and the equality of men and women. (Q 315)
218. Another concern expressed with regard to Turkish membership is that by the time it is ready to join, Turkey would be largest country in the European Union, with 85–90 million people. It would therefore have as many (or more) votes in the Council and the European Parliament as Germany, France or the UK. Turkey's accession would therefore weaken the power of the existing large Member States, which could be one of the reasons for public opposition in particular in France (Q 320). It would disrupt the well-established leadership triangle of the UK, France and Germany.
219. Charles Grant argued that in a Union of around 30 countries and well over half a billion people, even a country of Turkey's size would not be able to dominate the agenda. Its ability to shape policies would depend on its ability to forge coalitions with other EU countries. The key question, as in the case of all new members, would be whether Turkey would use its veto a lot (Q 109).
220. Graham Avery suggested that it was not so much the size of the country that may lead to conflict, but its' much lower income levels. He thought that in many social and political questions, Turkey may have interests that would be very different from those of the other large (and much more developed) Member States (Q 72). However, Ambassador Alptuna argued that Turkey's special combination of being both large and relatively poor would lead to more EU decision-making as Turkey would vote like a large country in some questions and like a low-income one (alongside many of the other new members) in others (Q 317).
221. Another fear that stems from Turkey's low income level is that its accession to the EU would be followed by a large influx of Turkish jobseekers into West European labour markets. However, Turkish accession negotiations will take at least a decade and after accession it is likely to have to accept transition periods for the free movement of labour that are at least as long as those negotiated with the Central and Eastern European countries, i.e. seven years. Therefore, Turkish workers would not gain the right to work in the EU before say 2025. By that time, population ageing in the existing Member States may have started to affect economic performance, and Turkey with its large, young and fast-growing population may be seen in a different light (Q 316).
222. Another reason often cited against Turkish membership is that it would give the EU direct borders with Syria, Iraq, Iran, Armenia and Azerbaijan and would inevitably involve the EU in the handling of the Kurdish question (Q 72). Ms Goulard argued that this prospect of extending the EU to border to an unstable region was one of the main questions debated ahead of the French referendum on the Constitutional Treaty (Q 306). Other witnesses pointed out that the border between Turkey and Iran, Iraq and Syria would be there irrespective of whether Turkey joins the EU or not, and the EU would have to deal with the threats coming from that region (such as political instability, smuggling and organised crime) in any case (Q 307). If the experience of the last enlargement is anything to go by, it may even become easier for the EU to address these issues once Turkey is inside the EU and takes part in EU co-operation among police forces, prosecutors and border

- guards. For example, the Brandenburg spokesman, Dr Jochen Bethkenhagen, reported that crime coming from Poland dropped after Poland joined the EU and its justice and home affairs programmes (Q 340).
223. Those in favour of Turkish membership argue that the country would bring considerable benefits to the EU—a dynamic economy, a young and growing population (at a time when the workforces in many EU countries are ageing and shrinking), a strategic location between Europe and Asia, well-established ties with many countries in the volatile Black Sea and Middle Eastern regions and one-million strong armed forces. However, while political strategists and economists are well aware of the benefits of Turkish accession, these seem to count little at the level of the general public. Ms Goulard argued that one of the EU's biggest mistakes was to see enlargement as a foreign policy tool, rather than a process that impacts on every aspect of the development of the Union. By focusing on strategic arguments, while disregarding political, socio-economic or identity-related questions, EU leaders underestimated the impact that enlargement would have on public opinion about the Union (Q 311).
224. There was a discussion on whether the EU and Turkey should try to ignore the possible risks to the accession process, concentrate on keeping the process going, or draw up contingency plans in case the negotiations fail or Turkish accession is rejected in referendums in one or more Member States. Those in favour of Turkish accession argued that it was impossible to know what the EU and Turkey would look like in a decade or more when Turkey was ready for membership. It would therefore be best to continue the accession process in the hope that circumstance by say 2020 may be more favourable. Those more sceptical of the merits of Turkish membership warned of a worst-case scenario under which Turkey would go through a long and laborious process of pre-accession preparations, only to find its accession treaty voted down by hostile French opinion. They suggest it may therefore be preferable to start discussing alternatives to membership, such as a privileged partnership now (Q 312, see also Chapter 7 on privileged partnership).
225. The desire to start, and progress with, accession negotiation has encouraged Turkey to undertake significant economic and political reforms in recent years. However, many Turkish politicians and citizens suspect that the EU is not committed to its pledge to admit Turkey as a full member once the negotiations have been completed. The disillusionment has already contributed to a slowdown in reforms and falling public support for EU membership.
226. **The EU must do more to acknowledge the progress that Turkey has already made. The EU Member States should strive to maintain a more consistent and coherent line, reassuring Turkey that they remain committed to admitting it as a full member if and when the accession negotiations have been completed.**
227. **Given the strategic importance of Turkish accession for the long-term development of the wider Europe, the EU should not allow the question of Cyprus to derail the accession talks. A compromise needs to be found under which Turkey implements its commitments under the Ankara protocol while the EU lives up to its promise to free up trade with Northern Cyprus. Until such a compromise is in place, the EU may decide to suspend the negotiations on a limited number of**

chapters directly related to the customs union. If the negotiations were halted altogether, it would require a tremendous effort on both sides to re-start them.

228. **Whatever the hesitation and hostility hanging over Turkey's accession negotiations, we believe that it is in both Turkey's and the EU's best interests that the accession negotiations be pursued in good faith and with a will to bring them to a successful conclusion⁶³.**

⁶³ For an analysis of the costs of the non-accession of Turkey see Chapter 7

CHAPTER 7: POSSIBLE ALTERNATIVES TO ENLARGEMENT AND THE COST OF NON-ENLARGEMENT

Possible future candidates

229. Several post-Soviet states, notably Ukraine, Moldova, Georgia, Armenia and Azerbaijan, have expressed an interest in one day joining the EU. Successive Ukrainian governments have made little secret of the fact that their country harbours membership aspirations. Ukrainian politicians of all persuasions have repeatedly called on the EU to provide a “membership perspective”.
230. When Leonid Kuchma was president of Ukraine, the EU consistently argued that Ukraine’s democratic shortcomings would render any discussion about possible membership purely theoretical. The “orange revolution” at the end of 2005 brought to power a more reformist and western-oriented government under the presidency of Viktor Yushchenko. Although the EU welcomed the positive change in Ukraine, some Western European politicians became nervous that the new government would submit a formal application for membership at a time when the EU did not feel ready to accept the country as a candidate.
231. Instead, the EU offered added incentives under its European Neighbourhood Policy (ENP), such as visa facilitation and an upgrade to “market economy status” in its trade policy. However, the EU’s main line remained: “Do not ask us for membership because we would have to say No.”
232. For some in the EU, Ukraine may be more acceptable as a potential member than Turkey because of the fact that it is a Christian country (Q 107) and because its territory is fully within the geographical limits of Europe. However, a Ukrainian application would currently have very little political support in the Union. Some German politicians used to support the eventual accession of Ukraine. However, in light of the EU’s problems with digesting the 2004 enlargement, they appear to have rethought their positions. Currently, only Poland and Lithuania openly support Ukrainian membership (Q 73, Q 111).
233. There is even less political support for the countries of the Caucasus region to join the EU. However, once Bulgaria and Romania have joined, the EU will directly border the Black Sea region. Therefore, developments in this region will be of growing importance for the EU. In addition, the countries of this region are increasingly important for the transit of oil and gas coming from the Caspian region and Central Asia to Europe (p 169).
234. An EU perspective—however faint—appears to be important for these countries to sustain momentum for economic and political reforms, and to help find sustainable solutions for the ‘frozen’ conflicts that threaten to undermine the stability of the region. Some of the witnesses providing evidence to this Committee urged the EU to take a long-term perspective: in 10 or 20 years the EU may be willing and able to admit some of the CIS countries. People tend to forget how much Europe has already changed over the last two decades. Mr Drobjnak reminded us that 20 years ago, his own country—Croatia—did not even exist. Now it is rapidly getting ready for EU accession (Q 133).

The European neighbourhood policy

235. Even if the EU kept the door open, in principle, for Ukraine and other former Soviet countries, it would take these countries a very long time to fulfil the obligations of membership. In the meantime, the Union needs an effective policy to manage and develop its relationship with its neighbours.
236. The EU first developed the European Neighbourhood Policy (ENP) in the context of the 2004 enlargement, so as to avoid the emergence of new dividing lines between the enlarged EU and its eastern neighbours. The basic idea of the ENP is that the EU offers its neighbours closer co-operation across a range of policies and better access to its single market. In return, it asks the participating countries to implement economic and political reforms based on “common values” such as democracy and human rights, the rule of law, good governance, market economy principles and sustainable development.⁶⁴
237. The ENP seeks to replicate the success of the enlargement process by offering incentives on the basis of conditionality, without, however, offering the prospect of membership. Originally, the ENP was designed mainly with the new eastern neighbours in mind, most notably to bind Ukraine closer to the EU without giving a “membership perspective”. Following political pressure from the southern Member States, the EU included all its immediate neighbours, including those in Northern Africa and the Middle East which are included in the EU’s Barcelona process.⁶⁵ In 2004, the ENP was extended further to the countries of the Southern Caucasus: Armenia, Azerbaijan and Georgia, on the basis that the candidate countries Bulgaria, Romania and Turkey share borders with them.
238. At the heart of the ENP are “action plans” that the EU concludes bilaterally with each of the neighbours. The plans seek to define reform priorities for each country, while providing for incentives from the EU, such as aid and better market access but they tend to be general and lack priorities.
239. It is perhaps too early to assess the functioning of a policy that has been in operation for less than two years. However, most witnesses agreed that so far the ENP has not had much impact in the participating countries. There could be several reasons for this. Many of the neighbouring countries are themselves “in a bit of a mess” (Q 118). Ukraine—for which many Europeans had high hopes after the 2005 “orange revolution”—is still going through a difficult period. The post-election coalition remains fragile and fractious and economic reform is not making much headway. Like Moldova, Ukraine has signed up to a rather ambitious action plan. However, so far there has been very little implementation. Georgia’s action plan appears to lack ambition (Q 209). Moreover, the country is currently preoccupied with rising tensions with Russia.

⁶⁴ The European Neighbourhood Policy (ENP) was first outlined in a Commission Communication “Wider Europe” in March 2003, followed by a more developed “Strategy Paper on the European Neighbourhood Policy” published in May 2004.

⁶⁵ The ENP now includes Algeria, Egypt, Israel, Jordan, Lebanon, , Moldova, Morocco, Tunisia and Ukraine. Relations with the Palestinian Authority have been suspended. Belarus, Libya and Syria can take part in the ENP in principle, once relations with the EU have normalised. The EU offered Russia to take part in the ENP, but Moscow preferred to continue its own special relationship with the EU on the basis of a plan to create four “common spaces” in external security and defence; trade and energy; internal security and justice; and research and culture.

240. There are doubts whether the action plans take sufficient account of the specific circumstances in each country (Q 119). Moreover, the incentives offered by the EU are not strong enough. “A clearer incentive structure, attached to clearer, well-ordered priorities, would give the EU better tools for fostering fundamental reforms in the neighbours” (p 196). The EU has not even spelled out what the key incentive—“a stake in the single market”—would entail. Michael Emerson and his colleagues at the Centre for European Policy Studies (CEPS) have sought to define what this could mean in the case of Ukraine. They devised the concept of “deep free trade” which would go beyond the abolition of tariffs and require the alignment of the neighbour’s economic laws with the *acquis* in selected areas (Q 205, 213).
241. The co-operation and integration offered to the neighbours could go beyond trade and economics. The EU could offer those countries that make rapid progress with reforms participation in a number of other EU policies, ranging from research to foreign and security policy. Michael Emerson suggested that the EU should review all its sectoral policies to see whether and how the new neighbours could be included in them (Q 205). Charles Grant argued that those countries that struggle to adopt the EU’s sophisticated internal market *acquis* should be offered to align themselves with certain aspects of the EU’s common foreign and security policy (Q 118).
242. The European Commission was due to submit a communication on how to strengthen the ENP before the end of 2006. On the basis of this, the German government may present a proposal for a “Neighbourhood Policy-Plus” during its EU presidency in the first half of 2007. The ENP-Plus could offer the partner countries harmonisation and integration in selected sectors such as transport or energy. It could provide more tailor-made action plans and assistance for individual countries. And it could involve closer co-operation between the EU and the country in question in security and defence (Q 331). Some have suggested that the ENP-Plus should only apply to the EU’s eastern neighbours. However, this geographical restriction is unlikely to be supported by the EU’s southern Member States and is not currently official German policy.
243. Some witnesses argued that it was a mistake to include the eastern and southern neighbours in the same policy framework (Q 205, Q 249). Since the eastern neighbours ultimately harbour hopes for EU accession, it is doubtful whether the incentives offered by the EU can ever be strong enough in the absence of a “membership perspective”. Javier Solana, the Union’s High Representative for foreign policy, once called the ENP a “comfortable waiting room” for potential candidates (Q 73). David Bakradze pointed out that he does not regard the ENP as an alternative to membership, but a “foreign policy tool” aimed at supporting the economic and political transition in neighbouring countries. Some witnesses questioned whether the ENP could ever be effective in those countries that ultimately seek to join the Union. As Nikolaus Meyer-Landrut⁶⁶ put it “countries like Ukraine still believe that the nice Mercedes, which is called enlargement negotiations, will come around the corner in the next five minutes so they are not very interested in the small Volkswagen [of the ENP] which is around the corner although we can offer it with many options...they are not going to buy the small car” (Q 328).

⁶⁶ Head of EU Bilateral Relations, Kanzerleramt

244. However, other experts thought it would be unrealistic, and therefore not credible, for the EU to give a membership promise to countries such as Ukraine and Georgia. One expert (p 195) pointed out that the ambiguity could work in the EU's favour since it would motivate potential candidates to implement EU-conforming reforms. Others concurred, arguing that the EU should not for the foreseeable future seek to decide whether the ENP was a first step towards enlargement or an alternative to it. But it should construe it in such a way that in ten or 15 years time, when further enlargement becomes more realistic, it could be turned into an ante-chamber for membership (Q 328).
245. **The EU needs to have an attractive and effective policy to work with those countries that do not have the immediate, or even medium-term, prospect of membership. The ENP is a promising start but the EU needs to improve it through better incentives, tougher conditionality and more differentiation among the participating countries. An effective ENP may also have to distinguish between the EU's European neighbours and the neighbours of Europe⁶⁷, between those that ultimately harbour hopes for membership and those that do not. In the case of the former, an ENP that is construed as an alternative to membership is unlikely to be acceptable. For the eastern neighbours, the ENP could be turned into a waiting room for membership. At the very least, the ENP should be "membership" neutral.**

Alternatives to membership

246. There are doubts as to whether the ENP is a strong enough policy to bind those countries that ultimately harbour accession hopes to the EU. Therefore, experts have explored alternatives to membership that would allow for a close association between the EU and a third country, without offering full membership. These alternatives could come in the shape of a "privileged partnership" or could be modelled after the European Economic Area (EEA). EEA members take part in the EU single market and selected other EU policies but have only a very limited role in EU decision making.
247. Elmar Brok MEP has suggested that countries that are graduating out of the ENP could be included in an "EEA-plus" (Q 208). However, it is unclear what the substantive content of such a relationship would be and whether such a prospect would be enticing for the countries in question. With their unstable economies and weak public administration they would find it very difficult to adopt and implement the entire acquis as the current members of the EEA are expected to do. Nor is it clear whether the EEA/EFTA would be accepted as a viable alternative to full membership—although Switzerland and Norway have prospered in these relationships, others such as the UK, Sweden, Austria and Finland have chosen to join the EU.
248. German Chancellor Angela Merkel and other politicians have suggested that Turkey should be offered a "privileged partnership" instead of full membership.⁶⁸ Mr Giscard d'Estaing predicted that "Turkey will not become

⁶⁷ Distinction explained in paragraph 17 in Chapter 1 of this Report.

⁶⁸ In her capacity as the head of the German government, Angela Merkel has reconfirmed that her government will honour the commitment made by her predecessor to support EU negotiations with Turkey with the objective of membership. As leader of her CDU party, however, she continues to advocate a privileged partnership for Turkey.

a member” and encouraged the EU to be honest about it by offering a viable alternative to membership (Q 421). However, the concept of a privileged partnership has never been defined in a satisfactory way. Some of our witnesses suggested that it should involve free trade and close co-operation in political and security matters. It was not clear, however, in how far such a partnership would differ from a reinforced ENP.

249. Some EU experts are exploring other alternatives to full membership. For example, Matthias Wissmann, head of the EU Affairs Committee in the German Bundestag, has developed the concept of a “graduated membership” (pp 135–136). He argues that the EU should disaggregate the rights and obligations of membership into a series of distinct steps. It could then offer those countries wishing to join various degrees of membership, both tailored to the needs of the individual candidate country and the EU’s ability to absorb that country. In this way, he argues, the EU could make offers to candidates that are substantive enough to trigger positive change while at the same time avoiding an over-burdening of the Union.
250. In the medium to long term, there are two trends that could keep the debate about alternatives to full membership, or different forms of membership, alive. First, the EU itself is likely to move further towards variable geometry. New initiatives in justice and home affairs and foreign policy have been pursued by smaller groups of EU countries. In future, EU membership will no longer mean that all members have to move at the same speed. Second, the EU is likely to continue to build stronger ties with neighbouring countries. Rather than building a “fortress Europe” the EU is seeking to integrate non-member countries into its single market and let them take part in selected EU policies. The combination of variable geometry among members and growing association and integration with non-members could mean that the boundary between what constitutes membership and non-membership will become increasingly blurred.
251. Some politicians from EU countries have advocated a privileged partnership for all EU neighbours. Édouard Balladur thought that a “third circle” of countries (around a core Europe and a second tier of member-states) should include the Western Balkans, Turkey and former Soviet States. He thought that for some, the privileged partnership would be a long-term alternative to membership whereas for others it could be an obligatory “apprenticeship” for joining the EU. Many others would accept the Western Balkans as potential members, offer a privileged partnership only to Turkey and develop the ENP for other neighbours. Mr Guttenberg argued that the EU needed to clearly differentiate between the Western Balkans and Turkey. He suggested that once the Western Balkan countries were more secure in their knowledge that the EU would stick to its Thessaloniki commitments, the debates about a privileged partnership for Turkey would be less destabilising (Q 359).
252. There was disagreement over whether the EU could negotiate with Turkey while leaving it open whether the outcome would be a privileged partnership or full membership. Ms Hughes explained that the option of a privileged partnership would change the nature of the negotiation process: “It would be much more equal negotiation because you would be hammering out a deal, you would not be demanding Turkey adopted the EU’s *acquis*” (Q 323). Other witnesses argued that the EU should have an attractive concept for a privileged partnership ready at hand in case the negotiations with Turkey failed. Some thought that it was ultimately dishonest of some EU countries to pursue accession negotiations while secretly hoping that the outcome may

be something other than full membership. However, CDU representatives from Germany explained that this was the only option: “the best solution from the point of view of the CDU is that it would be better to have a privileged partnership.” (Q 395).

253. Some witnesses thought that although the term “privileged partnership” tends to trigger angry reactions in Turkey, the concept—sold under another name—could be acceptable, since it would still be “better than nothing” (Q 362).
254. Turkish politicians, officials and the public at large are very unlikely to accept any kind of partnership that falls short of full membership. They insist that their country already enjoys a privileged partnership with the EU, in the form of its customs union agreement and alignment with other EU policies (Q 323). Many Turks have come to regard “privileged partnership” as merely a tool to prevent Turkey from attaining full membership. Similarly, in the countries of the Western Balkans, an offer of a privileged partnership would be seen as the EU “closing the door” (Q 40).
255. **Neither Turkey nor the countries of the Western Balkans are likely to accept a privileged partnership however it is defined as a substitute for full membership of the EU. Repeated calls for a privileged partnership from EU governments could have a demotivating effect on the candidate countries.**

The costs of non-enlargement

256. For some within the EU, it may appear more important to address EU internal problems, such as the adoption of more effective decision-making procedures or the completion of the single market, than to sustain momentum towards further enlargement. For some critics, the costs of further enlargement—in terms of the EU’s effectiveness, its legitimacy and its budget—outweigh the potential benefits. The countries that are now candidates or hoping to become candidates have relatively low income levels, mostly small populations and in some cases precarious political stability. For many EU citizens it is therefore not immediately obvious what they can add to the EU in terms of benefits.
257. However, it is not possible to draw up a comprehensive balance sheet of the pros and cons of further enlargement without considering the risks and costs involved in stopping or considerably slowing down the enlargement process. The EU of 25 is surrounded by an “arc of instability”, ranging from Russia through Belarus, Ukraine, the potentially explosive Caucasus and Balkan regions to the war zones of the Middle East. Arguably the biggest challenges of the EU in future years will be to deal with the challenges in its neighbourhood.
258. The hope for eventual EU membership provides powerful incentives for positive change in many of the neighbouring countries. If this hope is taken away, Turkey, the Western Balkans and the countries of the former Soviet Union that have expressed an interest in membership may find it significantly more difficult to implement the reforms necessary to consolidate democracy, build functioning market economies and find sustainable solutions to outstanding border and minority questions. Foreign investors, who are usually attracted to countries on the path to membership, would shy away. Radicalism and nationalism would look more attractive to people who feel excluded from the European mainstream. Problems of organised crime,

corruption and terrorism would be exacerbated. These could then easily spill over into the EU, in the form of smuggling, terrorist attacks or the inflows of refugees seeking to escape from the instability and deprivation across the EU's borders. An end to or a significant slowdown of enlargement would entail considerable costs and risks for the EU.

259. When thinking about the costs of non-enlargement, one needs to distinguish between those countries that have already been told that they qualify for membership and those that have not. The political costs of non-enlargement would be much bigger in the former (Q 72, Q 73).
260. These costs could materialise not only in the case where the EU took an explicit decision to halt enlargement altogether. A severe weakening of the credibility of the accession process could have a similarly destabilising effect on the countries that are hoping to join. Such a weakening could be caused by persistent public opposition to further enlargement or by ongoing political debates about the EU's "absorption capacity". Already, these debates appear to have undermined public support for the EU in Turkey, and the government's willingness to adopt reforms for the sake of EU accession. Similarly, some Balkan countries have found it more difficult to adopt controversial reforms. Lord Ashdown pointed out that the rejection of the Constitutional Treaty—which was interpreted in the candidate countries as a setback for enlargement—had immediate effects in the Western Balkans: the shock of the French No contributed to Bosnia's rejection of policy reforms required by the EU (Q 38).
261. Witnesses agreed that the costs of non-enlargement would be heaviest in the Balkans. Balkan experts argue that it is only the prospect of EU (and NATO membership) that keeps the Balkans on the path to reform. Lord Ashdown predicted that if the EU did not honour its commitments to further enlargement, Bosnia would fail to adopt the constitutional reforms needed to create a viable centralised state and instead turn into a "double headed monster". Bosnia's Croats would call for their own 'entity' or would seek to emigrate in large numbers to Croatia, a country that would presumably retain its accession prospects. Serbia could see a further radicalisation of its political scene while pro-reform forces would be sidelined. Finding a solution for the Kosovo question would become much more difficult. Macedonia could yet descend into civil war. (Q 25, Q 41).
262. In Turkey, a halt to, or serious doubts about, the accession process would also have serious consequences. Ambassador Alptuna insisted that Turkey was implementing economic and political reforms not in response to EU demands but because they were good for Turkey. However, Ms Hughes explained that the positive change that Turkey has seen over recent years was only possible because the prospect of EU accession helped different political groups (from Kemalists to Nationalists and Islamists) to overcome their mutual suspicions and work together towards a common objective (Q 293). She fears that already the "EU magic has gone", which is why reforms in the country are slowing down. Nationalists who argue against EU membership are gaining in public support ahead of the 2007 election. Islamic factions may feel reconfirmed in their suspicion that the EU was never going to accept a predominantly Muslim country anyway and that Turkey should therefore build its own Islamic order. Some parts of the Kurdish minority, for whom the EU accession process represented the best hope for better minority rights, may return to violence. If Turkey saw a return to political instability, the army, which sees itself as the guarantor of the secular state, might once again interfere in politics.

263. A “train crash” in Turkish accession could also have severe consequences for the economy. In recent years, the IMF and the EU have provided Turkey with a “double anchor” for macro-economic stabilisation and micro-economic reform. Once the current IMF programme runs out in 2008, the EU anchor would become all the more important. If there is a rupture between Turkey and the EU, there is a higher risk of a return to the days of economic instability and crisis. With a € 20 billion current-account deficit and a large amount of short-term debt, Turkey remains highly vulnerable to swings in investor sentiment.
264. Some also fear that if Turkey turns away from the EU, it could start looking for new allies. Moreover, some argue that the failure of the Turkish accession process would have wider implications for the EU’s role in the Islamic world, as some would see the EU as a Christian Club. However, Mr Moisi pointed out that there were more important things that the EU could offer the Islamic world than the prospect of admitting Turkey. The EU would gain much more credibility and influence if it played a pro-active role in solving the Israel-Palestine conflict and became more successful in integrating the Muslim communities that are living within the EU Member States (Q 454).
265. A decision by the EU to stop enlargement—or a considerable weakening of the credibility of the enlargement process—could also have severe consequences for those countries that have not been given a membership perspective. If the EU failed to integrate those countries that have already been given candidate status or the promise of membership, what hope would there be for those that are yet one or two steps further behind? As a member of the Georgian parliament pointed out, any loss of credibility in the enlargement process would lead to a slowdown of reforms and a strategic re-orientation in those countries of the former Soviet Union that are hoping to get closer to the EU (pp 169–171). Disappointed by the EU, these countries could seek to build stronger ties with Russia (Q 279).
266. However, Graham Avery warned that the greatest danger was not to take the accession perspective away from the EU’s neighbours but for the EU to make promises that it cannot deliver. Disappointment, he argued, is worse than ambiguity. This is already apparent in Turkey, where the enthusiasm that accompanied the start of accession negotiations is giving way to recrimination. In the worst case, the enlargement process could even become a destabilising force.
267. A halting of the enlargement process would also have negative effects on the perception of the EU in the wider world. It could be seen as a loss of nerves and a turning inwards. It would add further uncertainty to the transatlantic relationship. It would rightly be seen as an abandonment of the EU’s claim to present a new and better future for the countries surrounding it.
268. **If the EU were to halt or considerably slow down the enlargement process, it could face considerable costs in terms of political instability and economic stagnation in its neighbourhood. The most immediate and severe impact would be in the Western Balkans. Although a return to war and bloodshed looks unlikely there would likely be an upsurge in nationalism and current positive trends in governance and economic reform would be halted.**
269. **The Member States should therefore keep to their commitment to offer full membership to both Turkey and the countries of the Western Balkans if and when they are ready to assume the obligations of membership.**

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

Setting the scene

270. The history of the EU, as well as the legal texts on which the EU is based, show that the process of enlargement has been an integral part of its development over the last 50 years. (para 3)
271. There is a sharp contrast between public perceptions (and some political rhetoric) about the impact of the last enlargement and the assessment of it by most experts. (para 7)

Current attitudes towards enlargement

272. Perhaps the single biggest obstacle to future enlargements is inadequate public support in Western Europe, combined with a hostile or ambiguous stance taken by many political leaders in the Member States. Little attempt has been made to explain the benefits that enlargement has brought. (para 26)
273. Much public opposition to future enlargements stems from misunderstandings about the impact of past enlargements, in particular the accession of the Central and Eastern European countries in 2004. As subsequent chapters explain, this impact has been positive. The governments of the existing Member States, supported by the European Commission, must make significant efforts to explain the impact of enlargement to Europe's citizens, including issues such as migration, the link between enlargement and globalisation and the need to find a way of living harmoniously with different religious communities. (para 50)
274. Attitudes towards enlargement remain fluid, are influenced by non-enlargement related developments (such as economic growth) and are partly related to lack of information about enlargement. A concerted effort on the part of EU politicians and other opinion formers could help to increase public support for enlargement. (para 59)

The impact of the 2004 enlargement

275. It is safe to assume that the impact of the 2004 enlargement on the new members was roughly 20 times larger than on the old ones. (para 67)
276. Although the available studies have relied on very different assumptions and methodologies, they have come to broadly similar conclusions: First, the impact of eastward enlargement on the EU-15 has been limited. Second, the impact—though small—is positive. Third, as pointed out above, much of the impact has taken place already since economic integration between Eastern and Western Europe has proceeded gradually since the early 1990s. Most studies conclude that the cumulative economic gain for the old EU is below 1 per cent over a period of five to ten years. (para 76)
277. The increase in the number of Member States and the concomitant wider spread of interests and positions has made aspects of EU decision-making more laborious. But suggestions that enlargement could lead to gridlock in the EU institutions are not borne out by evidence. (para 105)
278. We recommend that in future the EU does not endorse target dates for EU entry until the accession negotiations with the candidate in question are

almost complete and the EU is fully satisfied that the candidate can assume the obligations of membership. (para 118)

279. It is essential that future enlargements do not import existing disputes about borders, the treatment of minorities and recognition into the Union. At the same time, however, the EU must be careful not to allow third countries to effectively gain a veto over the accession of a candidate by preventing the settlement of an existing dispute. (para 123)
280. The EU must use conditionality in a consistent and credible manner. Rather than aiming for a “big bang” enlargement of the Western Balkans, the EU should stick to a system under which each country progresses towards membership as fast as its pre-accession preparations allow. (para 130)

Absorption capacity and the borders of Europe

281. The Copenhagen accession criteria have enabled the EU to encourage and monitor economic and political change in the candidate countries. The EU should not modify the list of the criteria or set them in stone by including them in a future treaty. (para 136)
282. Since the EU Treaty gives any European country the right to apply for Union membership, any attempt to draw a final boundary around its territory which excluded European countries would not be consistent with the Treaty. Moreover, politically it would be undesirable for the EU to attempt to define its final boundaries since this would weaken the EU’s ability to encourage positive change in potential candidates. Ambiguity is preferable to a definite ‘no’. (para 143)
283. The debate about absorption capacity is harmful since the term is inherently vague and is interpreted by many in the candidate countries as an excuse for closing the Union’s doors. However it now seems unlikely that the debate will go away. We therefore believe that it would be best if the term was deconstructed into its individual components and considered in that light. The debate would then shift onto solid ground and focus on real issues such as budgetary capacity and institutional adjustments. “Absorption capacity” would become a to-do list for the existing Member States rather than a barrier to the candidate countries or an excuse for delaying or preventing their accession. (para 153)

The political context for future enlargements

284. A larger EU will need institutional change and more efficient decision-making procedures. It will also require a rebalancing of the respective representation of large and small countries. An overstretched and ineffective EU cannot play a stabilising role in its neighbourhood and the wider world. We recommend that EU governments acknowledge that the Constitutional Treaty will not be adopted in its current form. Sensible and functionally oriented improvements to the working practices of the Union could be dealt with in a new intergovernmental conference; including a careful review of the rationale for all institutions where currently there is one representative per Member State. (para 167)
285. We believe it would be a mistake for the EU to impose an artificial “pause” on enlargement while these institutional debates are proceeding. Such a pause would be destabilising for applicants and could become a trap from which it would be difficult to emerge (if a pause was officially declared, it

would also need to be ended by a unanimous decision, which may prove problematic). Instead, the Union should proceed in a measured way, handling all applications on their merits, neither accelerating nor retarding the process. In fact, this would mean at most one more accession in this decade, namely Croatia. (para 168)

286. A Union of 27 or more Member States will require more flexible ways of policy-making. While the idea of a “core Europe” is unlikely to gain traction, the increasing use of “variable geometry” or “enhanced co-operation” appears both inevitable and indeed desirable. While moving in this direction, the EU needs to take care not to endanger existing achievements, such as the single market, and to ensure democratic accountability of new initiatives. (para 176)
287. The budget review of 2008–09 must take into account the possible impact of future enlargement. A serious restructuring of the EU’s spending priorities will be required for successful future accessions, in particular those of Turkey and the countries of the Western Balkans. (para 181)

Candidates and potential candidates

288. If the countries of the Western Balkans are to be able to address their many challenges in terms of economic reform, statehood and the integration of minorities they need to be offered a credible EU perspective. Without such the Western Balkans could turn into an area of political and economic instability surrounded by EU Member States, where nationalism, economic deprivation and organised crime could flourish. The Union could be faced with the stark choice between integrating the Western Balkans into the EU or having to take responsibility for running them as protectorates if they turn into failed states. The Union must therefore adhere to its Thessaloniki commitment to the eventual accession of these countries and should avoid any linkage between the entry of Turkey and the entry of the countries of the Western Balkans. (para 195)
289. The accession of the Western Balkans confronts the EU with new challenges compared with the previous eastward enlargement. The countries that joined the EU in 2004 were relatively homogenous, stable nation states that were motivated by the desire to ‘rejoin Europe’. In the Western Balkans, the EU is dealing with more fragile, fractious countries. To help these countries along the path to greater stability and prosperity the EU needs a more proactive approach: simply setting conditions and waiting for governments to fulfil them in their own time will no longer be enough. The EU must also devote real resources to the accession process, both in terms of expertise and money. Since the accession of these countries will take time, the EU needs to find ways of maintaining momentum for positive change. It should gradually integrate the candidates into various EU policy areas, and should include them in a customs union. (para 196)
290. Croatia is making good progress with its accession preparations, and the EU should not discourage the country by making its accession date dependent on an agreement on institutional reform among the existing member-states. If the EU has not agreed institutional changes by the time Croatia is ready, the minimum changes required for Croatian membership would need to be included in Croatia’s accession treaty. It is important that Croatia should be able to join the Union if and when it has completed its accession talks, not only for Croatia but for the credibility of the EU accession progress. Delays

in Croatian accession would send a negative signal to the Western Balkans. (para 204)

291. The EU must do more to acknowledge the progress that Turkey has already made. The EU member-states should strive to maintain a more consistent and coherent line, reassuring Turkey that they remain committed to admitting it as a full member if and when the accession negotiations have been completed. (para 226)
292. Given the strategic importance of Turkish accession for the long-term development of the wider Europe, the EU should not allow the question of Cyprus to derail the accession talks. A compromise needs to be found under which Turkey implements its commitments under the Ankara protocol while the EU lives up to its promise to free up trade with Northern Cyprus. Until such a compromise is in place, the EU may decide to suspend the negotiations on a limited number of chapters directly related to the customs union. If the negotiations were halted altogether, it would require a tremendous effort on both sides to re-start them. (para 227)
293. Whatever the hesitation and hostility hanging over Turkey's accession negotiations, we believe that it is in both Turkey's and the EU's best interests that the accession negotiations be pursued in good faith and with a will to bring them to a successful conclusion. (para 228)

Possible alternatives to enlargement and the cost of non-enlargement

294. The EU needs to have an attractive and effective policy to work with those countries that do not have the immediate, or even medium-term, prospect of membership. The European Neighbourhood Policy (ENP) is a promising start but the EU needs to improve it through better incentives, tougher conditionality and more differentiation among the participating countries. An effective ENP may also have to distinguish between the EU's European neighbours and the neighbours of Europe, between those that ultimately harbour hopes for membership and those that do not. In the case of the former, an ENP that is construed as alternative to membership is unlikely to be acceptable. For the eastern neighbours, the ENP could be turned into a waiting room for membership. At the very least, the ENP should be "membership" neutral. (para 245)
295. Neither Turkey nor the countries of the Western Balkans are likely to accept a "privileged partnership" however it is defined as a substitute for full membership of the EU. Repeated calls for a privileged partnership from EU governments could have a demotivating effect on the candidate countries. (para 255)
296. If the EU were to halt or considerably slow down the enlargement process, it could face heavy costs in terms of political instability and economic stagnation in its neighbourhood. The most immediate and severe impact would be in the Western Balkans. Although a return to war and bloodshed looks unlikely there would likely be an upsurge in nationalism and current positive trends in governance and economic reform would be halted. (para 268)
297. The Member States should therefore keep to their commitment to offer full membership to both Turkey and the countries of the Western Balkans if and when they are ready to assume the obligations of membership. (para 269)

APPENDIX 1: CALL FOR EVIDENCE

The Committee has decided to conduct an inquiry into further enlargement of the EU. In particular the Committee will wish to explore the economic and political impact of enlargement to date, public opinion on enlargement of the EU and the possible future of EU enlargement.

The Committee would be pleased to have your views. The Committee will in particular wish to explore the following key issues in detail and would welcome your views on **any or all** of the following questions:

The economic and political impact of enlargement to date

1. What has been the economic impact of the last round of enlargement?

- How has trade integration and the flow of foreign direct investment impacted on A) the new member-states? B) the 'old' member-states?
- What has been the impact of EU accession on wages and social standards systems in A) the new member-states? B) the old member-states?
- How important has accession been as an 'anchor' for structural reforms and macro-economic discipline in the candidate countries?
- Who are the winners and losers from the accession process? A) among the different EU countries? B) within countries (in terms of socio-economic groups, sectors of the economy)?
- How is the economic integration process between Western and Eastern Europe linked to globalisation? In the medium to long term, will enlargement weaken or strengthen the EU economy in a globalised world economy?
- What has been the impact of labour migration from the new to the 'old' members on A) the receiving countries? B) the sending countries?

2. What has been the political impact of the last enlargement round?

- How has the rise in the number of members from 15 to 25 changed the dynamics of decision-making in the EU? Are current EU institutions still functioning? Is there evidence that EU decision-making is taking place informally, outside the established EU institutions? How have the new members fitted into EU institutions and decision-making processes?
- What are the new members' priorities for EU policies? What is their vision for the future of Europe?
- How has enlargement affected the EU's role in the world? Is the enlarged EU stronger or weaker as a foreign policy actor? How has enlargement impacted on the Common Foreign and Security Policy (CFSP) and the European Security and Defence Policy (ESDP)?
- Has enlargement affected the EU's commitment to the values of democracy, the rule of law and human rights?

3. What are the lessons from previous enlargement rounds?

- What are the similarities / differences between the east and southward enlargement and previous rounds of enlargement?

- Are the current processes of economic integration between Western and Eastern Europe a guide to what will happen if more (poorer) countries join in the future?
- Are there any lessons to be learnt from the EU's handling of the east and southward enlargement? For example, what was the experience with the 'regatta' principle, the 'regular reports' on accession preparations and the monitoring of the implementation / enforcement of the *acquis*? Have new policy tools improved the enlargement process, for example benchmarks for the opening / closing of negotiation chapters or the use of target dates?

Public opinion and EU enlargement

4. What evidence is there to support the impression that enlargement has become unpopular, in particular in:

- Germany and Austria (the countries that have been affected most directly by eastward enlargement)?
- France and the Netherlands (the countries that have rejected the EU Constitutional Treaty)?
- Other countries of the EU, including the UK?

5. To the extent that there is public resentment of enlargement, what could lie behind it? Might any of the following be relevant, and if so, to what extent?

- An impression that trust and solidarity are weakened by the continued enlargement of the EU.
- Fears related to the immigration of Central and East European workers.
- Suspicion that the 2004 enlargement of the EU has created 'unfair' competition in the EU single market: fears that the policies of the new members are driving a 'race to the bottom' in terms of wages, taxes and social protection and are undermining the European 'social model'.
- Concerns among the supporters of European integration that the continuous widening of the EU has come at the expense of 'deepening'.
- A perception that enlargement is expensive for taxpayers in the 'old' member-states.
- Frustration that the public was not widely consulted over the 2004 round of enlargement: most of the new members held referenda on their accession, but none of the 'old' ones.
- A perception that the external borders of the EU are less secure and that organised crime may have increased as a result of enlargement.
- Specific concerns related to the potential accession of Turkey, a large, rather poor and predominantly Muslim country.

6. How far is public opposition to enlargement linked to a wider, changing perception of EU integration, for example:

- Is enlargement seen as another, elite-driven project that has been decided above the heads of EU citizens?

- By weakening their position in a wider EU, has enlargement made traditionally pro-European countries, such as France and the Netherlands, more sceptical about the EU?
- Has enlargement contributed to the impression that the EU is unable to 'protect' its citizens from the forces of globalisation.

7. What are the prospects for accession-related referenda in France and Austria? Are other EU countries likely to follow the French example of demanding a referendum on future accessions? Which ones? How is public opinion in these countries likely to develop by the time Turkey and the Balkan countries are ready for membership?

8. How is membership perceived in the countries that joined in 2004? Are the elites / people in the new members satisfied with EU membership? Or are they disappointed, and if so, why?

The future of EU enlargement

9. If it proved feasible to further widen the boundaries of the EU, would you personally welcome the inclusion of:

- The countries of the Western Balkans?
- Countries in the former Soviet Union?
- Turkey?

10. What, if anything, does 'absorption capacity' mean in the context of enlargement, in terms of:

- The legal basis in the EU Treaties?
- EU decision-making?
- EU budgetary resources?

11. Should the EU modify its list of accession criteria? For example, should it add 'absorption capacity' or a GDP-per-head threshold to the formal list of the Copenhagen criteria? Does it need other new conditions for A) the start of accession negotiations? B) the conclusion of accession negotiations?

12. The Treaty of Nice provides for institutional structures for up to 27 members. Assuming that the Constitutional Treaty cannot enter into force in the foreseeable future, how could the EU enlarge to include more members after Romania and Bulgaria's accession?

13. The EU has not, hitherto, defined the borders of 'Europe', and hence the borders of the EU (in accordance with Article 49 of the TEU). Is it possible, or desirable, for the EU to try and do so?

14. If the credibility of the EU enlargement process diminished (for example due to growing public opposition or attempts to define the EU's borders), what would be the consequences for

- The Balkans?
- Countries in the former Soviet Union?
- Turkey?

15. Are there any viable alternatives to full EU membership, such as:

- The European Neighbourhood Policy?

- A privileged partnership?
- The EEA?

16. Which conditions would have to be fulfilled for future enlargements to take place? For example:

- More widespread use of 'variable geometry' or other flexible forms of integration. Or the creation of some form of 'core Europe'.
- The use of very long transition periods, permanent exclusions from certain EU policies or spending programmes or permanent safeguards for new members (for example on the free movement of labour, EU agricultural spending, the euro or the Schengen area of passport free travel).
- A substantial increase and /or complete restructuring of the EU budget.
- More involvement of European citizens.

APPENDIX 2: LIST OF WITNESSES

The following witnesses gave evidence. Those marked * gave oral evidence.

- * His Excellency Mr Akin Alptuna, the Turkish Ambassador to the UK
- * Lord Ashdown of Norton-sub-Hamdon, a Member of the House
- * Dr Canan Atilgan, Political Consultant for European Affairs, Konrad Adenauer Akademie
Dr David Bakradze, Chairman of the Committee On European Integration, Parliament of Georgia
- * Mr Édouard Balladur, former Prime Minister of France and current Chairman of the Foreign Affairs Committee of the Assemblée Nationale
Ian Barnes, Jean Monnet Professor of European Economic Integration, University of Lincoln
- * Dr Jochen Bethkenhagen, Representative of the State of Brandenburg
- * Mr Graham Avery, Oxford University
- * Mr Alan Dashwood, Cambridge University
- * Mr Valéry Giscard d'Estaing, former President of France
- * Ms Julia De Clerck-Sachsse, Centre for European Policy Studies
- * Mr Vladimir Drobnjak, Chief Negotiator in Croatia's Accession talks with the EU
- * Mr Andrew Duff, Member of the European Parliament
- * Mr Michael Emerson, Centre for European Policy Studies
European Policy Forum
Ms Tina Nelson Fordham, Director, Economic Political Strategies, Citigroup Global Banking
- * Dr Manfred Frühauf, Representative of the State of Bavaria
- * Mr Olav Göhs, Advisor of the CDU on European Affairs
- * Ms Sylvie Goulard, Lecturer, College of Europe
- * Mr Charles Grant, Centre for European Reform
- * Karl-Theodor Freiherr zu Guttenberg, Foreign Affairs Committee Member, Bundestag
- * Mr Richard Howitt, Member of the European Parliament
- * Ms Kirsty Hughes, Associate Fellow of the European Institute, London School of Economics
- * Dr Nikolaus Meyer-Landrut, Head of EU Bilateral Relations, Kanzleramt
- * Ms Barbara Lippert, Deputy Director of the Institute for European Politics
Paul Luif, Austrian Institute of International Affairs
Ms Liz Lynne MEP
- * Mr Dominique Moisi, Special Adviser to the French Institute for International Relations, IFRI

Mr Vladimír Müller, Deputy Minister of Foreign Affairs of the Czech Republic for European Union Affairs

Baroness Nicholson of Winterbourne MEP, Vice President of the Committee on Foreign Affairs of the European Parliament

Mr Erik F Nielsen, Chief European Economist, Goldman Sachs

* Ms Gergana Noutcheva, Centre for European Policy Studies

Ms Anne Palmer, Member of the Public

* Mr John Palmer, Member of the Governing Board of the European Policy Centre

* Mr Josip Paro, Croatian Ambassador to the UK

* Mr Quentin Peel, Financial Times

Claire Randerson, Senior Lecturer in International Relations, Department of Policy Studies, University of Lincoln

* Commissioner Olli Rehn, Member of the European Commission

Mr Michel Rocard, Member of the European Parliament

Professor Rose FBA, Centre for the Study of Public Policy, University of Aberdeen

Mr Michael Roth, a Member of the SPD, European Committee, Bundestag

* Mr Thomas Schiller, Europe AG of the CDU/CSU Fraktion, (*evidence given in a personal capacity*)

Ms Karen E Smith, Reader in International Relations, London School of Economics

Mr Hannes Swoboda MEP

Stockholm Network

* Dr Charles Tannock, Member of the European Parliament

Teleki László Institute and Corvinus University, Hungary

Mr Paul Tighe, University College Dublin (UCD)

Mr Matthias Wissmann, a Member of the CDU, Bundestag

* Ms Sabina Wölkner, Desk Officer, (Western Europe/USA)

APPENDIX 3: RECENT REPORTS FROM THE SELECT COMMITTEE

Session 2005–06

Evidence by Commissioner Franco Frattini, Commissioner for Justice, Freedom and Security on Justice and Home Affairs Matters (1st Report, Session 2005–06, HL Paper 5)

Correspondence with Minister: June 2004–February 2005 (4th Report, Session 2005–06, HL Paper 16)

Ensuring Effective Regulation in the EU (9th Report, Session 2005–06, HL Paper 33)

Evidence from the Minister for Europe—the European Council and the UK Presidency (10th Report, Session 2005–06, HL Paper 34)

Scrutiny of Subsidiarity: Follow-up Report (15th Report, Session 2005–06, HL Paper 66)

The Work of the European Ombudsman (22nd Report, Session 2005–06, HL Paper 117)

Annual Report 2005 (25th report, Session 2005–06, HL Paper 123)

Ensuring Effective Regulation in the EU: Follow-up Report (31st Report, Session 2005–06, HL Paper 157)

EU Legislation—Public Awareness of the Scrutiny Role of the House of Lords (32nd bis report, Session 2005–06, HL Paper 179)

The Brussels European Union Council and the Priorities of the Finnish Presidency (44th Report, Session 2005–06, HL Paper 229)

Annual Report 2006 (46th Report, Session 2005–06, HL Paper 261)

Session 2004–05

Developments in the European Union: Evidence from the Ambassador of the Grand Duchy of Luxembourg and the European Parliament's Constitutional Affairs Committee (3rd Report Session 2004–05, HL Paper 51)

Remaining Government Responses for session 2003–04 (11th Report, Session 2004–05, HL Paper 94)

Strengthening national parliamentary scrutiny—the Constitution's subsidiarity early warning mechanism (14th Report, Session 2004–05, HL Paper 101)

Clause 2 of European Union Bill—the Constitution's Passerelle Provisions (15th Report, Session 2004–05, HL Paper 102)

Finland's National Parliamentary Scrutiny of the EU (16th Report, Session 2004–05, HL Paper 103)

Minutes of Evidence

TAKEN BEFORE THE SELECT COMMITTEE ON THE EUROPEAN UNION

TUESDAY 6 JUNE 2006

Present	Blackwell, L	Marlesford, L
	Bowness, L	Neill of Bladen, L
	Dubs, L	Radice, L
	Geddes, L	Thomas of Walliswood, B
	Grenfell, L (Chairman)	Tomlinson, L
	Hannay of Chiswick, L	Woolmer of Leeds, L
	Harrison, L	Wright of Richmond, L
	Maclennan of Rogart, L	

Examination of Witness

Witness: MR JOHN PALMER, Member of the Governing Board of the European Policy Centre, examined.

Q1 Chairman: Thank you very much indeed, Mr Palmer, for joining us this afternoon. We are very grateful to you, and I thank you for the courtesy of sending us a few written responses. They have not yet been circulated to the Committee because we want to have a direct exchange, but they will be very useful afterward. I should tell you that this is being recorded, and you will be sent a transcript. It is also being broadcast live on the internet. Of course, when you get the transcript, you have the opportunity where it may not reflect entirely what you said, to make the necessary adjustments. The transcript will be published in full in our report. I am very grateful to you for giving us the time, and I understand that you can probably stay with us until around 5.30, if we do go that far. May I begin right away by flagging to you what will be our a rather broad and general first question, but I think it is important for us to be able to get a feel for your views on enlargement as a whole. The question is: what do you think has driven EU enlargement in the past? Are we looking at a situation where the Union has reason for wanting to enlarge, or is the push coming from states who are not members who feel they should be part of it, or is it a combination of both?

Mr Palmer: Thank you very much for the invitation to be here.

Q2 Chairman: If you want to make an opening statement before you answer that question, you are welcome to do so.

Mr Palmer: I was only going to say three headline things, which I appreciate will beg a lot of questions, by way of very brief summary. Firstly, European Union enlargement has been overall, I think, a striking success by any reasonable criteria. Secondly, the period since the most recent enlargement has seen a decline in the effectiveness of governance in the

European Union, but for this enlargement is not significantly the explanation. It lies in the inadequacies of the institutional development and the governance development of the Union. Thirdly, just by way of a headline, I think on the one hand that the process of enlargement will and should continue at least to the Western Balkans but that beyond that point there will be an extraordinarily serious challenge of conceiving what the relationship should be between the enlarged Union—including the Balkans—and its neighbours further to the east. I have some ideas about what form a wider Europe should take. The present European Neighbourhood Policy seems to me to be lacking in substance and in coherence at the moment. We are going to have to think hard about what exactly will be the nature of the partnership with Ukraine, Moldova, one day Belarus, the Caucasus and so on. That is by way of flagging three basic points. In answer to your question, I would say that it is overwhelmingly the case that the dynamic for enlargement has come from the accession countries. This is not an issue which, as it were, has been driven by the desire of the Union to expand for its own sake; rather to the contrary, the instincts of the Union have been very much tempered to slow down, proceed very cautiously with the process of enlargement, but that the dynamic has undoubtedly primarily come from the would-be accession states, who above all, I think, see the Union as kernel to their aspiration for stability; the more united a Europe is, I think the feeling is overwhelmingly in the actual accession states and the would-be accession states that membership brings with it, if not formal guarantees, the reality of greater stability, security, rule of law, democracy and so on. In response the Union, I would simply say, has not proceeded to accelerate this process, but rather to decelerate the process, sometimes for understandable

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and legitimate reasons to do with the development of the accession countries and their ability to carry the responsibilities, sometimes for less honourable reasons. The process has certainly not been driven by any, as it were, expansionist motivation by the Union itself.

Q3 Chairman: I personally accept that up to a degree. One question I would put to you is this: do you not think that, in contradistinction to what you have just said about the push coming from the accession countries, the European Union certainly had—maybe still has—a great interest in the stability of the Balkan region and that that might be an exception to your analysis, that in fact, much as the Balkans would like to come in, there was—I do not know whether there still is—equal enthusiasm for using the carrot of European Union membership as a means of stabilising that historically troubled region?

Mr Palmer: I would say there is acceptance, and willing acceptance that an investment made in enlargement to the Balkans is likely to be repaid for the Union in bringing stability to a very troubled region. After all, we saw the costs and the consequences of the absence of the Union from involvement in the crisis of the region in the early 1990s. I remember when I was a journalist in Brussels being invited with the then President of the Commission, Jacques Delors, to visit the newly democratised countries of central and eastern Europe, and somebody suggested that maybe Yugoslavia, as it then was, should be included. There was very little interest at that point in time in what was happening there. Subsequently I think we have learned the hard way that membership is probably the best guarantee of stability but, as you imply in your question, this is tempered increasingly by a certain fatigue about the process of enlargement and it is by no means a predetermined conclusion that there will be accession in any reasonable timescale.

Q4 Chairman: If I may move on to another aspect of this, what is the extent to which the increase in the numbers from 15 to 25 has changed the dynamics of decision making and secondly, a hugely important question for us, are the EU institutions, as currently constituted, adequate even for the 25, let alone to 27 and on from there?

Mr Palmer: That is a profoundly important and complex question, Chairman. I think the enlargement to 25 has exacerbated already existing weaknesses in the decision-making processes in Brussels. I think the Council in particular has shown signs of institutional wear and tear. In my view, although exacerbated by the larger number of countries and the inevitable complexities of negotiation that that brings, the problems of wear and tear have more to do with the fact that there has

been a serious time lag or dis-conjuncture between enlargement and an absolutely necessary and parallel deepening of the Union's institutions and decision-making processes. This imbalance in development has been further exacerbated in recent years by two other related developments. On the one hand, Member States—notwithstanding a certain loss of self-confidence in the Union—have continued to impose very important responsibilities on the Union collectively. The European Council has agreed that the Union and its Member States should undertake major new objectives in the field of economic reform and modernization (the Lisbon process), in justice and internal security and—most recently—in the field of energy security and development. At the same time there has been increasing reliance on soft law, on forms of decision by inter-governmental cooperation, which of course carry with it almost invariably decision by unanimity. The result has been at best, minimal progress but in some areas the concrete results have been derisory. There is an increasing contrast between the ambitions that Member States, as it were, require the Union to undertake on the one hand, and their reluctance to give the Union the decision-making capacity to actually carry these through. I think that when one looks at how enlargement has affected all of this, it is a lesser exacerbating factor simply because of the complexity of numbers. The primary problem lies in the fact that Member States have not—and the impasse of the current treaty is, I suppose, an exemplar of this—been ready and willing to equip the Union with the necessary decision-making processes, resources, capacity, authority, to do what they want it to do.

Q5 Lord Radice: Do you think there are any lessons that we can learn from previous enlargements which are relevant to the next round, the Western Balkans, as you were saying, and potentially Turkey, or is the case of the potential new accession states quite different?

Mr Palmer: In the most recent enlargement, if I can distinguish, among the 10, between the eight in central and eastern Europe and the two Mediterranean countries, the two Mediterranean countries had quite long experiences, successful experiences, of running market economies, parliamentary democracies, rule of law, etc. The eight central European accession states had come to all of this much more recently. My impression regarding the compliance by the Accession States with EU standards in areas of governance, executive, judicial, administrative capacity, there is a question mark over whether they have all, strictly speaking, fully those standards. But, I think rightly, given the wider political issues and importance of enlargement and the fact that the process has been dragging on for

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a very long time, the EU took a bit of a deep breath and said that some of the reforms that would normally be considered appropriate prior to accession would have to continue and accelerate after accession. The relevance of that is, of course, in relation to the current negotiations with Bulgaria and Romania. As is well known, there are continuing and important questions about corruption, the judiciary, the effectiveness of the institutions of government in both those candidate countries. These have led to the current question being asked—whether they need a bit more time to get ready. However, the Union is committed to accession by 2008 if not by 2007. There may have to be a somewhat bigger intake of breath when the decision on accession is made in the months to come. However a delay of just 12 months will not make a great deal of difference. On Cyprus—I speak here in trepidation in the presence of Lord Hannay, who has direct experience of this, and I have not—there the only lesson I think that might be learned is that political issues affecting border and sovereignty disputes need to be settled before accession. The two became disconnected and that has created problems today. I am unsure whether the Cyprus problem would be replicated in future likely enlargements.

Q6 Lord Marlesford: It is a pretty important point about Bulgaria and Romania. I have read your paper of 23 May, and you say that they are not fit to join—and I take that as read—and then you say “in reality legal, policing and other reforms demanded of the two states are going to have to continue well after they eventually join.” I do not quite see why the EU should take this big political step when we have had, based on the Copenhagen criteria and all the other principles that have to be shown, the shared values and practices, why now we recognise at this late stage the condition of those two countries, assuming you are right—I have no reason to think you are not—why we should take that risk rather than take a longer period and let them put their house in order before they join.

Mr Palmer: I would say in response that both countries, notwithstanding the reservations that I have expressed, have made significant progress in the direction of establishing the rule of law, the independence of the judiciary, tackling endemic corruption. I hope nothing I have said or written would detract from the progress they have made and, as always, the Union and its Member States have to take a balanced decision as to whether enough progress that is clearly irreversible has been made to justify accession, bearing in mind a sort of open-ended “You are not ready yet” could actually be counter-productive to the process of reform in these countries if it was felt that they had undertaken considerable sacrifices and achieved a lot and yet, at the last minute the door was shut. I am not sure that

it would not be counter-productive to what we want to achieve in terms of reform, notwithstanding the fact that they are going to have to do more.

Q7 Lord Hannay of Chiswick: Two points. Firstly, your point about Cyprus and the importing of an unresolved political dispute. It is of course not too difficult to see one in the case of the present applicants or ones beyond that, in the case of Georgia the issue of Abkhazia and so on, and Moldova, the case of Transnistria, and I think one lesson would be that it is very unwise to import unresolved problems, but you have to remember that since the party with whom the problem is outside the European Union, you are basically giving a country outside the European Union a veto on somebody else’s membership, which is not easy to undertake. If we had done this over Cyprus, we would have been giving Turkey a veto over Cyprus’s membership. Coming back to your question of the pace of progress, I find it difficult to accept that it would be counter-productive—always an overworked word in the diplomatic vocabulary—if the Bulgarians and Romanians or one of them were told very seriously that they were going to have to spend another year getting their act together. I do not think there is any question of going beyond that, because we have ratified it—this Parliament anyway has ratified the treaty. If you look back at previous enlargements, there is no evidence for saying that length of time traveling has deterred the applicants from their desire to join. That was not the case for ourselves, it was not the case for the Danes and the Irish, it was not the case for the Spaniards and Portuguese, who underwent endless delays; it was not the case for the ethnic countries who were given an alternative in the European Economic Area which they did not like—and that is a later question of course, whether there is an alternative, and I do not personally think there is. I think we should be a little bit cautious about allowing general support for enlargement to drive a particular timescale, because there is no evidence whatsoever that the thrust that pushes countries towards wanting to join is seriously undermined by being made a little bit more difficult.

Mr Palmer: If I could reply, Lord Hannay, in two parts. My own view is that enlargement, classical EU enlargement, involving the full *acquis communautaire*, will not be an appropriate basis for our future relationships with countries beyond the Western Balkans, by which I mean Ukraine, Moldova, the Caucasus, etc. To the contrary, I think we will need to think of something that is much more than the neighbourhood but somewhat less than the degree of sovereignty sharing and subscription to a full *acquis* which characterizes membership. On Bulgaria, my understanding is that the Bulgarians, as the Romanians have done, are in the process of reconstructing almost entirely their judiciary, and

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that has meant, literally, starting almost from scratch recruiting judges, training them and so on, which takes time. I may be wrong in my figures, but I think they are somewhere between a third and halfway through the process of putting in place the total judiciary. Whether 12 months makes much odds to that process I am not at all sure. After just 12 months, I do not know that the situation would be fundamentally transformed. I think more important will be the judgment which later this autumn the Commission must give in their advice. Commissioner Rehn proposed to give his advice to the Council as to whether there is sufficient evidence of direction, of seriousness of intent, of irreversibility, to justify a yes, and I think it may well be the case that he will say yes. I do not know. My instinct is that he will. So I would distinguish between the two questions. My own view is, when the process of classical enlargement is completed with, eventually, the Western Balkans, some time hopefully in the next decade, I think the relationship beyond that is going to have to be constructed on a rather different basis, and I note that what we are offering the Turks is not quite the *acquis communautaire*; it is the *acquis communautaire* minus some important areas that have been hitherto considered an intrinsic part for other Member States. I am thinking of free movement of people and so on. So I think we may have to think about something like a wider European commonwealth, as I have heard Bulgarian scholars describe it, for Ukraine, Moldova, Georgia, Azerbaijan and other potential candidates in the future. I think the basis for such a limited sovereignty sharing Commonwealth might be found in the provisions of the existing EU/Russia agreement. It is extraordinarily ambitious in its aspirations, though the reality bears little resemblance to the aspirations, providing as it does for the creation of “four shared common spaces” covering free trade, research and development, common legal principles and—eventually common foreign and security policy. Might not these provide the pillars of a potential new, more limited *acquis* which could be the basis of a wider community linking an enlarged union with our wider neighbours. That would be my instinct as to the direction we will have to go once the Western Balkans issue is resolved.

Q8 Chairman: Would that be a question of something less than the full membership or are you talking about full membership but on different terms?
Mr Palmer: There are in the esoteric discussions in Brussels variants of both those that are widely talked about. Some people say everything except the institutions. That does not add up for me. I heard recently the former foreign minister of Georgia speaking at an event which the European Policy Centre organised say “For us, enlargement is a step on the road to full membership.” Full stop. Sooner or

later. So what they want is, among other things, to have some degree of shared decision making with the EU. The European Union tends to think only in terms of a set of bilateral relations with our European Neighbourhood Policy partners where various incentives are given—free trade and so on and so forth, a more liberal regime for travel—in return for progress. I do not think that adds up to a satisfactory alternative for membership. On the other hand, I really cannot see how the Union, even when reformed, its decision making strengthened, and its integration deepened, would be capable of managing an enlargement to the Caucasus with anything like the current *acquis communautaire*. It seems to me that something that is in between full membership and mere cooperation needs to be envisaged. It should contain some elements of joint decision-making, some element of shared sovereignty.

Chairman: It will be tough to sell to a country like Georgia.

Q9 Lord Geddes: Mr Palmer, my first question is a general, catch-all one, then my colleagues will be much more specific. Given that President Chirac has pledged to put future enlargement to a referendum in France, which I suppose at the very least could be called controversial, do you think that any future enlargement is possible in the face of public concern?
Mr Palmer: I find that an extraordinarily difficult question to answer. Certainly, if you were to take the temperature of public opinion today, I would say it is less than avidly enthusiastic for enlargement. On the other hand, if one reads the opinion poll analyses after the referenda in France and the Netherlands, enlargement was not the most important issue in either country. I think the figures in both cases are well under 10 per cent—in the hierarchy of complaints and issues. The overwhelming malaise had to do with a sense of alienation from their national political elites and their national governments and the state of their national politics. This is not, I think, fully understood in a lot of commentary about this. So perhaps the picture can look more gloomy than in reality it is. If one looks a little bit further down the line and makes some assumptions which are questionable—for instance about economic recovery—I think there will be greater realisation that the current enlargement has brought great benefits to the existing Member States. I notice that the French have started to relax their restrictions on workers entering the labour market in France. They have done it sector by sector rather than with wholesale opening up but there too I think it reflects the fact that the positive impact that the migration has brought is becoming a little bit better understood. Having said that, there are plenty of political forces in France and elsewhere who will seek to create alarm about enlargement. The next wave of

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Balkan countries after Bulgaria and Romania are fairly small and I forget what their collective GDP is in relation to what would then be the GDP of the 27 but it is marginal. Although it is too soon to be confident, I think that the argument for enlargement, above all the argument that this is the best conceivable investment to avoid the costs to us and our economies and communities of conflict and instability, can be fought and won. That would be my instinct.

Q10 Lord Geddes: I do not know what credence you give to Euro-barometer polls but there certainly has been a recent one that appeared to indicate that 55 per cent plus of EU citizens—how on earth you take that in a poll I do not know but that is beside the point—were against any further enlargement, particularly of Turkey, but then enlargement in general. Do you find there is weight in that?

Mr Palmer: I think we have been through a period of some demoralisation, some element of public concern, not just about enlargement but about a range of issues that have to do with economic questions, that have to do also with a perceived gap between the citizen and the EU institutions, which is reflected when you ask questions about the future. When people ask some other kinds of questions about the best way to ensure peace and stability in Europe, you find still there is an overwhelmingly positive response and, strangely enough, the most recent poll, perhaps surprisingly, shows a very considerable majority of public opinion in all Member States wanting the European Union to be more ambitious in the field of foreign security and defence policy for example. I am not quite sure how one explains this phenomenon but I take it, Lord Geddes, that there is at the moment something of a malaise in public opinion regarding where we are in the European story as a whole. This does not work to the benefit of the case for enlargement in the short term. But we are talking about further enlargements which will not have to be decided for many years. In the case of Turkey, 2015 is when the decision will have to be taken, or some such date, and probably a little later in the case of the final countries of the Western Balkans.

Q11 Baroness Thomas of Walliswood: I was going to go a little further on the detailed reasons for what seems to be public disaffection with the European Union, and in a sense with its enlargement as well. I have a whole list here but I just thought I would pick out three which seem to be reflected currently in the press. The first one is the immigration of central and eastern European workers, which is big in the news today, a 70-year old woman with a stick going and pulling strawberries out of tunnels because she says they should not be grown here anyway and why are

these workers being treated in the way that they are? They are all, of course, from central and eastern Europe. The second is a suspicion of unfair competition from the new incoming countries, and you hear people talking about agriculture and the problems of agriculture in particular. Third, since we have spoken a bit about Turkey, personally, I must say I have some doubts as to whether Turkey really is in Europe at all but we cannot discuss that, so rather than talk about that, what about fears about external crime and organised crime, which I think are well based? There is a lot of worry, particularly about trafficking of drugs and people.

Mr Palmer: On the first question, about immigration, I think there are both legitimate and grossly exaggerated concerns about immigration. There are issues about the treatment of migrant workers. I think there are issues which will need Member States to be more vigilant in ensuring minimum wages and conditions are properly safeguarded. I believe that immigration overall has had a profoundly positive impact if you take the UK economy. I have seen figures, and no doubt you have too, on the contribution to our overall GDP from young, often highly qualified migrant workers from the new Member States. On the other hand, I entirely accept that, both for migrants from the accession countries but also from outside the Union, there are issues of exploitation which need vigilant and strong response. I am personally very much in favour of a higher level of standards for things like wages, conditions, working rights for migrant workers throughout the European Union. Unfair competition: I know we heard a lot about the so-called Polish plumber. Actually, my reading of the debate in France is that you are hearing less and less about the Polish plumber, partly because people have experienced the Polish plumber and think by and large he is a good chap. The question of Turkey is a huge one. I am personally in favour of the objective of accession with Turkey, if it proves possible to negotiate. I do not subscribe to the rather old fashioned view that Europe is somehow a Christian confessional entity. To the contrary, we live in a highly multi-cultural Europe, in this country, not least in which we have many Moslem co-citizens. A successful relationship with Turkey would have profoundly positive repercussions on the rest of the Islamic world. However, there are concerns about regression in Turkey on the Copenhagen commitments that they have given. I was recently in Turkey but I am certainly not in a position to make any judgment as to how valid or otherwise the concerns are, but I know there are concerns about certain regression on the Kurdish question and some related issues of the military courts and other matters, which would have to be resolved before Turkey could ever be accepted. I think it would be a crying shame if the process of

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engagement with Turkey were derailed at this point—for instance over the Cyprus issue where rights and wrongs are to be found on both the Turkish and Greek sides. At the end of the day, which may be about 2015, the judgment that both sides will have to make may be a highly complex one. I have always had an instinct that by then there may be some alternatives, but they do not exist now for Turkey, so I think we should proceed, if at all possible, with the accession process.

Q12 Baroness Thomas of Walliswood: Could I press you a tiny bit? I was talking about public resentment. You or I may have some extremely well educated views about the reality of the situation. Nevertheless, there are people in this country whose voices one hears on the *Today* programme or wherever one reads one's news who are worried about the three issues which I have raised. Their worries may be illogical but this is all in the context of why the movement towards the new treaty foundered and so forth. It is a public opinion matter, which is really what I was trying to get at. I was just selecting those three things as three things which have come up very recently in *vox pop* type places.

Mr Palmer: I agree with you, there are some real concerns about what I have described as the malaise in public opinion, and “malaise” is probably not a strong enough expression in some cases. I think there are some profound issues. My own view is that it is probably a mistake to put all the sense of discontent into one box, whether it is migration or anything else. It is more complex than that and I think all the problem areas need addressing. I have quite strong views personally about how some of them should be addressed. Above all we need to strengthen what barely exists at the moment, a trans-European democratic polity in which citizens can effectively vote for the kind of Europe that they want and have a say in shaping even the executive, the presidency of the Commission. We need European political groups—including their European Parliament formations—to emerge as fully fledged European parties, offering serious policy alternatives on those matters which are within the competence of the Union. I entirely accept your premise that there are serious issues of public confidence. I do not myself think that accepting some of the more exaggerated accounts of the negative impact of migration is the way to address them.

Q13 Lord Tomlinson: On this question of public disaffection, your perceptions of public disaffection, all future enlargements are countries that are poorer than the existing European Union, and are therefore seen by many people to be part of a process of, on the one hand, economic dilution of the Union and the provision of a magnet to the richer parts of the

Union. If you look at this against the Copenhagen criteria, 10 years ago we agreed criteria which were said to be a prerequisite to the opening of negotiations, things like a functioning market economy—we all know the criteria as well as anybody does, but I am somewhat puzzled by what you appeared to be saying earlier, that perhaps we ought not to apply these criteria such as functioning market economy, the ability to take on all the obligations of membership, and it might be enough if people were moving in the right direction aspirationally or that they were showing some directional progress. All of those things seem to be to the man or woman in the street a statement saying we will lower our standards of decision making and of economic activity and we will actually give you an equal vote institutionally that gives you the opportunity to hold the progress of the European Union in some areas to ransom. How do we actually get over that with public opinion?

Mr Palmer: My argument is that in the most recent enlargement in some of the accession states there was less than 100 per cent full compliance with all the standards that are required of Member States.

Q14 Lord Tomlinson: But they were countries to which we had perhaps a much more deepseated emotional and historical commitment. It gets a bit more difficult the further you get away from some of those countries.

Mr Palmer: Yes, but I am not sure about the emotional commitment. I suppose you have people like the Czechs and the Poles in mind.

Q15 Lord Tomlinson: The Hungarians and the Balkan states.

Mr Palmer: I am not sure that it is possible to devise a methodology that rests simply on their geographical or historical proximity to us. When it comes to the next batch of accession states there is a question of judgment. It is not just a question of are they showing the right aspirations, are they saying the right words about legal reform, etc, but whether there is enough concrete achievement on the ground to justify that decision. I think that in the case of Bulgaria it may be a fine balance in 2007–08 but at the end of the day that judgment has to be made on the basis of not just are they saying the right things but have they done the right things. In some of the existing accession countries, I am told, there are still areas where in localities the statutes that have been passed by national parliaments on various matters affecting the internal market are not necessarily always fully operational among the existing new Member States, so there is already some dis-juncture. There does come a point where you have to say not enough concrete progress, evidence that the crooks have been rounded up, etc. I am not

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in a position—I do not know what the confidential data on both these countries are but I do believe that the same kind of judgment will have to be made later this year as to whether enough has been done. Certainly the Romanians have impressed people by the amount of progress they have made, because they were thought to be laggards. They seem to have impressed the experts, and people who follow Bulgaria much more closely than I do believe that the Bulgarians have also shown signs of accelerating the process of reform. To the extent that we believe that membership is going to extend stability, justice, democracy and all the rest of it to an area which will impact on us if they are not members, what happens there is subsequently going to impact upon us. If one could imagine putting up the Wall again for a moment, or accepting other economic and political barriers again, we would have to accept the consequences and the costs which might result. If I can just give you one tiny example of what I have in mind, I mentioned the Delors trip through central Europe in 1991. Everybody thought the greatest danger of war then—I remember the experts briefing us—might be an ethnic conflict between the Hungarian minority in Romania and between the Romanians and the Hungarians or with the Hungarian minorities in Slovakia and in Romania. The fact that they were both on track for membership has largely helped manage that or diminish those problems. There was not a comparable process in Yugoslavia, for all the reasons we know about, and we saw what the consequences were.

Chairman: While we are still on the subject of opposition, I wonder whether Lord Blackwell would like to intervene at this point.

Q16 Lord Blackwell: Listening to what you have been saying, Mr Palmer, and the attitudes of politicians and the public towards enlargement, I wonder whether in fact at the heart of this it divides into two crude views, depending on the views that politicians and the public have about the future of Europe. There is one camp of people who see the future of Europe in terms of political integration and a social market model with a heavy level of decision making and protection around it, who maybe find enlargement threatening because it makes it more difficult to imagine that integration process proceeding, it dilutes the economic integration, it makes decision making harder and some of the smaller countries see their role in decision making diluted. On the other hand, there is a camp that sees the future of Europe more as a free trade area with cooperation in the friendly club—it may be something more like your commonwealth—and those countries that have typically been in favour of enlargement because they see it as enhancing economic prosperity, enhancing cooperation and

welcome the fact that it dilutes the possibility of political integration. The Thatcher government, for example, was one of the strongest supporters of Turkey's admission. I wonder whether we will actually get to a common view about enlargement until we have a common view as to the future or indeed the futures of Europe, along the lines you originally set out.

Mr Palmer: As some members of your Lordships' Committee may know, I have strong views in favour of deeper integration and a more politically integrated Europe, and I have also been a strong supporter of enlargement, and that on your hypothesis sounds like a contradiction. I actually believe that the enlargement that has already happened and is likely to continue to happen is one factor that will demand greater future integration to ensure that it is properly managed. Even those governments that are attracted to the idea of the European Union as little more than some kind of loose free trade area continue to say "No, we have to do more and more ambitious things together as a Union." It is those same governments, not the federalists who decide that the Union should undertake very necessary but very ambitious objectives in the field of economic competitiveness, social cohesion, environmental sustainability, nor is it the federalists or the integrationists who are alone in the vanguard of those who are saying the Union must undertake far greater responsibilities in the field of energy security, energy supplies, etc. There is a strange contradiction between the language of so-called realism about Europe which says maybe it is destined to be no more than some kind of free trade area, and the ambitions being set for the Member States to act together, either through community law or through cooperation. Foreign policy is yet another area where the EU seeks to become an ever more influential player. So I do not believe that the future demands that the Union simply manages a free trade area. It lies in the belief that you can undertake all these responsibilities and simply leave the governance of the Union to the management of some kind of market economy. I do accept the implication of the question—I think I correctly saw the implication of the question—that continued enlargement will make even more urgent the necessity to find a solution to the impasse over the current European Union treaty. The draft agreed by the Convention on the Future of Europe was, in my view, the very minimum of what is needed for a Union of 25 or 27 Member States to function. Once we have 27, by the way, we cannot take any more Member States without a treaty change, by law, so these issues are not going to go away nor do I think they will be resolved into a kind of relapse into a free trade area approach. To the contrary, the nature of the challenges that modern states face and which Member States face requires a more and more political response from the Union.

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Q17 Chairman: Before calling on Lord Hannay, because I know he has some things to say about this, can I just ask you this question? With reference to what you have just said about the necessity for treaty change to go beyond the 27, do you believe that those changes which are necessary, for instance, weighted voting, etc, could be integrated into the accession treaties themselves on an individual basis rather than calling an IGC to start making a broad sweep of institutional changes?

Mr Palmer: Whenever legal questions come up in the Union's procedures I often find the ground shaking underneath my feet. My understanding has been that the kind of changes you have made reference to, my Lord Chairman, will require another inter-governmental conference, they will require some form of agreement which will have to be subject to some kind of ratification process. Indeed, almost all the cherries that various people would like to pick off the tree—others might look at the area of foreign policy, foreign minister, common diplomatic service, would require treaty change. There are matters such as a more open and transparent meeting of the Council, and enhancement of the role of national parliaments in some limited number of areas which could happen outside this process, but most of the reforms—certainly those to do with voting—would require new kinds of treaty amendment and all that goes with it. Nor do I believe myself the cherry-picking approach will be easy to negotiate because everybody wants different cherries. The package that the inter-governmental conference agreed more or less on the basis of what the Convention proposed was a very carefully crafted trade-off between all the different interests, which will not be easy to reproduce. It may be easier to add some clarifications and in particular, I think, a different use of language in those areas that have given rise to misunderstandings that have more to do with the incorporation of the old treaties into the new treaty, because some of the language is a bit archaic and does not seem to take full cognisance of recent policy developments on social cohesion, sustainability, and so on and so forth. It may be there are areas that can be tackled there but I do not think there is a way of avoiding a treaty process.

Q18 Lord Hannay of Chiswick: Not wishing to be drawn into the constructions of Lord Blackwell, because I, like you, do not fit into either box because I believe in a European Union that does more and that is enlarged, but could I ask you to comment on the fact that surely what is needed if we are looking for a much larger European Union, with the Western Balkans and perhaps Turkey, is a different policy mix. We should get away from all this talk about just about integration and free trade. We cannot have a Common Agricultural Policy as it currently exists in

a European Union of that size and we cannot have structural funds as they currently exist in a European Union of that kind. I would like you to comment a bit on some of these policies, which seem to me to require a rather radical re-shaping in the context of further enlargement but not necessarily a re-shaping which will be other than beneficial for the whole European Union.

Mr Palmer: I share with Lord Hannay a profound conviction that we need a different mix, we need an enlarged range of policy objectives. My own view on the Common Agricultural Policy is that it is a little bit maligned over and above the legitimate criticisms. Production subsidies, to all intents and purposes, are history, number one. Number two, the Union does need to liberalise its agricultural quotas. I understand progress is being made in that direction in the Doha process. The other big issue is to do with who pays for the countryside to be preserved, defended, alternative forms of rural development to occur. There is a legitimate argument as to how much of the tab national governments pick up and how much should remain part of the EU budget. I would like to see a clear limit on payments made to the largest farmers. I will confess here to holding a very unpopular position, because I believe the European Union budget is grotesquely small in relation to the objectives which even the Member States really wish for it. Given what Member States have committed themselves to achieve through the EU in research and development, the improvement of energy infrastructure, and to meet the new security challenges, I just find it impossible to imagine that a budget of not quite one per cent of GDP for 2007–13 as currently envisaged is going to be sufficient as an instrument to achieve these objectives. I appreciate there is a big argument to be had about what we want the Union to achieve. I personally believe that social and sustainability policies are extremely important in cementing the loyalties and attachment of citizens to the Union. Structural funds will have to change. It is interesting in the case of the negotiations with Turkey that it has already been made clear that the Turks will not have the same entitlement to the structural funds that under the old criteria they would have had. So we are already shifting the goalposts somewhat anyway. But I accept that we need a different mix of policies. I am not sure that all the things we need to do can simply be paid for by plugging the gap on the CAP, especially given the changes that have already happened to the CAP.

Q19 Lord Marlesford: Can you give us any feel for how much bigger you think the budget might have to be, and also, what is your view on sources of finance for it?

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Mr Palmer: The honest answer is I do not have such a figure, but people I talk with certainly believe a figure significantly above one per cent and probably above 2 per cent of GDP is necessary to meet the research and development objectives that Member States have set for the Union. I think there is a separate issue, which is, I believe, very important, as to how it should be financed. I am against the present system of financing the European Union budget, which is not transparent. It is a big political problem. I think we need a European tax. I think it is quite wrong that the European Parliament should have co-decision powers but have no responsibility for the raising of revenue. Whatever the size of the budget is, bigger or smaller than the current budget, it is anachronistic in a modern democracy that we should have an elected parliament with significant powers on spending and no responsibility for the raising of revenue. That cannot be right.

Chairman: I do not want to stray too far from enlargement.

Lord Maclean of Rogart: In your opening statement, Mr Palmer, you indicated that you thought the next enlargement, with the Western Balkans, might be and should probably be, in your view, the final enlargement. I think I have quoted you correctly. I really wanted in a two-part question to ask why should it be final, looking to the future, bearing in mind that some of the countries which you clearly did not think of as being appropriate—Moldova, Georgia and so on—should be looked at. What are the basic hypotheses that lead to that view? The population is obviously nothing like India or China. The differences between some of these countries which are not in the Union at present and some of those which we have taken in and will take in are not so great that the line is very easily drawn. There are aspirations even beyond that. I remember meeting in Moscow a representative in the European Parliament who came from the Altay province of Russia, saying, if they held the same views as are expressed in the Copenhagen criteria and they satisfied the other economic conditions and so forth, why not? Clearly, you are of the firm view not but can you help us by indicating what is the sort of quit point? If not, what else, for countries that are broadly the same as those we are looking at?

Chairman: We are talking about defining the external borders.

Q20 Lord Harrison: I was very anxious to tackle question 11, which I think Mr Palmer does want to respond to, those other forms of alternatives. I am very keen to learn from him what he thinks.

Mr Palmer: I appreciate there is something very arbitrary in where you say “not beyond this line” and so on, and I certainly would be very concerned if there was simply a vacuum beyond whatever line was chosen. My reasons for thinking there must be some

line have to do with, I think, the capacities of effective governance given the number and size of the Member States. I believe there is an enlargement limit unless we are to dismantle the *acquis communautaire*. Therefore it seems to me we need to think about what alternative can be envisaged for our neighbours beyond the Western Balkans I mean what kind of European family or Commonwealth might be envisaged to include even potentially Russia itself, as well as Ukraine, Moldova, the Caucasus and so on. Of course this would be dependent on those aspirant states sharing the same basic Copenhagen principles. But the basis of the shared community would be more limited than that set out in the various existing EU Treaties for its Member States. In the context of the EU/Russia agreement I have already referred to the four famous common spaces. They are not the *acquis communautaire*, which deals in far greater micro detail with a far greater number of issues, but they may be the issues on which the enlarged EU and its neighbours can build a shared future. So my question is, is there not a set of arrangements which would be more limited for joint decision making and even a degree of shared sovereignty which would offer the possibility to these countries to be part of the European family, to be a decision making part of the European family, not just some kind of paper exercise. It would avoid stretching the existing basis of EU integration to breaking point. Indeed it would still be possible—as envisaged in existing treaties—for Member States who wish it, to go beyond the *acquis communautaire* themselves through forms of enhanced cooperation. The single currency is one example of that already, Schengen is another, and there may be others in future. I am concerned at the deafening silence that surrounds the debate about what should happen beyond classical EU enlargement, and I think it is time that the institutions and the Member States thought about what credible alternative could be developed. The Ambassador of Kazakhstan in Brussels once pointed to a map of Kazakhstan and said to me, “We have more territory in geographical Europe than any Member State of the European Union, so we should be considered.” There has to be a line drawn between full European Union membership—represented by the *acquis*—and new ways of meeting the aspirations of countries to be “part of the bigger Europe.” It is essential that we try to meet the aspiration of those countries in the wider European family who want societies and values similar to ours. We should not want to stop that process by saying “Sorry, you are too many, the door is closed.” We have to have an alternative and at the moment it does not seem to me we have one.

Chairman: We do have one last question from Lord Dubs. I first of all want to ask colleagues who were going to ask questions whether they feel they have been adequately answered, and if not, would they like to put them?

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Q21 Lord Wright of Richmond: I have one very quick point, and that is Russia. How far is the European Union adequately taking into account Russian sensitivities? You referred to Ukraine and Belarus earlier on. Is it actually conceivable that we could satisfactorily negotiate accession for Belarus and Ukraine without causing a really major crisis in our relationship with Russia?

Mr Palmer: I think, Lord Wright, it depends partly on internal developments in Russia, where not everything has been moving forwards and some things have been moving backwards. It also depends on whether we were offering something that Russia could be a legitimate part of. That brings me back to the point I was trying to make to Lord MacLennan earlier on.

Q22 Lord Dubs: Listening to what you have said, is it reasonable to interpret your views as follows, that maybe the best way forward is to have a core Europe, 27, maybe the West Balkans, after which we have an outer Europe, and we have this double set of approaches? Is that roughly what you are saying, or what do you think about it?

Mr Palmer: To a degree, Lord Dubs, I think that probably a Union of 34 or 35 with the Eastern Balkans probably represents the full extent of the development of the Union. Within that, by the way, I think it is more than possible the various examples of closer integration among groups of countries who wish to go ahead further on their own, the single currency being an obvious one, may well evolve into a core Europe inside the enlarged Union. But then there is the wider Europe—I forget the word you used; I have called it the commonwealth simply because it is a word that describes a common community. President Mitterrand talked about “*la grande maison européenne*”. I think this big house could include some shared institutions and some real element of common decision making for the countries like Russia, Ukraine, Caucasus. As I say, this would offer a path which avoids loading the European Union to economic and political breaking point.

Q23 Lord Dubs: Would you agree that that would be acceptable to probably all the countries apart from Turkey?

Mr Palmer: Yes, and it may be that we will negotiate Turkish membership. I would only say I have met reform-minded Turks who I respect who are in the vanguard of the reform process, who say “To us, the process of getting there is almost more important than what happens after we have achieved European reform and modernisation. We may then be in a position to take a more balanced judgment as to where our final resting place is, but we do not want anything to interrupt our momentum of reform and democratisation, which is part of the European aspiration at the moment.”

Q24 Chairman: You have been very generous with your time. Could I abuse your generosity for just one minute more and put this question to you? There is a lot of talk nowadays about absorptive capacity. Would you agree that this is in fact a euphemism for political will to expand? There does not seem to be much in the way of a calculated statistical basis on which to assess the absorptive capacity. Are we really simply talking about whether or not we want to enlarge?

Mr Palmer: My Lord Chairman, some of the talk about absorptive capacity I am rather suspicious of and when I hear rather simplistic proposals that there should be some kind of GDP threshold and so on, I do not think it quite fits the realities that we are in. On the other hand, I think the Union, even at 25, let alone more, faces the need to strengthen its collective decision making, above all strengthen its democratic polity. We are moving beyond a free trade area or even a common market and have done for a long time. Our failure to agree how to do this will become more radical the more we continue to enlarge. That is not an argument against enlargement; it is an argument for balancing deepening with widening, in my view.

Chairman: Thank you very much. On behalf of the whole Committee I thank you very warmly for your excellent evidence. This has been a most interesting session and could have gone on much longer. We will send you the transcript. Thank you very much, Mr Palmer, for an excellent presentation and for the very informative and frank way in which you have answered our questions.

Supplementary memorandum from Mr John Palmer

HOW HAS ENLARGEMENT CHANGED THE UNION?

1. *What has driven EU enlargement in the past?*

- Is enlargement driven by push factors (a Union seeking to extend its borders) or pull factors (the strong wish of non-member countries to join)? Does the EU have an enlargement strategy or is it haphazardly stumbling from one enlargement to the next?

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John Palmer:

A. Enlargement is certainly not driven by any “expansionist” ambitions of the Union or a desire to enlarge its borders for its own sake. The instinctive response of EU Member States to enlargement has been—and remains—predominantly cautious. There is recognition of the powerful strategic argument for enlargement—above all that the unification of Europe brings enormous gains in terms of peace, stability, democratization and reform. But this is balanced by a desire to proceed at the slowest pace possible towards eventual accession consistent with the original promises given of membership. This innate caution is now becoming even more marked as can be measured by attempts to discourage some Western Balkan countries from the belief that accession is something which can be realized in the short term. In the case of Turkey some EU Member States have not even accepted the case for accession although accession negotiations have begun.

B. There is no evidence of a coherent enlargement strategy. There is, for example, no settled consensus on where the Union’s eventual external frontiers should be fixed. Nor is there any coherent strategy to provide a serious alternative to full membership for countries (such as Ukraine, Moldova or the southern Caucasus) where there is no existing commitment to accession. There are no clear criteria for drawing a line to determine the limits of enlargement after the eventual accession of the Western Balkans.

This poses two dangers. The first is that the EU will indeed stumble to ever wider enlargement without the governance structures, the political will or the economic and political means to ensure the success of such an “ambitious enlargement.” The second is that in the absence of a serious and attractive alternative to full EU membership, public opinion in some neighbouring European states which are judged to fall beyond the limits of enlargement may reject any European aspiration and fall prey to nationalist and anti-reform advocates.

2. *How have past enlargements changed the political dynamics of the EU?*

- How has the rise in the number of members from 15 to 25 changed the dynamics of decision-making in the EU? Are current EU institutions still functioning?
- How has enlargement affected the EU’s role in the world? Is the enlarged EU stronger or weaker as a foreign policy actor?
- Has enlargement affected the EU’s commitment to the values of democracy, the rule of law and human rights?

John Palmer:

A. The enlargement to 25 has exacerbated an already weakening “dynamics of decision making”—notably in the Council of Ministers. However it would be a mistake to attribute this solely—or even mainly—to enlargement. Rather enlargement to 25 has exacerbated an existing and unresolved contradiction: the continued willingness of the EU Member States to agree ever more onerous policy objectives for the Union without willing the means to achieve the desired ends. The “Lisbon” economic reform process and the new targets set for the common energy policy are cases in point. In particular the increasing resort to “soft law” based on inter-governmental cooperation and the reliance on the principle of unanimity in some important policy areas has opened up a worrying gap between rhetoric and actual achievement of results. The Commission’s influence has been weakened by both the downgrading of the “Community method” in EU decision making and also by the difficulties of making a much enlarged College work cohesively. In addition the more pronounced party political character of the Commission majority (a function of the growing integration of the national political cycles in Member States) has weakened the Commission’s moral authority to the extent that the Commission is seen by some to reflect a more partisan political standpoint.

B. Foreign, security and other external policies have been less affected by the problems described above than other areas of policy. In spite of the bitter divisions created by the United States/United Kingdom led invasion of Iraq, foreign policy (CFSP) and security and defence policy (ESDP) have developed in a generally positive direction. This is reflected both in the increasing influence which the EU is exercising within the international community’s response to global challenges (for example in Macedonia, Bosnia and “out of area” crises such as Aceh). However the fact that the crisis over the planned “Constitutional Treaty” has made it impossible to introduce the planned EU “Foreign Minister” and EU diplomatic service has weakened the capacity of the Union to deliver fully the Union’s aspirations in external policy.

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C. Enlargement has strengthened and not weakened the EU's commitment to the values of democracy, human rights and the rule of law. However some dilemmas and potential contradictions between interest driven policies (for example in the field of energy supplies) and those values do remain a concern.

3. *What lessons have been learned from previous enlargement rounds?*

- What are the similarities/differences between the east and southward enlargement and previous rounds of enlargement?
- Are there any lessons to be learnt from the EU's handling of the east and southward enlargement?

John Palmer:

A. There are at least two important differences between the most recent accession of the 10 and earlier enlargements. In the past, most accession candidates had established satisfactory rule of law systems and modern executive, administrative and judicial capacities prior to membership. They also had somewhat longer experience of functioning as market economies. This was less obviously the case in some of the new Member States from central and eastern Europe. However the new "southern" Member States—Malta and Cyprus—had much longer experience in running successful market economies. Reforms needed in the preparation for membership may have to continue well after accession in the case of Bulgaria and Romania. This also touches on the issue at the heart of concerns about the exact timing of the accession of both countries.

B. In the case of enlargement to the east it is difficult to see where anything very different might have been attempted. Much earlier and more generous help with the training and re-structuring of the judicial systems could have helped. In the case of the southern enlargement, there are lessons about the way the relationship between the accession of the Republic of Cyprus and the parallel process to find a solution to the political problem of the division of the island was handled. This was not helped by the fact that the United Nations, rather than the EU, held the lead position in the political negotiations.

PUBLIC OPINION AND EU ENLARGEMENT

4. *Is future enlargement possible in the face of public concerns?*

John Palmer:

Yes. Much depends on the ability of the Union (Member States and the EU supra-national institutions) to find effective responses to the domestic economic and social concerns felt by many citizens that have been wrongly linked with the enlargement of the Union. As and when the economic performance of the existing Member States improves, it will be easier to demonstrate the links between enlargement and increased prosperity. However it will be necessary for the EU to underline its commitment to social cohesion and environmental sustainability—as well as to global competitiveness—if this is to be successful.

5. *To the extent that there is public resentment of enlargement, what could lie behind it?*

Might any of the following be relevant, and if so, to what extent?

- An impression that trust and solidarity are weakened by the continued enlargement of the EU.
- Fears related to the immigration of Central and East European workers.
- Suspicion that the 2004 enlargement of the EU has created "unfair" competition in the EU single market.
- Concerns among the supporters of European integration that the continuous widening of the EU has come at the expense of "deepening".
- Frustration that the public was not widely consulted over the 2004 round of enlargement.
- A perception that the external borders of the EU are less secure and that organised crime may have increased as a result of enlargement.
- Specific concerns related to the potential accession of Turkey, a large, rather poor and predominantly Muslim country.

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John Palmer:

A. Fear that enlargement might entail a weakening of “trust and solidarity” is, without doubt, a factor which has played negatively in the debates both about enlargement and the proposed EU Treaty in a number of Member States. It has been less of a factor in those Member States—notably the Nordic countries—which have been most successful in pursuing successful reform strategies. These have been characterized by the parallel achievement of impressive levels of competitiveness and innovation combined with high levels of social cohesion, welfare, education and environment sustainability.

B. Fears of migrant workers from the accession countries have been exploited by populist politicians and the far right in a limited number of (important) Member States. However the longer the experience of the positive benefits of the arrival of (particularly highly skilled) immigrants from the new accession states in the old EU countries, the more exaggerated fears of this kind can be reduced.

C. There have been some legitimate but also some exaggerated fears of “social dumping.” This was, for example, initially an issue in the controversial EU Services Directive. However the compromise re-draft of the directive which has now been adopted by the Council of Ministers—under pressure from the European Parliament—has allayed most of the legitimate concerns about unfair competition. Some questions remain for debate. For example should not a higher priority be given to legislation fixing minimum wages and other employment conditions in what is increasingly a common European labour market?

D. The concerns about the growing imbalance between the continuing enlargement of the EU and the stagnation in its internal integration are well founded and extremely serious. The current system of governance of the EU was not really appropriate for a Union of 15 let alone 25 or 27. The controversy over the adoption of the proposed “Constitutional Treaty” underscores this smoldering crisis. There is an urgent need to strengthen decision making by Qualified Majority Vote, to re-examine ineffective areas of decision making based on cooperation rather than the Community Method, to further extend the role of the European Parliament (including a responsibility for raising revenue), and to provide for the election of future Presidents of the European Commission. Any redrafted treaty should be clearer in its commitment to democracy, social cohesion, environmental sustainability and citizens’ fundamental rights.

The problems surrounding ratification are also complex. There is a strong case for a simultaneous vote to be held in all Member States on the same date. In the case of the current—or revised—treaty this might be held on the same day as the next European Parliament election in June 2009.

E. Concerns about internal security are increasingly being voiced by the public. But these relate primarily to world wide problems—such as global terrorism—more than to EU enlargement.

F. In some Member States (though certainly not all) the Islamic character of Turkish society has been a negative issue exploited by anti-enlargement politicians. This has been compounded by an insistence by the same politicians on the historically Christian confessional character of the European Union. However there is growing public acceptance of the non-confessional, multi-cultural reality of modern Europe. Further progress by Turkey in strengthening its record on democracy, the rule of law, minority rights and related issues will help counter excessive concerns of this kind. So too will the emerging debate within the Muslim community about the development of a “European Islam”.

6. *How far is public opposition to enlargement linked to a wider, changing perception of EU integration?*

- Is enlargement seen as an elite-driven project that has been decided above the heads of EU citizens?
- By weakening their position in a wider EU, has enlargement made traditionally pro-European countries, such as France and the Netherlands, more sceptical about the EU?
- Has enlargement contributed to the impression that the EU is unable to “protect” its citizens from the forces of globalisation.

John Palmer:

A. The EU decision making process as a whole—not just enlargement—is seen by growing numbers of citizens as to some degree “an elite driven process”. That is what makes the need to develop a trans-national European “demos” so urgent. In the period before the next European Parliament elections in 2009 it will be crucial for the European based political parties to establish their legal, financial and political identity more

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clearly, to offer voters a real sense of strategic choice about the political, economic and social direction the EU should take and to be able also to offer voters a say in shaping the political character of the leadership of the Commission (by electing the Commission President from the candidates put to voters by the different parties during the 2009 election.)

B. Concern that enlargement might weaken “national influence” has been one factor behind the current malaise in both countries. However this is less important than the disillusion that voters have expressed about their own governments and political elites in both France and the Netherlands. It is ironical that the development of the European Union is increasingly held to ransom by voter revolts against governments on mainly domestic issues. This will continue to be the case until a culture of trans-national European democratic politics is developed at the EU level to allow a sharper distinction to form in voters’ minds between national and European issues. This would reinforce and not weaken democratic accountability of government at both national and regional levels.

C. There is a widespread perception that national governments (and the political parties which form governments) are becoming increasingly marginal players in the political and economic dramas entailed in the globalization of our economies. Paradoxically Member States have the potential to regulate and modify the negative aspects of globalization (as well as taking advantage of its immense positive potential) by acting collectively at the EU level. With further enlargement this will hopefully become even more obvious.

THE FUTURE OF EU ENLARGEMENT

7. Should the EU admit the Western Balkans? Turkey? Countries from the CIS?

John Palmer:

The commitment to pursue serious accession negotiations with Turkey should be beyond challenge. However it may take about a decade before both sides are in a position to decide as to whether the terms of accession are finally acceptable. In the meantime the goal of accession is essential for continuing economic, political and social reform in Turkey. Successful accession engagement with Turkey will have a very positive impact on the wider Muslim world. The commitment to pursue accession negotiations with all the states (and emerging states) of the Western Balkans is also vital if peace, stability, democracy, respect for human and minority rights and economic development is to succeed in this important region. Talks with Croatia have begun and may follow before long with Macedonia. Once the problems of Kosovo and the transfer of indicted war criminals to The Hague are resolved, the way to eventual accession negotiations should be cleared for the other Western Balkan countries.

A different solution may have to be found for the countries of the CIS. An almost endless enlargement process would accumulate potentially disastrous problems for both the EU and potential candidates. If there is an eventual enlargement to Tbilisi and Baku why not eventually to Vladivostok? However no credible alternative is yet on offer to countries such as Ukraine, Moldova, Georgia and others who aspire to eventual membership. The current EU Neighbourhood Strategy lacks credibility and substance. The EU should begin work now on the idea of a wider “European Commonwealth” to be formed by the EU and its eastern neighbours which would be based on a more limited sovereignty sharing than envisaged in the EU Treaties and consequently a more limited “Acquis Communautaire”.

There is a tendency to think of future relations with “Neighbourhood” states in terms of a purely bilateral relationship with the EU. But this ignores a powerful desire by those countries to “belong to a European community.” This raises the question of possibly creating form of joint decision making institutions which could link a further (further enlarged) EU with other members of the European Commonwealth.

Much work remains to be done on whether and how such a wider community might be created and which concrete issues would be dealt with by such a European Commonwealth. But consideration might be given to the ambitious—but unrealized—“Four Shared Common Spaces” (free trade, research and development, common legal principles and eventually common foreign and security policy) which are set out in the current agreement between the European Union and Russia. As a result Russia—when it meets the democratic and other tests—might one day be included in the wider united Europe.

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8. *Is there an inherent conflict between deepening and widening the Union?*

Can/should enlargement continue as long as the EU's constitutional project remains in limbo?

John Palmer:

Following the accession of Bulgaria and Romania no further enlargement should come into force until there is an agreement either on the proposed new Treaty or on a credible alternative which would equip a Union of more than 30 states to function coherently and with far stronger roots in democratic civil society. The Nice Treaty is utterly insufficient to allow a Union of 27—let alone more—Member States manage their collective governance.

9. *Should the EU modify its list of accession criteria?*

For example, should it add “absorption capacity” or a GDP-per-head threshold to the formal list of the Copenhagen criteria?

John Palmer:

No. A simple GDP threshold is too narrowly conceived for the purpose intended. Rather the EU should set a wider test of “absorption capacity” which relates to institutional reform, democratization and a major reform of the EU budget. The mid-term term review of the 2007–13 budget promised in about 2009–10 should have a far wider remit than just reform of existing spending policies. A budget of a mere 1 per cent of collective GDP is already grossly inadequate for the existing Union let alone one of more than 27 members. Not only should the budget be bigger (especially in support of the “Lisbon” objectives” such as increased Research and Development) but it should be based on a transparent EU tax. This should replace the existing Own Resource revenues and should be set by the European Parliament in cooperation with the Council of Ministers.

10. *Should the EU define its external borders?*

If it did, where should these borders lie? What would be the consequences?

John Palmer:

This will become essential as the process of what might be described as classical enlargement reaches its conclusion with the eventual accession of the Western Balkans countries in the course of the next decade. Determining the eventual borders of the Union, however, only underlines the urgency of the issues determining the future relationship of the finally enlarged EU with its eastern neighbours.

11. *Are there any viable alternatives to full EU membership, such as:*

- The European Neighbourhood Policy?
- A privileged partnership?
- The EEA?

John Palmer:

I have largely addressed these issues above. The current ENP is too vacuous. A privileged partnership remains to be defined but it will have to offer some element of joint sovereignty and common decision making institutions to be credible. An EEA might form part of an eventual relationship with European states not in the Union. But the present EEA was made for advanced west European market economies (notably the EFTA states) and is inappropriate in this form for countries of the CIS or (in the Mediterranean context) for the countries in the Barcelona Process).

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12. *Which conditions would have to be fulfilled for future enlargements to take place? For example:*

- More widespread use of “variable geometry” or other flexible forms of integration. Or the creation of some form of “core Europe”.
- The use of very long transition periods, permanent exclusions from certain EU policies or spending programmes or permanent safeguards for new members.

John Palmer:

A. Different forms of enhanced cooperation or “flexible integration” are already provided for in existing treaties. The euroland monetary union, the Schengen Agreement and new forms of internal security and defence cooperation already in place or under consideration by groups of Member States are evidence of this trend. Over time, these different enhanced cooperation agreements will probably fuse into a “Core Europe” based on closer integration among a vanguard group of Member States. However, as currently required by the treaties, such arrangements should remain open to all Member States to join when they judge it to be appropriate. Of course any “Core Europe” would not be free to take decisions which violate the *Acquis Communautaire*.

B. Long transition periods are already in force with the most recent enlargement. Some permanent exclusion from existing common policies is also envisaged by the EU in the accession negotiations with Turkey. This latter is, however, an undesirable development. If pursued further in future it may make accession virtually impossible. But that, in turn, would only re-raise the urgent question—“if not full membership than what?”

(John Palmer is a Member of the Governing Board of the European Policy Centre in Brussels. He was formerly the Political Director of the EPC. Between 1975 and 1983 and again between 1987 and 1996 he was the European Editor of The Guardian. Between 1983 and 1987 he was a Board Member of London Transport and a Director of the Greater London Enterprise Board.)

TUESDAY 13 JUNE 2006

Present	Blackwell, L Bowness, L Dubs, L Geddes, L Grenfell, L (Chairman) Hannay of Chiswick, L Harrison, L	Marlesford, L Neill of Bladen, L Radice, L Renton of Mount Harry, L Roper, L Thomas of Walliswood, B Woolmer of Leeds, L
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Examination of Witness

Witness: LORD ASHDOWN OF NORTON-SUB-HAMDON, a Member of the House, examined.

Q25 Chairman: Thank you very much indeed, Lord Ashdown, for coming and joining us today. I am very happy that you will be able to spend the best part of an hour with us, which we much appreciate. This will be broadcast live on the internet. A full verbatim transcript will be taken. You will have an opportunity to make the necessary corrections to it to make sure what you have said has been properly reflected in the text and we will send that on to you as quickly as we can so that we can then publish the evidence. I should introduce to you Katinka Barysh, who I think you may know already, who is our specialist adviser on this inquiry and who has been very helpful to us. She has been largely instrumental in preparing us to ask the right questions and hopefully elicit good answers. I know that you would like to make an opening statement so shall we begin with that?

Lord Ashdown of Norton-sub-Hamdon: Thank you for inviting me here. I hope I can add something to your deliberations confining myself, I suspect, almost exclusively to the Western Balkans which I shall define as the countries not already at the gates of Europe, the remaining ones: Bosnia and Herzegovina, Serbia and Montenegro, Macedonia and Albania. You have given me five minutes to speak and that seems appropriate because your questions are more important than what I have to say to you but I have three points and three subsidiary points. First of all, in the Western Balkans you have a potential success story on your hands. This has been a remarkable exercise in peace stabilisation in an area of Europe which has not only been historically deeply unstable over many years but whose instability has affected Europe at least twice in the last century, once catastrophically on the streets of Sarajevo. The Western Balkans is now—irreversibly? Can I use the word? I do not think you can use “irreversibly” for any of our nations—firmly and sustainably on the path to stabilisation. That is remarkable, given what has happened as little as 10 years ago. A million refugees returned. That has not happened in 35 years. The refugees I saw driven out of their homes in Belfast when I was a young soldier,

marching into the city in 1969 have not returned. There is complete freedom of movement in Bosnia. That has not happened in Cyprus, 25 years after the Cyprus peace conference. Elections are held absolutely peacefully under the aegis of the people of Bosnia and Herzegovina and to the highest international standards. That does not happen in the Basque country of Spain after 25 years of problems there. It is a remarkable success story. That is not to say that there is not a long way to go. But I am firmly convinced that all these countries are on the road to proper stabilisation from one of the worst wars of the 20th century in all circumstances except one. The one circumstance that could reverse that judgment would be the magnetic pull of Brussels. If the promise of Thessaloniki is not honoured. If Brussels does not honour Thessaloniki, if the magnetic pull of the Brussels institutions, the Atlantic institutions, NATO on the one hand, the European Union on the other, is weakened or reversed, then I will have to alter that judgment. The prospect of joining Europe and NATO is the one glue that holds the Balkans on the path of reform. Take that glue away and, whilst I would not say that they would track back immediately to conflict, they would certainly go back to an area of dissolution and a black hole of lawlessness. Secondly, it is in our interests therefore to maintain that magnetic pull because the consequences to Europe of anything else could be very grave. I am not going back into the history of how the Balkans can be a harbinger of instability elsewhere in Europe, although you do not have to go back to the streets of Sarajevo in 1914 to know that. We have seen very clearly the instability created by the Balkan wars in terms of floods of refugees which affected Europe as late as the 1990s. Much more important than that is the fact that the West Balkan region is a black hole which is not beyond Europe's borders. The moment Bulgaria and Romania are in, which presumably they will be, it is a black hole within the borders of Europe. Through that black hole comes 70 per cent of the trafficked women on the streets of our cities, together with a great deal of organised crime and drug traffic. I am not sure it is in

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Europe's interests to have that continue as a black hole since, the consequences of that are felt daily on the streets of our cities. This is a negative reason, if you like, for making sure that the West Balkans come in. But here is a positive one. We have an asset in the West Balkans that we do not sufficiently value and that is European Islam. It is not Islam as we see it on the streets of our cities and in Bradford, a generation or two generations old; it is Islam that goes back 400 years, and is quintessentially European in its nature. Walk down the streets of Farahadiia in Sarajevo, go to the Sanjack, and you will see Europeans who have been Islamic for 400 years. This is ancient European Islam. In the dialogue of the deaf between ancient Christendom and modern Islam, they are a uniquely valuable asset to us, acting as a bridge. What would it be saying in that wider geopolitical dialogue that we need to have if, in the one country in Europe in which Islamic people were the largest proportion, they were rejected and left behind? My case to you is very simple. We should not see the enlargement of Europe to incorporate the Western Balkan nations as enlargement at all. It should rather be seen as unfinished business within the borders of Europe. It is extremely important for Europe and the Western Balkans that we separate the Western Balkans from the question of Turkey and Ukraine. The question of Turkey and Ukraine is enlargement beyond our borders. This is about unfinished business within our borders. My second argument is very simple too. It is in Europe's interests as a mater of policy to ensure that the Western Balkans are brought in as quickly as possible. What will that policy look like, well, first of all, let me say, by the way, that if you take those West Balkan nations—I speak now of Bosnia and Herzegovina, Serbia and Montenegro, Macedonia and Albania, they have a population a little larger than Austria and, if I recall the recent figures, a GDP a little smaller than Luxembourg, this is not a huge morsel for us to swallow.—So, if you were to have a proactive policy to bring the Western Balkans in as a piece of unfinished business, what would it look like? I think it would look like three things. First, it would be a regional policy, not a country by country policy. My argument with the European policy has always been that we have treated the Western Balkans as a collection of penny packet policies applying to penny packet countries. We recognised Croatia and, whoops, we blow up Bosnia. We settled the war in Bosnia and, wham, there went Kosovo. We finish Kosovo and forget about the Presevo Valley and Macedonia. There is no problem with which I dealt in Sarajevo which was not more easily dealt with within the construct of a genuine regional policy framework. Second, if Europe wants to do this in the Western Balkans as an act of policy, it has to speak with one voice. It does not in the Balkans at present. Nobody knows who is in charge. Is it the Council? Is

it the Commission? Frankly, there is confusion and this is deadly. In Belgrade, Banta Luka and Sarajevo and Siroiki Broeg, who gives us European policy? Is it Solana on the one hand or is it the very able Commissioner looking after the Balkans enlargement, Olli Rehn, on the other? Nobody knows. This is deadly in dealing with a region which has had 1,000 years of foreign occupation. It is one of the reasons why many people in the Western Balkans, certainly in Sarajevo, if they want something to happen, tramp to the door of the American embassy rather than the European Union. The American embassy speaks with a single voice; you speak to a single person; they take their decisions in real time and they are muscular about the application of conditionality. We, Europe, put more money into the Western Balkans than the US. But we are far less muscular about applying it to conditionality. I can never understand why. If there are things we want to happen, we ought to be saying quite clearly, "Here is the money. We are prepared to give it to you. We are going to assist but you have to reform your customer services. You have to do the justice and home affairs reforms that are necessary in order to make this a lawful space rather than a lawless space". It is absolutely essential that we should take a more aggressive policy towards making things happen in the Western Balkans. If we did so, I do not think it is impossible that, within the process of the next decade or sooner, if we are prepared to be more proactive about it, this area can be part of the European Union. I fear that the view of the Commission at the moment is that we should treat the Western Balkan countries like Hungary and Poland. We set them standards; we stand aside and wait for them to finish them. When they have finished them we will let them in. But the Western Balkans are not like Hungary and Poland. These are not just stabilisation and association countries; they are also countries in which an international peace stabilisation exercise is taking place. So we should be prepared to be far more proactive about making this happen and about using conditionality to ensure it does happen.

Q26 Chairman: Thank you very much indeed. I was very interested in what you had to say about the Western Balkans being part of Europe already. They are there in the midst of us. That was brought very much to my mind when, at a recent meeting in Brussels of national parliamentarians, the Speaker of the Macedonian Parliament said, "I do wish you would stop talking about the enlargement of Europe. From our point of view it is the reintegration of our country into Europe." I think he made a very good point. When you speak about European Islam, do you think that if the reintegration of the Western Balkans went ahead at a reasonable pace this might accustom Europe to the idea of Turkey coming in

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later? In a way, this would get the European Union thinking maybe a little more benignly towards it or maybe you think that will not have very much impact?

Lord Ashdown of Norton-sub-Hamdon: I really do not know. I think that is more to do with politics than religion. In this essential dialogue, what I describe as the dialogue of the deaf between old Christendom and modern Islam, we need people who can act as a bridge. Alija Isetbegovic, the leader of the Bosnian Moslems during the war, always used to say to me, "I am a Moslem and I am a European and I see absolutely no contradiction between the two." Walk down the streets of Sarajevo and what you are in is a European city. It is an Islamic city. There are 73 mosques that I could see from my window in Sarajevo. Look at the way people dress. Look at the way they behave. I often used to enjoy going out on a clear October day, one of those wonderful days you get in the Balkans, and just observing above every little Bosnian Moslem alpine village two or three spirals of smoke going up into the sky. These were the slivovitz stills and our Moslem friends were carefully making the 10 or 12 litres of slivovitz that every house regarded as essential to survive the winter. There is something really important here. If the Committee are interested in following it, look up the European Islamic Declaration made by Mustafa Efendi Cerić in Reis Ul Ulema, Bosnia. He is talking about Bosnian Muslims acting as a bridge, advising and helping the rest of Islam to understand what it is to be European, rather than listening to their propaganda, and helping us to understand what it is to be Islamic and to have a real view in our countries amongst our people about this remarkable, tolerant, civilising religion. I think that is a very valuable asset for us to have. That is the positive side. The negative side is that we should recognise what messages we are going to be sending. If this area of Europe, this only large, ancient, Islamic population, is rejected by us, what does that say in this geopolitical issue that we are dealing with? Not the kind of thing that we want to say.

Q27 Chairman: You said with some passion that these countries should not be viewed like Poland and Hungary, for example, as far as accession is concerned. That raises in my mind and maybe in the minds of some of my colleagues the following question: are you saying that there should be any relaxation of the Copenhagen criteria or in the other conditions?

Lord Ashdown of Norton-sub-Hamdon: I am not saying that. I am glad you asked the question. That is not what I mean. We should not be prepared to reduce the standards that we require. I remember that Reinhardt Priebe used to say to me that Europe is not just a union of principles and ideals; it is also a union

of standards. I think that is very important. We should not let in any of these countries on the basis of a reduction in standards. We should proactively, energetically, in a muscular fashion help them to achieve those standards. Chris Patten used to say that the worst thing is for them to pretend they are reaching the standards and for us to pretend we believed them. And I think that is a danger. There are things we can do which will assist them down that path faster than they would otherwise go. If I look back at my time in Bosnia and Herzegovina, I think what we broadly did was to build the structures of a light level state. That required us to do a number of things, setting up a single taxation system, the combination of the two armies into a single army under state control, setting up a proper state judicial system. Almost all those required a change; none could be done by the higher representative using his powers. The only reason they did those things was because that is what they had to do in order to join Europe, and they did it voluntarily. But without that argument they would never have been done.

Q28 Lord Dubs: In mentioning that the accession of the Western Balkans should be seen more as unfinished business than as the same process that has encompassed Romania and Bulgaria, would you say that Croatia was part of that unfinished business or was it in a different category? More particularly, how would the process of accession for the Western Balkans be related to that of Turkey?

Lord Ashdown of Norton-sub-Hamdon: Croatia is, for all practical purposes, there. Croatia has travelled down this path. The moment that the European Union said that Croatia was going to join, a shock wave went through the Balkans for two reasons. First of all, they said Europe was serious and, secondly, we can do it. That was the message Croatia sent and it was extremely powerful. When that wobbled a bit, the opposite effect was very evidently felt. So I do not include Croatia in the phrase "the Western Balkans." I am presuming that Croatia is in, and the rest will follow the path that Croatia has followed. I think there is now a growing realisation, particularly amongst the Serbs, that the way they can live together again is not by changing borders, but by being in Europe. I used to sometimes tease them about it. I would go and make speeches and say, "The question for you is very simple. Do you want to be with your fellow Serbs in Belgrade?" Long pause: "On the way to Europe, if you do this is what we have to do. We have to combine the armies" and other things which are very difficult for them to do. The rest of the Western Balkans will be tramping down the long road that Croatia has already gone down. But it should be more proactively assisted by us in the process. On the Turkey question, my whole point is that the two questions should be separated. Whether

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or not it has an impact for Turkey afterwards you are a better judge than I. I know the Western Balkans. But about issues in Turkey I know far less. It will be up to others to make the judgment as to to what extent this will influence the question of Turkey, which is clearly a much larger question. We need to delink these two. In terms of the Thessaloniki promise, the sound I hear at present from the Chanceleries of Europe is the sound of running feet, removing themselves from that promise as fast as they can. And that message is not lost in the Western Balkans.

Q29 Chairman: We have the Croatian chief negotiator, Vladimir Drobnyak, coming to this Committee on 4 July but the fact remains that Croatia could not sign if the European Union does not make the institutional reforms necessary to get us beyond the Nice Treaty. That is a heavy responsibility.

Lord Ashdown of Norton-sub-Hamdon: Yes. One of the things we tried to set up in the Thessaloniki deal which I do not think has ever been fulfilled is that the people who can best help the Western Balkan nations down the path of stabilisation and association are those people who have most recently done it. Therefore, encourage Croatia to send people in to help with the privatisation process. These are painful, economic processes in a country where you have high unemployment and a stagnant economy. The people who can help most are precisely those people, including from for instance Hungary and Poland *et cetera*, the people who have been down that path. Those are the people who can provide the practical help better than British High Representatives parachuting in from London.

Q30 Lord Blackwell: Could I draw you out a bit on the issue you mention about not relaxing standards? There is a tension between wanting to encourage them and, on the other hand, not going too fast, setting unrealistic expectations. If you think about the experience of Bulgaria and Romania, which arguably were less prepared than other countries have been, what do you think are the biggest challenges, the biggest obstacles, to learning the lessons from that that we need to get right before we say those countries are ready to enter? What kind of timescale do you think we are looking at to achieve that?

Lord Ashdown of Norton-sub-Hamdon: I am not sure I am tremendously well equipped to discuss that if what you mean is what are the institutional problems from the Brussels point of view. If I am viewing this from the Sarajevo end of the telescope. I can say the toughest nuts we have to crack are in the justice and home affairs area and the economic area. We have done the rest, by and large. We have built the

structures for a light level, highly decentralised state. There are issues about improving the quality of the Civil Service which is an essential part of a democracy that we all want to see in Europe. There is a question about cleaning out the deep level, endemic corruption which has grown into the system because we did not make the rule of law priority number one straight after the war. We made elections priority number one and that has meant that the political space remains highly corrupt. Interestingly enough, those who used to work for us in Sarajevo who came from East Germany, Bulgaria and Romania said that it was not significantly different in terms of corruption from what occurred in those countries post the fall of Communism. Those are all issues that have to be dealt with but the two big ones, it seems to me are the justice and liberalising and the economy. The first is not only big; it is also difficult and very painful. In a country where unemployment, in official figures, is running at 40 per cent and pensioners are living off £30 a month, it is quite a lot to ask the Prime Minister to introduce laws which are going to make more people unemployed in the short term. I sometimes used to think we asked the Prime Minister of Bosnia and Herzegovina to do something which Tony Blair, with a fully fledged Civil Service, an active economy and a very strong, powerful, democratic structure, would find it difficult to do. There is more pain to come. Liberalising the economy; there is the privatisation of the electricity generating sector and so on. I think they can do with a lot of help there. It is going to be quite tough. Then there is the justice and home affairs side, ranging right the way through from having effective regional cooperation, to having properly functioning courts and an uncorrupted judicial structure. I think what we did in Bosnia and Herzegovina over a very brief period of three, three and a half or four years was produce a judiciary and a judicial structure which may well be the least corrupted in the Balkans. That was because of our engagement. There is a huge mountain to climb to achieve that in Serbia. And we have a long way still to go in Bosnia. But there is a much bigger mountain still to climb to achieve that in Serbia, Montenegro, Macedonia and Albania, as we all know.

Q31 Lord Blackwell: Are they realistic timescales?

Lord Ashdown of Norton-sub-Hamdon: It depends. How fast are you prepared to move? If we sit here and play the same game as we played in Hungary or Poland and say, "Look, guys, there it is. We will give you a pot of money. Get on with it", you are thinking decades or at least a decade. If, on the other hand, we are prepared to say, "It is an act of European policy. This is unfinished business. You are a relatively small morsel. We are going to make this happen. We are going to make sure that this is done. We have a chunk

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of money here. Here it is, but you have to move much faster than you did in Hungary and Poland”, and if we are much more proactive, we can shorten that timescale.

Chairman: Let us go back to one issue which you raised in your opening remarks when you spoke about the obvious advantages of the reintegration of the Western Balkans and some of the problems. I know Lord Marlesford wants to raise issues about public opinion on this issue.

Q32 Lord Marlesford: In your introduction, you expressed some concern that it was not clear whether the Commission or the Council was really in charge of carrying the project forward. You did not mention public opinion in the nation states. The evidence seems to be, in as far as there is interest in the Western Balkans and the other countries, it is pretty ambivalent as to whether they are for or against.

Lord Ashdown of Norton-sub-Hamdon: They will be against.

Q33 Lord Marlesford: If it is going to be a problem in the case of Turkey, it is probably an overwhelming or a very significant factor. How important do you think it is, in which countries in particular, and what can be done to improve the image of the Western Balkans if there is an image problem?

Lord Ashdown of Norton-sub-Hamdon: There is an image problem and if we leave this space unfilled by the leadership or the shaping of public opinion by our leaders, the Western Balkans will fall down the same hole—it probably is already close to that—as the Turkish question in terms of public opinion. That is why it requires us to make the exception and to be able to argue the case on the basis that this is in Europe’s interests. The effect of this area of instability within our borders is felt within our own cities. If you leave it unfilled by opinion and leadership, the answer is it will fall into the same hole and we will pay a price for that. I cannot deny that if you tramp around the streets of London and say you want the Kosovars to be part of Europe you are not going to get a very good answer in terms of political support. But I do not believe that this issue is lost if there is sufficient leadership shown. We should just say that this is part of unfinished business and the Turkish question is a separate issue.

Q34 Lord Marlesford: You do not want a referendum or anything like that?

Lord Ashdown of Norton-sub-Hamdon: We are committed to a referendum or at least some of the European nations are—France in particular.

Q35 Lord Marlesford: France is not on Croatia, for example?

Lord Ashdown of Norton-sub-Hamdon: No, but Croatia fell the other side of that. Bosnia and Herzegovina, Serbia and Montenegro, Macedonia and Albania certainly would be. I concede it is not going to be particularly easy case to argue before the court of public opinion in a referendum. I passionately believe that it is a case that still can be won if we are prepared in the terms I have been talking about. I listen to the statements coming out of Paris, Berlin and The Hague. I think things are moving in the opposite direction. Some of the more recent statements about the Western Balkans et cetera have not been statements consistent with the kind of case that I have been arguing and that gives me great cause for concern. I want to repeat that, in my view, Europe has paid heavy prices in the past for instability in the Balkans. I do not want to be so naïve as to suggest that that could happen again but there is absolutely no doubt that this relatively small piece of unfinished business, if it is left unfinished and things begin to move in the other direction, is something we will pay a price for.

Q36 Lord Neill of Bladen: I want to follow up what you said about corruption. You used the phrase “endemic”. Are we talking about corruption which extends into the legal profession and the judiciary, into government service and commerce?

Lord Ashdown of Norton-sub-Hamdon: Yes.

Q37 Lord Neill of Bladen: Right across the piece?

Lord Ashdown of Norton-sub-Hamdon: Of course. First of all, it was there beforehand, we have to remember, in the Communist system. Secondly, they have been through a war and after a war following like a dark shadow, comes corruption. You do not have to look first at the Balkans to see that. You saw it in Italy, France and, God knows, you saw it in Britain after the Second World War. War breeds corruption. If there is a lesson about peace stabilisation and nation building, the very first thing you should do from second one, moment one, after the midnight hour when peace arrives, is begin to dominate the security situation and establish the rule of law, even if you have to do that quite brutally in the early days by martial law, until your police forces arrive. If you leave that—let alone seven years which is what happened in Bosnia—even a matter of weeks, as happened in Kosovo, that space will be filled by the corrupt forces. If you then are foolish enough to believe that the first thing you need is elections—we do that because we have a decent, liberal embarrassment about occupying somebody else’s country—or alternatively because we feel we have to get the troops home by Christmas and elections are the way to do it, then what you do is elect the criminals. They are the most powerful people around. Then you have even worse problems. In

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Bosnia and Herzegovina we started that fight back in 2002. If you leave seven years for the criminal structures of wartime to get themselves embedded, do not be surprised when they turn out to have infected the very marrow of the bones of the political structures. Then it is God's own difficult job to get them out. We are winning in Bosnia with the establishment of courts with international judges, prosecutors, new codes of practice, new criminal codes and so on. We are beginning to beat that back. But it is a very tough proposition.

Q38 Lord Hannay of Chiswick: Is absorptive capacity just a cop-out by the European Union Members who do not want to enlarge or is there any aspect of that concept which has crept into the fringes of the Copenhagen criteria, though not a criterion, which needs to be taken seriously in the context of the Western Balkans?

Lord Ashdown of Norton-sub-Hamdon: It needs to be taken seriously in this sense: that there is an absorptive capacity limit to public opinion. Is there an absorptive problem in terms of can the European economy absorb another economy, a little smaller I believe in GDP than that of Luxembourg? Of course it can. Can our institutions do it? There are issues related to the governability of the European structures, but they are not related to the Balkans and that is not going to make them significantly worse. There is an absorptive problem in terms of what the public opinion is prepared to accept; and that is an issue. I understand why people feel the necessity to respond to that. Maybe if we had had a referendum here we would feel the same way. Let us recognise "absorptive capacity" for what it is. It is about public opinion being prepared to absorb the idea that, amongst the European community of nations will be included some of the nations of the Western Balkans. I just do not believe that is a particularly difficult argument to win if you are prepared to go out there and argue it. Your question was: is it a cop-out. Yes, it is a cop-out in my view. I am sorry if that makes me somewhat undiplomatic with people who helped me enormously when I was High Representative there but it is. Just as Croatia was given the go ahead, a huge surge of optimism which was quite palpable was felt throughout the Balkans. I was trying to get police reform through the very day the French referendum was announced and things moved in exactly the opposite direction. These things are listened to with a very careful ear out there.

Q39 Chairman: It was very noticeable in Croatia that when the problem of General Gotovina was at its height the trend in public opinion was going fast against membership of the European Union. The moment that he was in The Hague it went up again.

Does that mean that same would be the case in the Western Balkans?

Lord Ashdown of Norton-sub-Hamdon: I think Gotovina is a slightly different case even than Karadzic and Mladic. We have done a lot of work to alter public opinion. One of the things we did when I was in Bosnia and Herzegovina was require the Serbs to write their own history of Srebrenica. When that happened, the then Republic of Serbska President, Cavic, a man who has shown extraordinary courage, made a statement saying, "We did this". It was not quite Willy Brandt at Auschwitz. But let us reflect that it was 10 years after, not 27. It took a great deal of courage to do it. Cavic told me that the publication of that report and other things like the famous video of the Moslems being shot and so on, really has begun to change public opinion in Serbia. I do not say permanently or even about everything. But about Karadzic and Mladic in particular. We saw a significant shift in public opinion as a result of those events so that it became politically much more acceptable amongst Serbs to arrest Karadzic and Mladic than previously was the case. I do not think there is anybody now who occupies the same position as Gotovina did in Croatia.

Q40 Lord Renton of Mount Harry: The new German Chancellor, Angela Merkel, has won herself quite a good reputation fairly speedily for her intelligence, for thinking of new solutions to old problems and so on. Now she is suggesting that the Western Balkans could possibly be offered a privileged partnership instead of full EU membership. Following Lord Marlesford's question about the clear either hostility or lack of interest of many Europeans at the moment in having the Western Balkans as Members of the EU, could a privileged partnership work and, if so, what do you think it would look like or do you just think it is another cop-out?

Lord Ashdown of Norton-sub-Hamdon: Could it work? You can make anything work if you want to, I suppose. Let us recognise it for what it is. It is not membership. It would be seen in the Western Balkans as the closing of the door. I think it is a euphemism for something close to that, to be very honest with you. I think it means that the magnetic pull that has been the lever to make all these things happen, the glue that keeps it on the road of reform, would be very significantly weakened. How much? I cannot tell you at this stage. What does it mean? I do not know. I know what people in the Western Balkans will say, "We knew you were not serious about this. You left us out to dry in the past and here you are renegeing on your promise." Just go back and look at the Thessaloniki promise. It is a very clear promise indeed. I helped to write some of it. It was a promise that, if you reach the standards, you can join. This will be seen I think as a retreat from that.

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Q41 Lord Roper: If the credibility of the enlargement process were weakened, what would you summarise as the impact on the political and economic development of the Western Balkans?

Lord Ashdown of Norton-sub-Hamdon: I wish I could summarise that for you. In Bosnia you will be left with a double headed monster. The state structures will cease to grow to a point where they can govern the state effectively. The move to reduce and diminish the power of the entities and strengthen the power of the state will be significantly diminished. Inevitably, that leads you back to internal chaos, no single economic space, rising contention between the two entities. I would have thought it highly likely at that stage that the Croats who have put aside their call for a third entity because of the European prospect would say, "We want an entity of our own." The consequence of that will be ethnically pure spaces beginning to be developed in Bosnia and Herzegovina, an absolute catastrophe, in my view. That will lead you back over time to where you do not want to be. There is a possibility that Seselj and his radicals are already seeing some rise in support. People like Tadic and, to a certain extent, Kastvica, the reformers, the pro-Europeans, will be lost. And I think Serbia would be pretty well bound to track back towards more radical policies. Inevitably, the context in which you might find a solution for Kosovo would be altered and your chance of finding a solution will be less. We have to ask ourselves what that means for Macedonia, always the great bomb ready to go off in the Balkans; potentially far more dangerous, in my view, than the others. And in the Albanian communities of Tetova and Gostovar, just over the borders from Albania. I am sorry to be so apocalyptic about this. There has been miraculous progress in 10 years since those terrible wars and all the things we have seen happen would go into reverse.

Q42 Chairman: That is a convincingly doom laden scenario following on Lord Roper's worst case scenario. Is it not the fact that the problems of nationalism still exist in the region, whether or not that worst case scenario comes into being, and the question is how the remnants of nationalism would fit into a European Union which is based on reconciliation and sharing sovereignty. Are there going to be more unresolved questions of borders, nations and territory? After all, we can see from the experience of Cyprus that the European Union is going to be very careful about importing any of these unresolved questions.

Lord Ashdown of Norton-sub-Hamdon: I am not entirely certain why since we have enough inside our borders already. The problems of nationalism exist in Northern Ireland. It exists in Spain, in Cyprus, in the Liga Norda in Italy. Europe is not a nationalist free space. The great genius in Europe, it seems to me, is

that it has provided an over-arching structure in which the destructive forces of nationalism are more easily contained. As far as the nationalists are concerned, I suppose I was criticised in Bosnia more than anything else for "working with the nationalists". The fact that they won an election did not give me anyone else to work with by the way. The so-called reformers, the SDP, somehow never forgave me for not having put them in power after an election which they lost, inconveniently for them. Here is my view: I think with post-nationalist struggles or nationalist wars what starts off as a nationalist movement, as you develop more conventional politics, either migrates to become a centre right political force or disaggregates into the political forces that make it up. Solidarity is one example. ANC is another. I always argued in Bosnia that the nationalists, if they were responding to the reformed European agenda would themselves internally split. That is exactly what happened. As we pushed them down the necessity to do these things—unify the army, create a single VAT system, create a single judiciary et cetera—what happened was that the nationalist forces within Bosnia and Herzegovina began to split as between the old recidivists who always wanted to return to the past and the new reformers. I do not say they did it with joy in their hearts, but they understood this had to be done. Over the border from Herzegovina there was a classic example of a nationalist party becoming a perfectly conventional centre right pro-European party. I am talking about the HDZ of Tudjman. The HDZ of Tudjman and the HDZ of Yugoslavia are two completely different things. Why? Because it was necessary to do that in order to get to Europe. That was a migration they had to make. There is an antidote, it seems to me, to nationalism and that seems to me to be the structures of Europe which are over-arching. The realisation amongst the Serbs that they could be together with their fellow Serbs without altering a border was a crucial realisation they had to come to and that more than anything else unstitched nationalism.

Q43 Baroness Thomas of Walliswood: You have made it clear that you think that some of the risks in this process are the risks of lack of interest and determination on the part of the existing Members of the European Union. What about on the other side? What are the risks from the area of the Western Balkans? You were talking about nationalism. What about ethnic problems? Could they derail an attempt to get the Western Balkan region into the European Union? What about organised crime which you dealt with in the context of public opinion but less in the context of what goes on? Can you think of other things which might derail the process, not from the

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side of the European Union but from the side of the Western Baltic nations themselves?

Lord Ashdown of Norton-sub-Hamdon: This is still very fragile. I have said to you that I thought this process was sustainable if the magnetic pull of Brussels continues. I did not think it was likely to be reversed. These are fragile times. The election of a Seselej government in Serbia could easily do that. If Kosovo ends in blood and disaster, that could do it; or if Jukanovic suddenly discovers, as I think he probably will over time, that the dissolution of the state union was not a particularly good idea for a country of 600,000. The truth is that Montenegro was separated from Serbia on the basis of Albanian Moslem votes. If the Serbs do not accept that, I always thought that Montenegro would not be safely taken—I am probably going to be wrong—into a dissolution of the state union except with a majority of orthodox votes which Jukanovic did not get. In Bosnia something could happen at any moment. There could be some outrage. There could be some ethnic issue. You have to deal with the balance of likelihoods and I do not think that is a particularly likely thing to happen.

Q44 Baroness Thomas of Walliswood: The prize is worth the risk?

Lord Ashdown of Norton-sub-Hamdon: I do not think we have an alternative. The risks attached to the alternative, which is turning our backs and letting it go back to what it was, are far greater. The thing which amazes me about the Balkans—I went back and lived with the refugees so often, in homage more than anything else—is this extraordinary thing that people just get back to living their lives. Sometimes we underestimate how much higher the threshold of pain of Slavs is than ourselves. To go back to Srebrenica and visit those villages with all women—all the men have been killed—living amongst their Serb neighbours again. And the Serbs are back in Drvar and are now running the council with a Serb mayor. How do they do it? I remember I went to stay with a 78 year old man called Ahmed Setkic in a tent above Visegrad and above the Drina river. I said to him, “Why do you come here after everything has been killed and the house has been burned?” He said, “It is the third time in my life this has happened. It happened first with the Germans in 1943, second with the partisans in 1945 and now Arkan. He was the worst. But that is my life. I have come back and made my peace and live amongst my neighbours again.” I could not do it. So yes, the balance of probabilities is that this thing can continue, providing we can keep this exogenous force in place. It has been a miracle so far.

Q45 Lord Geddes: I am conscious that you have emphasised several times the importance of looking at the Western Balkans as an entity in itself—my

words, not yours. Nevertheless, there are individual countries within them. I would like to ask your opinion as to the result of the referendum last month on the division between Serbia and Montenegro. Do you think it will go smoothly? What impact do you think that referendum result will have on the accession prospects of those two?

Lord Ashdown of Norton-sub-Hamdon: You tempt me into prophecy and I would prefer not to be tempted. I bet there are very few people who observed the fact that the old Jukanovic, who is an interesting man in many ways, was required to get 55 per cent and got 55.42 per cent. I bet there were some sucked teeth around the Balkans as a result of that. But it has gone more smoothly than I thought it would. The worst outcome would have been 53 per cent or something like that. So it is probably okay for the moment. Both sides, Serbia and Montenegro, said to themselves, “We will find it easier to make the changes to get to Europe without the other encumbering us.” Possibly there is a more rational viewpoint in Belgrade than in Podgorica. I do not think there is any way we could have stopped Montenegro going for independence. By the way, I was not in favour of trying to stop them. I am not sure whether a country of 600,000 like Montenegro is not going to find in a couple of years’ time that the breaking of the relationships with Serbia may not be quite as beneficial to it as it thought it was. But there is no doubt that Podgorica believes that without the appalling hand of Belgrade sitting on top of them they will make the journey to Europe faster. We will wait to see whether that develops in fact.

Q46 Lord Bowness: Looking at Kosovo and the negotiations about its final status, what do you see as the risks and opportunities of the various options and the possible outcome? What, if any, position should the EU be taking on that? Do you think the Member governments will all take the same view? What is your view of the outcome likely to be?

Lord Ashdown of Norton-sub-Hamdon: I wish I could take refuge in what I used to say in Bosnia: this is beyond my pay grade. I have to enter a caveat. The current situation in Kosovo is not something I am completely up to speed on. If I can give a relatively spare answer to your question I would be grateful. In foreign affairs and particularly in peace stabilisation, wherever you pretend something is a truth which everybody knows is not a truth, you remove yourself several steps away from finding a solution for it. We pretended that it was a possibility that Belgrade could run Kosovo again after the Kosovo war. I think that was complete nonsense. Belgrade lost the moral right to govern Kosovo only on the basis of five per cent of the population after what happened in the Kosovo war and we should have said so. Secondly, there is a message about peace stabilisation

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which is that if you can create a common destination around which the constructive forces can gather your chances of reaching a solution are better than if you do not. In Kosovo we refused to say what the outcome could be and the result is, as some of us predicted at the time, that the destructive forces filled the space. I wrote a paper in 1999, just after the end of the war, with Senator Joe Biden which we sent to our governments. We were arguing then for standards before status and if it had been instituted then I think we would have had the leverage to move forward rather than doing it later. Given that none of those things happened, I personally was extremely attracted to the Amato Report. I am going to make myself very unpopular now. People often used to ask me, "Is Bosnia ever going to be a state?" I said, "It is not going to be a state like a classic, European nation state with centralised structures", but Europe allows states to exist that are no longer the classic Westphalian state. That is the genius of Europe. I used to sometimes think that if Belgium applied to join Europe today it might well be turned down on the grounds that it had insufficient attributes of statehood. That is a joke, it is not meant to be taken seriously, Belgium Ambassador, please. The fact is that in our modern world there are some states which you are going to have to accept that, you make a trade off between efficiency and efficacy in order to contain the religious or ethnic forces that exist within that so-called state, and that is certainly true of Bosnia and it might be true of Kosovo as well. The Amato Report suggested why we should not require Kosovo to become a state before joining the European Union. And then the question is solved regarding the European Union. I personally found that rather imaginative and rather constructive. How this plays out, I do not know. The one thing I would hope it does not play out with is an exodus of Serbs in blood and if we can manage that, we are doing quite well. There are some problems in Foreign Affairs for which there is not a solution except time and it may well be that, as with Montenegro and Serbia, we need to give this time and the European structures will enable it be resolved peacefully. The one thing I am firm about that should not happen, however, is to create two entities. There are those who propose that Kosovo should be divided into two entities and this I think is very, very dangerous. Entities can exist, they do exist in Bosnia-Herzegovina, where they remain fundamentally, even if not predominantly, multi-ethnic spaces. In Bosnia-Herzegovina there are Croats and Serbs Bosniacs living in the two entities and they are in government. Bosnia is less multi-ethnic than it was before the war but it is still a multi-ethnic space. Wherever you allow mono-ethnic spaces to be created in the Balkans you are almost always moving in the wrong direction. If you simply say, let us divide

Kosovo in two. Let us call everything north of Mitrovica the Serb entity and everything to the south the Kosovar Albanian entity what you would be essentially doing is saying there is nothing you could do that would stop northern Kosovo migrating to become part of Serbia. We all know that the Kosovo Albanians and the Albanians do not love each other very much so that would be a rump they would not join Albania. Nevertheless, you would be creating mono-ethnic spaces and I think that would not be the right way forward. My view is that we will have to have some form of independence in Kosovo. We should get rid of the idea that Kosovo can be run in any sense, from Belgrade. We could then use the structures of the European Union to find a solution. The one thing you do not do is go for two entities, I think.

Q47 Lord Marlesford: It is really a follow-up from the answer you have just given. What do you think is holding up the process of Bosnia becoming a viable state at the present time?

Lord Ashdown of Norton-sub-Hamdon: The Dayton Peace Agreement. I am not a critic of the Dayton Peace Agreement. It was the right thing at the time and I think all the compromises made in Dayton were essential at the time and, by the way, I think they were essential for the first phase. My job was to protect the Dayton Peace Agreement, I used to remove people from their jobs because they were acting in a way contrary to Dayton. I think it was the necessary superstructure within which we could construct stability in Bosnia for the first 10 years and I would not want to see it changed. The moment that Bosnia was on the road to Europe within the European superstructure, then the next thing is we have to make it a functioning European state in the European model. How can it be so when it has five presidents, 11 prime ministers, 11 ministers of the interior, 11 ministers of education, 11 ministers of health and 13 police services in a country of three and a half million people. In the federation of Bosnia Herzegovina they spend 70 per cent of the citizen's taxes on government. It is a desperately poor country where the health services are of Third World standards. How can you possibly win in Bosnia-Herzegovina the loyalty of Croats or Serbs, who fought against the state existing, if the state cannot even provide them with the good things that they want to have as part of the citizens of that state. You have got to create a genuine functioning state in Bosnia-Herzegovina that functions efficiently for the benefit of the citizens. That means taking this monster that was created by Dayton in the next phase and changing that into a state that looks far more like Belgium or Switzerland decentralised and with checks and balances built into it. But not this monstrous taxation gobbling structure which is there at the moment. The next task

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is constitutional change in Bosnia, it could not happen before. But it has got to happen now.

Chairman: During our last 10 minutes, which we have come up to, could we sound you out a little bit on accession procedures. You have got some views on this. Lord Renton?

Q48 Lord Renton of Mount Harry: The question on my paper is are the Stabilisation and Association Agreements the right instruments to lead these countries towards accession? I rather gather from remarks that you have already made that you think they are not. Would you like to amplify?

Lord Ashdown of Norton-sub-Hamdon: We played around with the idea when Chris Patten was there and also with Ollie Rehn as to whether or not we could alter the Stabilisation and Association structures. They were created for a different subject than the West Balkans and we thought could we have a “path to Europe” programme or something which would be a bit more muscular and targeted. In the end, we concluded that we did not have to; that provided the will was there to use the levers that we have in a more muscular fashion and provided there was clarity about the division of labour in Brussels and providing there is clarity on the ground as to who spoke for Europe, then the Stabilisation Association process could be adapted to meet the requirements of the West Balkans. I think the short answer to your question is they could be changed, but they do not have to be. We can live with what we have got. The one thing I think which has to be changed is the question of who is in charge. I was the European Union’s Special Representative and the Higher Representative. The fact that I was a High Representative invested with the Bonin powers, gave me a natural ascendancy in the international scene. But the moment that the Higher Representative ceases to exist, there is a dichotomy in the European voice and, I have to say to you, a competition. I could see that competition, I could see the Commission beginning to manoeuvre to try and take up some of the ground which was the EUSR’s ground. We resolved that issue in Macedonia because the Commission’s head of mission is also the EUSR; so we have doubled-hatted him, that is a very good solution. You could not do that in Bosnia-Herzegovina unless the person who was doubled-hatted was a Council representative because the Council’s assets in Bosnia are by far and away the more heavyweight ones; they have got the whole of the European Union Police Commission, they have got the EUSR. The Commission tells me for constitutional reasons whilst the Council can submit to the commissioner being double-hatted, the Commission cannot submit to the Council. They are saying we can have a double-hatted EUSR but it must be a Commission person, it cannot be a Council

person. I think that is absolute nonsense and I cannot believe that the Union cannot find a way around that. And if I know Ollie Rehn well enough, and I am a big Ollie Rehn fan, I cannot believe that if he and Mr Solana were to sit down and sort out a single head of the European mission, the European efforts in Bosnia-Herzegovina, who is a Council EUSR who is also head of the European Commission mission, and that is that is the right way to do it. I cannot believe there is a bureaucratic opposition to that in Brussels, although there is I have to tell you.

Q49 Lord Renton of Mount Harry: Others might believe it was rather typical.

Lord Ashdown of Norton-sub-Hamdon: I can say this since I come amongst you un-muzzled. You just try being at the other end of the European Foreign Policy. I have been for four years at the sharp end of the European Foreign Policy-making mechanism and it is a very tough experience to get that organisation to make decisions in real-time. When I went to Bosnia-Herzegovina people said to me “you know, Paddy, it is like herding cats” what they meant was I would have to spend most of my time herding the Bosnian cats behind. But I spent far more time getting my international partners to speak with a single voice, and that does not just mean Brussels, it means Washington, Moscow and Tokyo and Ottawa as well. I spent a very great deal of time in Brussels making sure that we had got the machinery together and when I said something we all agreed that it was going to happen.

Chairman: We are going to see Olli Rehn on 10 July so we might put that question to him.

Q50 Lord Harrison: My question is, are the EU’s funding mechanisms adequate to help the countries on their path towards membership, but in the light of your very interesting observation that more money has gone to the Western Balkans from the EU than from the Americans, but with less conditionality, perhaps the question should also be are the mechanisms properly framed to help these?

Lord Ashdown of Norton-sub-Hamdon: There are three answers to that question. The first is that it always struck me as being somewhat curious that as you get into candidate status, the money coffers are opened up and you get far more than you do in the stabilisation. Now is the time they need it. We did talk with both Chris and Ollie as to whether or not it would enable us to adequately frontload some of the money into the SAA part of the process, and I think that makes sense. There is enough money. The issue of conditionality is an issue of political will, it seems to me, not an issue of the volume of the money involved. I will give you an example. The biggest thing we had to do—Lord Marlesford’s question

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again—was to change the constitution in Bosnia-Herzegovina. We tried to do that just before I left. And we made some success and we worked very hard, the Americans were really the heavy weight lifters in that process, they were absolutely essential. The Commission said, “This is nothing to do with us. Constitutional change is nothing to do with us, we did not do that in Hungary and we did not do it in Poland. We are not getting involved in this”. So on the biggest rock we had to move we could not use the biggest lever that we had, which was the Commission. For theological reasons that has been changed. Ollie Rehn has now said we should be getting involved in this, and I am very glad he has done so. But at the bureaucratic level at the time in the Commission, they said “we are not going to get involved”. This was manifest nonsense. If you want to be a European country, you have to have a constitution that broadly matches the European Constitution and having 13 prime ministers does not do it. That is the first point. It is about political will and being prepared to push the envelope and get yourself involved in broader political issues. The second thing, which is extremely nerve wracking to deal with, is that the Commission always delivers their money a year later. At month seven in the financial year you might just be getting the money that was pledged to come to you at the start of the financial year, and that makes it impossible. I had to do things which were extremely difficult, and in some cases dangerous, to keep the European Union project going in Bosnia-Herzegovina. I had to siphon funds at one stage from the OHR funds into the European team in OHR in order to keep them employed because the European Union was not paying up. I could have been criticised by the economic experts who oversaw our operations, fortunately they did not. They understood why. And the whole thing worked out okay. There is that and our incapacity sometimes to work on a real-time basis. There was another point I wanted to make but I am afraid it has slipped my mind, if I recall I will come back to it.

Chairman: If we may take one more moment, let us give the last question to Lord Hannay.

Q51 Lord Hannay of Chiswick: Regional integration in the West Balkans. I rather gather from some of your earlier answers that you were basically rather reluctant to do this. Do you not think that there is at least a risk that the more you do on a regional basis then you are putting the accession process perhaps at the mercy of one of these countries which really does have a major problem which we cannot overcome in the same timescale as the other ones? Granted that there are probably not going to do much trade with each other, they are going to do most of their trade with the rest of Europe. To what extent is the regional

integration issue a really important one or is it a bit of Brussels window dressing?

Lord Ashdown of Norton-sub-Hamdon: The problem is we have not got a regional approach, not that matters on the ground. We have a theory of a regional approach but we do not have a practical one. I am not saying that we should therefore slow the train and they only get in when the slowest one gets in. I think we should be very tough about meeting the standards but we should say the first one who meets the standards gets in. The regional approach I am talking about is in justice and home affairs. The fact of the matter is that Belgrade’s criminals are Banja Luka criminals. There is no difference between the two. The fact of the matter is that the Western Balkans is a multi-ethnic criminal space. It may not be a single economic space but it is a single criminal space. They have no difficulty passing trafficked women from Muslims to Serbs to Croats and into Europe. I often think it is a kind of criminal. You deliver to one end of the pipeline what you want to get into Europe and it comes out the other. The fact of the matter is, that even if you were to solve the rule of law in Bosnia-Herzegovina, you would not have solved the problem we see in our inner cities, unless have also done it in Albania, Macedonia or Serbia Montenegro. You should be saying “these are the standards, we will help you to put together justice and home affairs standards which are region wide” and one of those requirements is that when you are a customs officer at the Slovenian customs service you speak to the Serb or the Croat on the other side who have the same formulas and working on the same software programmes and so on. When Ante Jelovic was found guilty for high level corruption, he fled to Croatia and they cannot get him back because he is living in Croatia now. We ought to be saying “if you are going to join, these are the things you have to do to put together regional justice and home affairs structures and regional economic structures”. By the way, I am sure you are right about the trade. Yes, we want the region to trade into Europe and, yes, in due course they will. But because there is not a single economic space in Bosnia-Herzegovina, the wine producers, and they produce some very good wine in Bosnia-Herzegovina, find it easier to sell that bottle of wine to Berlin than to Banja Luka and much easier than to sell it to Belgrade. The milk that is produced in great quantities in Bosnia-Herzegovina would be immensely useful if we can trade it into Serbia where there is a requirement for this. Hydroelectric generation; we should be dealing with the thing on a regional basis, we are not. We are dealing with individual countries. When I talk about a regional policy what I am talking about is a policy that encourages regional integration. I often say to my Balkan friends, “you are in grave danger if you continue to present yourselves at the gates of Europe

*13 June 2006*Lord Ashdown of Norton-sub-Hamdon

to be asked in as an act of charity. Do not present yourselves as beggars asking to be let in, lock yourself together as a region and make sure you are working as a region and present your case to Europe because you can add value to Europe.” And we can help them on that basis. That is what I mean by regional structure, and it does not exist at the moment and it ought to.

Q52 Chairman: It was not so many years ago when one used to hear, for example, Croatians saying that the EU’s encouragement of regional integration and trade agreements was a cunning plot to re-establish the old Yugoslav Federation, but I think we are past that stage now.

Lord Ashdown of Norton-sub-Hamdon: I wish we were. We have to remember that there are some old enmities. If you go down to Trebinje in the South of

Bosnia which is just over the hill, over the mountain crest, from Dubrovnik. They produce fabulous agricultural produce there and fruit, and they have invested a lot in fruit going in that area. And they cannot trade into Dubrovnik because of the Ivanjica crossing and because, of course during the war there were some people from Trebinje who went up to some of the heights and were named of the artillery that bombarded Dubrovnik. There is not free trade because of political barriers. We could use Europe to overcome some of these barriers and people’s livelihoods would be immensely improved if we did.

Chairman: It is four minutes past the half hour. Lord Ashdown, from the wealth of your experience you have furnished us with some very precious insights to inform our inquiry and help us reach our conclusions and so on behalf of the whole Committee I thank you very, very warmly indeed. It has been a splendid hour and a half with you.

TUESDAY 20 JUNE 2006

Present	Blackwell, L Bowness, L Dubs, L Grenfell, L (Chairman) Harrison, L MacLennan of Rogart, L Marlesford, L	Neill of Bladen, L Roper, L Thomas of Walliswood, B Tomlinson, L Woolmer of Leeds, L Wright of Richmond, L
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Examination of Witnesses

Witnesses: MR GRAHAM AVERY, Oxford University, and MR QUENTIN PEEL, *Financial Times*, examined.

Q53 Chairman: Thank you both Mr Avery and Mr Peel for being with us this afternoon; we much appreciate this. I should let you know that the session will be broadcast live on the Internet. We are taking a full verbatim transcript and this will be sent to you and you will have a chance to make what corrections are necessary so as to ensure your views have been properly reflected. Mr Avery, would you like to make an opening statement?

Mr Avery: Thank you very much. I would like to say something first about myself. I have been involved in every phase of enlargement. I was a very junior member of the British team for the Ministry of Agriculture negotiating British accession. When I went to Brussels I worked in the European Commission for 33 years and I was involved in one way or another with all recent enlargements: I was the Commission's negotiator with Austria; I coordinated the Commission's opinions on the central European countries; and I was one of the strategists in the last round of enlargement negotiations. I retired from the Commission three months ago so today I have to make it clear that I express my personal views, which in some cases might be different from the official line.

Q54 Chairman: That will be very welcome.

Mr Avery: If you permit, I would like to make some very general remarks in which I will try to answer some of the questions we have been given in advance. The first point I want to make is I think the recent enlargement from 15 to 25 has been a remarkable success. I regret the tendency to talk it into a failure by focusing on a list of problems, real or imagined, some of which are not even connected with enlargement. Why do I consider it such a success? Because it was a peaceful reunification of Europe, East and West, and a successful handling of the seismic events which happened around 1990, that is the collapse of the Soviet Union and the last aftershock of the Second World War. 20 years ago in 1986, who would have predicted that this could be possible, that the map of Europe would be re-drawn in this way without widespread conflict, threats of

war or even war between states? Who would have predicted that by using the conditionality of the prospect of membership of the European Union we would help these people in central Europe to embed democracy and market economy, and put them on a path of economic growth where they are performing better than us? This was an extraordinary success, the most successful example of political and social engineering that Europe has seen for a long time., do not let us talk it into a failure. Of course, not everything worked perfectly—and I have to say that Cyprus was the big failure: we hoped that EU membership would help to reunite the island, but it seems to me the present situation in some ways is worse than the previous situation. Nevertheless, in general the last enlargement was a huge success the new Member States are now modest promoters of growth in the European Union; because they had to handle economic and social reforms, they are more ready to face change than many of our Member States; in general they want more Europe not less; some of them are trying hard to join the euro; and it was not the new Member States who said no to the Constitutional Treaty. I also want to say that from my perception of Brussels, decision-making in the European institutions has not been paralysed by the move from 15 to 25, as many people predicted. The quality and process of decision-making is about as bad or as good as it was with 15. It could be improved, but I do not think it has been markedly impaired by the arrival of these countries. It is true that these new members provide competition for firms and workers in the old Member States, so Western firms can relocate to Central Europe and Eastern workers can come here, but in my view it is an error to confuse this kind of competition with globalisation. The fact that Central European countries have become Member States means that the Poles, for example, have to observe European rules and operate on a level playing field. The second point I want to make is that one of the innovations of the last enlargement, compared with what went before, was the conditionality. We never had it before, and is this use of the prospect of EU

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membership to drive political and economic reforms in these countries was very, very successful. It was an example of the European Union's soft power. However the lesson I draw for the future is that it has to be exercised seriously, and by seriously I mean that the European Union sometimes has to be tough with applicant countries. I want to give you two examples from my experience of the correct and incorrect application of this conditionality. When the Commission made its opinions on the 10 countries it said that Latvia, Lithuania and Slovakia were not ready to join the first round of negotiations, and this was an unpleasant shock, particularly for the Latvians and Lithuanians. But within three years the Slovaks had changed their government, and therefore the political conditionality had been effective, and my Latvian and Lithuanian friends tell me now that they are pleased that this rejection forced them rapidly to make reforms. I turn to Bulgaria and Romania where it is my perception, and I think it is generally accepted, that they were invited to join the negotiations not because they had made the necessary progress in 1999 but as a sort of compensation for the collateral damage which they suffered from the war with Serbia. I would also like to add that in my analysis the European Union should never fix dates, even provisionally, for the accession of a country until well towards the end of the process. I had this argument with the Poles and others who used to say, "You must give us a date for membership, it is the only way we can drive the reforms domestically," to which I said, "On the basis of my experience of human nature, if we give you a date then you will probably relax with the reforms." That is what I call a serious use of conditionality; you cannot always please the governments of applicant countries, and if you do you get a bad result. There is a link here with my previous point. By exaggerating the problems of the recent enlargement and creating a sort of self-induced crisis, we weaken our promises to the countries in the Western Balkans and undermine our leverage there. That brings me to the question of widening and deepening, which of course is another way of approaching the question of absorption capacity. Here I think personally that the history of successive enlargements shows that there is no inherent conflict between widening and deepening. Of course, it gets more complicated when you take in more members, it got more complicated when the six were joined by the British, but at the same time you can do more with more members, so in my view, it is a false dichotomy. Each successive enlargement has driven integration, and here I give some examples. The arrival of the British led to some intelligent adaptation of the Common Agricultural Policy; I do not say the root and branch reform about which we are still talking, but the Less Favoured Areas system of agricultural support which was a

direct result of the British arrival was a good change in the CAP. Also the Regional Fund was created as a result of Britain's arrival and when the Greeks, Spanish and Portuguese joined (poor countries needing aid) we got more serious Structural Funds and a cohesion policy. In the EFTA enlargement, many people were concerned that the new Common Foreign and Security policy would be paralysed by the arrival of neutral countries. We found that, in fact, Finland, Sweden and Austria were rather in favour of the Common Foreign and Security policy. So the widening has been a factor in the deepening. And I think the way in which the deepening was handled around the last enlargement was rather intelligent. It was not imposed on the new members as part of the *acquis* before they joined; it was made in parallel with the enlargement, and the European Convention had participants from all the future Member States. What went wrong was that its product—the Constitutional Treaty—was the victim, among other things, of its ambitious title, and then it was people in the old Member States, not the new Member States, who said no. I want to make one more point about deepening. I think it is unwise and unfair to do the deepening immediately before the widening, and then impose it on the newcomers. Naturally, old members consider their own interests and not the interests of the enlarged Union, and we saw what happened with the British accession when rules were invented for the financial arrangements and for the fisheries policy which manifestly were against the British interest, and it led to a lot of trouble. That is why I treat with a certain scepticism the approach which says let us make deepening a pre-condition of the next enlargement.

Q55 Chairman: Mr Avery, I apologise for interrupting you but you are pre-empting a lot of the questions we are going to ask you and we do only have one hour. Can you possibly keep your introduction brief?

Mr Avery: I would just like to add that I appreciate that a big decision like enlargement is taken at a high level, at the summit, and it does and it should form part of an overall strategy for the European Union. It is natural that people should plan another relaunch of the European Union including enlargement. I think the question is whether such a relaunch should consist of another institutional/constitutional push or a renewed effort to do something about growth, jobs and living conditions, which, in my personal view, is of more interest to its citizens. Thank you.

Q56 Chairman: Thank you very much indeed. Quentin Peel, would you like to say a few words before we get to the questions?

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Mr Peel: Alright. I will try and be quite brief and hopefully complementary to Graham Avery rather than contradictory, at least up to a point. I am rather daunted by having to follow such a great expert and indeed to address such a distinguished audience, but nonetheless it strikes me that the EU is in a classic bind. Its most successful policy in recent years has been, indeed as I think Graham Avery said, the policy of the prospect of enlargement. In fact, this has been a fantastically successful policy in stabilising the near abroad of the European Union, but the realisation of enlargement has caused what I would describe as severe indigestion. It is actually a combination of the realisation of enlargement coinciding to a considerable extent with the realisation of the Single Market because for the first time the reality of open borders in Europe, the reality of free movement of labour, free movement of capital, when you had such a disparity between the income levels in the new Member States and the old, has become a much greater reality to people certainly in old Europe than they ever really expected. I think that to a significant extent explains the referendum result that we saw in France and also to a degree what we saw in the Netherlands. A lot of focus is put on France but I find the Netherlands very interesting. There were all sorts of internal reasons why they voted by majority “No” but nonetheless from a European perspective I believe that their no vote related to this feeling of a loss of identity in Europe. For the Dutch, it was the loss of a medium-sized state’s identity, one that had always in that dreadful British phrase “punched above its weight”. They had always had more influence than probably they naturally would have got and suddenly in an enlarged European Union they felt that they were losing that influence. I think that the reality of enlargement combined with the reality of the internal market has not been traumatic but certainly difficult to digest. I would really like to underline what I see as the greatest problem of the process and the preparation for any further enlargements, and that is the failure to sell that enlargement process to anything like the degree that it deserves to be sold. I concur entirely with Graham Avery’s statements on the success of the enlargement but it is not a success that is perceived in old Europe to the same extent. It is seen, as least to some degree, as a source of threat rather than as a source of reassurance. In Latvia this “big bang” enlargement of 10 was taken as a political necessity and then 1 May 2004 came along and the whole subject was just dropped. I think we’re quite as guilty in the British Isles as in the Continental countries of failing to sell the process. The Foreign Office produced one sheet of coloured A4 paper on each new Member State and this was described as selling the enlargement process. It was pitiful. So there is a real problem that we have not got the positive message across and yet there is a

whole new phase of enlargement just down the road out there waiting to come. I think the fact that Turkey is in there is obviously an absolutely fundamental point because the threat as seen from not just France, the Netherlands, Germany but in many of the older Member States of, “Oh my God, they are too big to digest when the digestion process has not been completed of the old Member States” is a real problem. Let me just sum up what I would say. I support further enlargement therefore I am passionate that the process of enlargement thus far should be better presented and that the benefits economically in labour mobility, which we have seen in Britain and Ireland and much less in Sweden, should be shouted from the rooftops, but we should always do that with an eye on the downside. Even in Ireland where there has been this dramatic influx of migrant labour from central and eastern European, which has boosted their already pretty good economic growth rate and been absorbed, there are social tensions, there are things building up. So do not let us just say it is pure good; there are problems that come with that much migration in the short term. I do think that our top priority for further enlargement must be the western Balkans, but it is very difficult. Bringing in Albania is a real challenge. That is an enormous centre of people trafficking and drugs trafficking and cigarettes trafficking and all sorts of things. So there is a tremendous distance to travel before a country like Albania, which I would underline, is ready for membership of the European Union. After the western Balkans, Turkey and after Turkey perhaps Ukraine and Moldova. They are all huge challenges ahead. I sat at a conference in Berlin, this must be five or six years ago, and listened to one after the other former states of the Soviet Union saying, “We want to join the European Union”—the Ukraine, Moldova, Georgia, Azerbaijan—and the last person to come on the platform was the President of Kirgizia, Kirghizstan and I thought, “At least he can’t do this” and he said, “I have a European dream”! Well, I think that there are limits to what the European Union can absorb and I think central Asia is probably beyond that limit. Do we pause to digest or do we rush on? I think we are going to be forced to pause to digest but the world outside is not going to change and so we cannot pause for any significant period, and there again the European Union has a dilemma. I think I had better shut up there and let you come back at me.

Q57 Chairman: Thank you both for having set the scene very well for us. By the way, please both of you feel free to come in at any time in response to what we are asking you. Do you think this digestive process which you have just mentioned, Mr Peel, which is a very serious one, is helped by seeking in advance to

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define the borders of Europe or do you think that we should leave that very flexible and define those borders as we go along?

Mr Peel: I think it is a pretty impossible task to define the borders, except to say that I do think that geographical Europe is a concept that at least in its broad outlines we should stick to. I think the European Union has already in a way done that when it responded to Morocco's application for membership before. I think that is very sensible. However, straightaway you run into the problem that Turkey has only one small bit in Europe and the rest is clearly outside. Russia, which if that day ever came would be a mega-indigestion problem no doubt for both of us, is obviously half and half. So where do you draw the line? The only line I could draw would be a geographical one because I do not see what other criteria you could use. Per capita income? You could say, okay we could take in Norway much more easily than we can take in Ukraine, but I just do not think that is going to be an acceptable criterion, so I think perhaps geographical borders. Value borders is the other thing and I do not think you can do that either. I think we have many common values and many different values.

Q58 Chairman: There are very objective tests, that is, if a country claims to be within the border of the broader European framework and can meet the Copenhagen Criteria, we are hardly in a position to say you cannot make a bid for accession.

Mr Avery: I think the problem is that neither the European Union nor its predecessors have given a permanent definition of the limits of Europe. There are other organisations like the Council of Europe which I think is now up to 44—

Q59 Lord Tomlinson: 47.

Mr Avery: But my own view, like Quentin's, is that it is not possible or even prudent to start fixing these frontiers now. One can speculate. Personally I think the concept of Russia joining the European Union is a contradiction in terms. Given the size and land mass of Russia, it would be more like the European Union joining Russia, so I do not think that is realistic. But the ex-Soviet states—such as Ukraine or Moldova—are conceivable as members. However, it seems to me we have already bitten off as much as we can chew, perhaps a bit more than we can chew, in terms of enlargement and if we start giving promises to new countries which we may not be able to honour, as may be the case with Turkey, then I think we will not do well. Each successive generation tends to have its own concept of the limits of Europe, and I think the final frontiers of the European Union will be decided by another generation of politicians.

Q60 Chairman: I would think in the medium term we are agreed that the western Balkans is a special case for it—we all want to see that a stable region—and a lot of them have already done a lot of work towards their dream, but it is now becoming more than a dream, it is becoming close to a reality for some of them. I know the parliamentarians I have spoken to coming from the Former Yugoslav Republic of Macedonia insist that it is not them joining the European Union, it is them being “reintegrated” into Europe. One of the problems is, of course, the expectations on timing. I think both of you have said that we must not give them false hopes as to how long this is going to take, but you would agree, would you not, that in the case of the western Balkans we should at least accept that most of them should be ahead of the pack before we go as far as to consider the Ukraine, Moldova, Georgia, and some of the others? They are something of a priority, are they not?

Mr Avery: Could I just say that we should not forget that we will also have the accession of Bulgaria and Romania very soon.

Q61 Chairman: I am taking it as read that they will be joining.

Mr Avery: Personally I am a bit sceptical about the state of preparation of those countries. In my opinion, when the Treaty of Accession was signed with them, they were not as ready as the central Europeans at a comparable stage. I hope I will be proved wrong, and that the Commission's reports of rapid progress in Romania and Bulgaria are right. Anyhow, there is another wave coming in before we handle the Western Balkans. I agree with Quentin that the Western Balkans is an absolute political priority for the European Union. That is the only part of Europe where the seismic events of the 1990s led to war and killings and genocide. We have a responsibility as Europeans to stop it happening again. In addition, the international community thinks we should do it. The Americans, the Australians and the New Zealanders do not want to send troops there. Objectively, for the Western Balkans the starting point is more difficult than it was for Central Europe. Some of these states are not yet autonomous. We have to be intelligent and creative in devising a series of steps on the path of membership, and to reward them regularly when they make progress. We have to tell them sometimes that the timing of the path to membership is not decided in meeting-rooms in Brussels but by concrete progress in preparing for the EU on the ground in their own countries.

Mr Peel: Can I come in and underline that I think there is a great danger in the western Balkans that we will repeat the Cyprus mistake, but in far more drastic circumstances, if we take in a Bosnia, Serbia,

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Kosovo and Montenegro without them having really resolved to their own satisfaction their arrangements between each other. Bosnia is perhaps the classic example. If we take in Bosnia without a solution in Bosnia that is stable, then I think it could cause absolute mayhem within the European Union, so that is the great danger.

Chairman: That reflects very much what Paddy Ashdown told us when he came and gave evidence and I would entirely agree with him on that.

Q62 Baroness Thomas of Walliswood: I tend to have some sympathy with what I think Mr Peel was saying that there is some sort of natural limit to what Europe can be, as it were, but has he ever speculated as to what the result of having a firm edge to Europe on its eastern borders will be in terms of a reaction of those states? After all, if we take in Turkey we have got Iraq and Iran on the borders of Europe and one has to ask oneself how they will react to there being, as it were, a fixed barrier at that point.

Mr Peel: At every step of the way, looking back on Graham's depiction of a series of enlargements we have in a way created a new kind of tension. If you look at the driving force of the German desire for enlargement, it was not to be on the eastern frontier of Europe, boom, let us go further, let us look at Poland. They want the Ukraine and Belarus in because they do not want—

Q63 Baroness Thomas of Walliswood: I think they are European states, are they not really?

Mr Peel: You are thinking about the Middle East?

Q64 Baroness Thomas of Walliswood: Yes, you made the point about Kirghizstan.

Mr Peel: It is the great challenge of Turkey too. Western Turkey is probably economically and socially better prepared to join the European Union today than Romania and Bulgaria but eastern Turkey is not, so you are certainly in a new world and somebody like Edmund Stoiber from Bavaria said that absolutely flatly, "I do not wish to see the eastern frontiers of the European Union in Syria and in Iran." We are going to have difficult borders wherever. Look at the border of Spain and Morocco, a very porous border with an enormous amount of migration going on and huge tension building up. What is the answer? Somewhere we have to stop.

Q65 Lord Tomlinson: Can I just ask two questions that slightly interlink. I get slightly worried when I hear words like "absolute political priority" because we use words like that when we do not find rational language for describing what we mean, and that means very often that we make it sound as if membership is some sort of prize for good conduct when in many ways virtue ought to be its own reward.

I particularly get worried when I hear this in the context of the discussion about borders because although in answering the question in relation to the lessons from past enlargement there were all those positive things there, and I agree with the positive analysis that was given, are there not some negative lessons from past analysis as well, one of which is the inability of Europe to secure its external borders, and with each new enlargement the problem of external borders is becoming more and more serious, as reflected by the porous nature of the borders in relation to international crime, people trafficking, cross border trafficking in arms and narcotics, and in particular affecting the European Union itself, the tax evasion by abusing the transit system of the European Union? Are there not a lot of negatives from past enlargement that arise from some of those border questions?

Mr Peel: I would just say, of course, that the Soviet Union was extremely helpful at closing our borders at one stage in the game. It is only since the end of the Soviet Union that we have had quite so much difficulty. I do not think any of us wants to go back to the Soviet Union way of closing our borders so we have got a challenge. It is a very difficult challenge and I think that challenge in the Mediterranean is probably for countries like Greece, Italy and Spain but is that a negative lesson of enlargement? After all, Italy has been on the frontline from the start.

Lord Tomlinson: Was there not a Commission report only the week before last reflecting the arguments between two different Commissioners suggesting that transit fraud is now costing European taxpayers something of the order of €60 billion. They are arguing about how they close that gap.

Q66 Lord Neill of Bladen: Could I ask a follow-up question arising out of Lord Tomlinson's question? We had some evidence from Lord Ashdown last week and, unfortunately, we have not got the transcript so I will have to give you my recollection of it. He said in the countries we were thinking about for the future, those waiting in the queue, corruption was endemic and I asked him a question: "Do you mean by that you have corruption in the courts and in the legal system, you have corruption in commerce and you have corruption in the public service?" And his answer was, "Yes, you have corruption in the lot." The question I would like both of you to address is whether that is something of which account should be taken? Considering such things are happening all the time now, and arrest warrants issued by the courts of country A are automatically enforceable in any other country, does it matter that the judiciary in that country has a reputation for corruption? These are the sorts of questions.

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Mr Avery: I agree absolutely with you that these are questions that have to be addressed before a country joins the European Union, not afterwards. The process of bringing them in involves insisting that they apply the rules of the European Union and a judicial and administrative apparatus capable of doing the business. Until they have that, I do not think we should bring in any of these Balkan countries, which is why I say they have a long path to face before they will join. It is certainly the case that the adoption by Poland and the other central European countries of our Justice and Home Affairs rules has helped us regulate cross-border crime, and the fact that they are inside applying European norms means that citizens in western Europe are better protected from these problems than if they remained outside.

Q67 Lord Wright of Richmond: This is a slightly frivolous footnote but there must have been a similar discussion about the description of Europe among the people who choose the candidates for the Eurovision Song Contest. They actually came to the conclusion that Lebanon, Israel and possibly some of the north Africans are Europeans. I hope that is not a precedent but I mention it.

Mr Peel: In quality terms I hope the outcome is not a precedent.

Chairman: The Norwegians qualified.

Baroness Thomas of Walliswood: Indeed they did.

Chairman: Let us move on a bit, if we may, Lord Dubs?

Q68 Lord Dubs: You have both referred either to absorption capacity in so many words or you have talked about limits. I wonder if I could ask a little bit more about that. Do you think that we should have a clearer definition of absorption capacity? Would that be a useful thing to do or is it just a phrase that is bandied about and you cannot go too far without people saying how far? If we were to have a clearer definition what would it mean in political, legal, economic and financial terms? Lastly, if you are still with this argument, do you think the definition of absorption capacity should be added to the Copenhagen Criteria?

Mr Avery: First of all, on the last point, it was mentioned in the text at Copenhagen, but as a kind of footnote, as a reminder to the existing members that they ought to do something about integration of the Union. Personally I do not see how you could define usefully this concept of absorption capacity. It is all about what you think the deepening of integration and development of the European Union should be. To get consensus on what we mean by that seems to me almost impossible. I think absorption capacity is a kind of “undefinable flying object” and I am not sure we should invest much time in trying to do it.

Yes, there are problems of an institutional kind which flow from previous enlargements. Although I am a partisan of enlargement, there is certainly one area where I think it has had a negative effect and that is the number of members of the European Commission. The number of members, which is now 25, one for each Member State, is quite a lot and, more worryingly, it has led to a syndrome where individual members of the Commission are more and more expected to represent their Member State, which is wrong, and creates a situation where sometimes the Commission appears to be the ante-chamber of the Council. So I am in favour of the reform, which will be necessary when we go beyond 27, to reduce the number of members of the Commission. I have a scenario which I call the N minus X scenario where N is the number of Member States and X is the deduction you have to make to come to a reasonable size of college, maybe 15 or something like that. I think there would be an advantage for the functioning of the European Union if we did that. If I may just add, one of the problems which has emerged from the last round of enlargement is the inherent tension between big states and small states. Because the last enlargement brought in so many small countries and only one medium-sized country, namely Poland, these tensions are now more apparent, and of course they also revolve around the discussion of the Constitutional Treaty. That is an area where we need to pay attention if we talk about integration and absorption capacity. I am not sure it can be handled by formal institutional changes, but somehow we need to find a way to ensure that smaller Member States do not lose confidence in the system.

Q69 Chairman: Certainly the smaller states found a common voice in questioning very vigorously the exclusion of Lithuania from the Euro zone and they did get their act together on that and come up with a common position.

Mr Peel: I would like, if I may, to pick up on that in a moment but let me start with the Copenhagen Criteria because I think President Barroso put it quite well in the Commission judgement at the summit we have just had when he said that absorption capacity was a “consideration but not a criteria” in the Copenhagen Declaration. I would like very much to underline Graham’s point about the big and the small. The real problems with enlargement are greater in the big countries than in the small, and that they are the ones that are finding it most uncomfortable now to be in this enlarged European Union. It is not perhaps immediately obvious because you would have thought at one level they would be more influential, all the talk there is often in this country of, “We can join France and Germany and we will be the Big Three”, and actually

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particularly in Britain and France you have seen this discomfort. Of course, it is one of the great ironies that the Constitutional Treaty was fundamentally an Anglo-French treaty which they stitched up together and then it looked like they were the two who were going to say no to it in the end.

Q70 Lord Woolmer of Leeds: Could I raise two different questions one after the other. On that last point very briefly, is that really the case because Holland is a small country?

Mr Peel: It is a medium-sized country.

Q71 Lord Woolmer of Leeds: I have to say I would say it is a modest-sized country. Is not the difference between the 10 new accession countries which happen to be largely small having quite a different view from some of the larger countries? Could I combine that with the more substantive point. The professionals, as it were, whether the politicians or the bureaucrats, tend to talk about absorption capacity and decision-making terms and the size of the Commission and the size of the Council and all that whereas earlier both of you referred essentially to how the man in the street sees things: they are worried about corruption in some of the potential countries; they are worried about the large differences in income levels that again happen to have been, not entirely coincidentally, a feature of the recent accession in particular and of course would be for the next wave; and there is a concern about the loss of identity, at least in part, in the sense that they are no longer quite as sure what they mean by being a part of Europe. So the common man, as it were, is worried in a sense and it is about quite different issues to issues about the size of the Commission and the number of Commissioners and so on and so forth. The politicians tend to use this phrase "absorption capacity" in coded language and the man in the street understands something quite differently about the issues we have just talked about as a problem. Two questions: first of all, do you agree with that, that there is a danger of a two-track language going on? It is the reaction and concerns of people in the street as electorates who at some point may have to vote in support of these in some countries that are important. What are the implications of that for countries that are seeking membership, both Romania and Bulgaria, where, if I have understood the implication of Mr Avery, is it too late to think carefully about the timing there because if that went wrong, it would have a very significant impact on how people see the next wave? It is a good thing to be able to keep your word but it could be a very bad thing if it went wrong.

Mr Peel: Can I come back to absorption capacity, Graham, because I did not give Lord Dubs an answer anyway, I think absorption capacity is rather like "we

must define the borders", it is weasel words for "we must keep the Turks out". That is certainly one of the factors that has been driving Austria's desire to assert absorption capacity in there. I would certainly not see it in institutional terms but in economic and social terms, which is why Turkey looks very big, very poor and therefore capable of flooding our markets with cheap market or whatever. I do think that one of the lessons for labour mobility since this last enlargement in the UK and in Ireland shows that the absorption capacity is maybe a lot higher than people think instinctively it is. Certainly thus far, touch wood, we have not had anything like the increase in unemployment. My carpenter son certainly tells me that his wages are held down and that has been one of the interesting effects. One of the very important effects in saying how do we manage the absorption process is that perhaps there needs to be much more done to integrate these migrate mobile workers into social systems and so on, so that they are not on the black market but are in a social structure. Nonetheless, the most important thing for that migrant labour is getting jobs and they have got jobs and they have not put other people out of jobs. I think that is a very positive thing about absorption.

Mr Avery: To reply to your question about Bulgaria and Romania, the Accession Treaty has been signed but it contains a formula which says they will join either on 1 January 2007 or 1 January 2008. The decision on whether or not there should be a delay has been postponed until the autumn. Turning again to the question of absorptive capacity, it seems to me one approach ask what are the conditions in which the Member States, and their populations, would feel more positive about the European Union and more ready to proceed with another enlargement? There I have to say that I think the European Union must now show results with concrete projects. During my time in Brussels I sometimes became rather frustrated with political circles on the Continent who want to use repeated modifications of the treaty to drive integration, whereas in this country where we do not have a written constitution we sometimes wonder why they spend so much time on that. I have the rather healthy attitude that first you have to create the political will, and then the treaty changes will follow. I welcomed one of the conclusions of the recent summit which said that "after last year's period of reflection, work in the European Union should now focus on delivery of concrete results."

Q72 Lord Marlesford: I really want to ask you about the concept of the political cost of keeping countries out when they are either expecting to come in or hoping very much that they will come in. This was something raised *à propos* the western Balkans by Lord Ashdown when he came to speak to us last week. In a sense, it is something one has been rather

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conscious of in respect of Turkey. One of the things that is said, whether it is justifiable or not I do not know, is that there are certain tensions inside Turkey as between the secular and Islamic where it is a fragile situation and if you suddenly disappointed these countries, eg Turkey, there would be a political cost to the stability of Europe, which, after all, is one of the main objectives of the EU. Indeed, the idea that Bulgaria and Romania can only be kept out for one year when in fact one rather gets the impression to meet the criteria they probably need longer than that opens up that big question as to how important is this political cost as a concept or do you not accept it as a true concept?

Mr Avery: Let us make a distinction here between countries where we have effectively promised membership and those where we have not, like the Ukraine. The political cost to them is manifestly likely to be less. I think there is a difference too between the Western Balkans and Turkey. In the Western Balkans, unless we can help them with state-building and reform of their societies and all those things they need to do, there is a risk that they will fall into conflict again which will cost us in military terms and many other ways. I do not think that is the case with Turkey. If at a certain moment we say no to Turkey there would be a big political disappointment but it will still be a stable regional power. I would like to say a word about Turkey if I could, my Lord Chairman, simply to express my own personal doubts which I summarise in two points. First, some of the arguments which I hear and read in favour of Turkish membership, particularly from the point of view of foreign policy, seem to me to be wrong. It is not evident to me that bringing in Turkey will increase Europe's security. As one of the members of the Committee has already said, Turkish membership means that the European Union will have frontiers with Syria, Iraq, Iran, Albania and Azerbaijan, and it will put the EU right into the middle of the Kurdish question. Nor is it evident to me, as one sometimes reads, that Turkish membership of the European Union will help to resolve Europe's problems with other Muslim countries—Turkey is not an Arab country—or create peace in the Middle East. The second point I want to make about Turkey is that we have not fully measured the challenge of taking in a country which in 10 or 15 years will stabilise around 85 million in population, while Germany will soon be below 80 million. In other words, we would be bringing in a country which would be the biggest Member State and at the same time one of the poorest, and holding different views from us on a number of social and political questions. I am not sure that our absorptive capacity can handle that problem.

Q73 Chairman: One of the problems is that they were given a promise a very long time ago and it leaves an uncomfortable feeling with a lot of Member

States that having made that promise to them we should now eventually go back on that. Anyway, time will tell.

Mr Peel: I do think the point that Lord Marlesford is making is a very valid point, that we have always flattered ourselves, as I said at the start, that the prospect of enlargement has been a fantastic stabilising force. I think we are now getting to the stage where the prospect of an enlargement that we may not be able to deliver, or if not able to deliver certainly not able to deliver for a very long time, and keep wobbling throughout the negotiations and so on could be a very destabilising force. We are seeing it a little bit even now in Turkey. If we come and go and if the Cyprus thing gets worse it will come a lot more. We may be seeing it a bit in the Balkans. I think the Serbian reaction now to a series of setbacks that they perceive is “To hell with the European Union; we will turn back to our Slavic brethren”, I think that we have a real problem and that brings us—and perhaps we could come on to this at some stage in the debate—to the absolutely crucial need to build a much more dynamic neighbourhood policy that is going to provide what Solana once called a “comfortable waiting room”. That comfortable waiting room should not close out the prospect of membership but it should provide a real helpful transitional stage. Graham mentioned the Ukraine as being “it does not matter so much we have not promised them membership.” The truth is we can see straightaway today the fact we have not promised them membership is unhelpful in terms of them forcing themselves to get their act together. The fact that it is not out there or if it were out there they would do better, that is our dilemma because I think Mrs Merkel very interestingly has gone very cool on Ukrainian membership. The Germans used to be very positive about wanting the Ukraine in. Suddenly the cost, the threat, the size, everything, they are much more cautious.

Q74 Lord Maclean of Rogart: My Lord Chairman, I have been getting cross-currents that do not quite flow in the same direction about the necessity of institutional reform before enlargement. On the one hand we have been hearing of the desirability of reducing, for example, the size of the Commission and of making it not a waiting room for the Council and on the other we are being told that we should be concentrating on delivering results. Would the witnesses not accept that the enlargement of the Union is resulting in greater heterogeneity and less likelihood of unanimity without some changes in the decision-making processes? How can you have greater prospects of unified political will if you have to rely on 19th century letters of concertation to bring people together round the table to seek to find common interests? Are you ever going to get

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anything more than unification on the lowest common denominator? Is there not an aspirational unrealism about this suggestion that we should be concentrating on delivering results when the Union is simply shying away from these means of effectively articulating programmes that would deliver results because this further enlargement of the Union would have a further consequence of diluting the unanimity and make the Union even more heterogeneous? Surely these are issues which we ought to address and address with a degree of urgency? We cannot avoid them in the case of Croatia for it has already been agreed in the Treaty that there have to be some changes before the Union is enlarged beyond Bulgaria and Romania?

Mr Peel: I think you might be quite successfully opening up a divide between Graham and me because I am a little more sceptical about the degree to which the decision-making process is proceeding harmoniously and smoothly with the Nice Treaty. Graham has worked inside the EU institutions and I have not so I recognise my greater ignorance, but nonetheless there has been a real slowdown in decision-making. It is just the number of things coming for decision. That may be partly a reflection of the fact that a lot of the legislation on the Single Market is out of the way but there have been some very interesting changes and I think there are also some challenges coming up. Take first the idea of policy delivery before we come back to institutional reform. One of the areas where we want policy delivery, and it was agreed at the summit, is justice and home affairs, more co-ordination of anti-terrorism, et cetera, and it all has to be done under the inter-governmental process and they know perfectly well that is not going to be easy at all. We have seen it get very sticky over the last couple of years and decisions have not been made, and therefore the suggestion is that we are going to use what is in the Nice Treaty, the *passarelle* (which I would like to call the “wobbly bridge”) and of choosing to go from unanimity to qualified majority voting but straightaway we see, yes, we do need to make a constitutional change in order to get delivery of results. I think that challenge is going to be there right across the board in order to get delivery of results. The other area I would like to underline in terms of where there was absolute stalemate in the Council on a major item of legislation was the Services Directive, a fundamental piece of legislation, and the Council was going nowhere and out of terror of the Council the Commission was going nowhere either. That is a very interesting case where it was the European Parliament that seems to have delivered probably rather a messy solution but at least movement, and why? Because the European Parliament operates both on the ideological level and on the national level and those interests had to find a deal and a deal they

did find, and that looks likely to be the deal we have got on the Services Directive. Failure in the Council, failure in the Council, success in the Parliament pushing them. Disagree, please Graham!

Mr Avery: I would like to respond to Lord Maclennan by saying that the decision-making process has not been paralysed since the arrival of the 10 new Member States. A counter example was the budgetary decision last year. Many of us predicted, including me, that there would be a long stand-off and disagreement between the poor new Member States and the rich countries, but there was an agreement. Perhaps it was a result of the skill of the British Presidency, but it was resolved. More profoundly, in those areas where you have majority voting, enlargement is not a problem. In principle, it is not more difficult to find a majority with 25 than with 15, indeed arguably some would say it is easier. In the case of decisions by unanimity, all experience shows that small Member States do not use the right to veto except in very limited circumstances, and I think the problem of unanimity is rather exaggerated. I agree with you that the Treaty already says there have to be changes, and specifically in the number of the Commissioners. I am not opposed to improving the working of the European Union, but I simply remark that it is not easy to prove that the move from 15 to 25 has caused a serious problem. Even on the rather banal level of the length of meetings, I remember that people used to say, “When there are 25 we will never finish the meetings and get the plane back home,” but in reality what has happened is that ministers and officials have adopted a self-denying ordinance; they do not intervene always in meetings just for the sake of intervening, so they do get their plane back home after all.

Q75 Chairman: We have the chief negotiator of Croatia coming before this Committee on 4 July and I would bet my last dollar that he is going to tell us that Croatia fears that its membership is going to be held hostage to the failure of the Europeans to reform the institutions to allow enlargement beyond 27. So there is a certain sense of urgency about this, would you not agree?

Mr Peel: I think there is but the question obviously is is it a political hostage, if you like, to those who say we want institutional change for federalist reasons, to use British terminology, or is it a real need to get that change? I would certainly argue that there is a real need. Things may have happened a bit better. Things are happening in one other area in a very interesting way in terms of the variegated policy, if you like, that Lord Maclennan referred to, and that is in the Common Foreign and Security policy area, where what we have seen is that if a small group of Member States really wants to get something done and the rest are not too bothered one way or the other, that tends

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to get done, so you are not requiring everybody to force it through. It is not really a single foreign policy. That was the case with the Ukraine. It was very interesting the way it was driven by Poland and Lithuania. None of the big Member States wanted to face down Putin over second elections in Ukraine, they all backed off until Solana rang up Fischler and said, "You must go with the Poles and the Lithuanians to sort the deal as a European deal." Another fascinating case was Aceh sending off peacekeepers miles out of area to Indonesian, driven by the Nordic countries, nobody else was particular opposed so they actually pushed it through even without a Council meeting.

Chairman: We have only got 10 minutes left and I have several people whom I know want to ask questions. Lord Tomlinson, is it on this specific point?

Q76 Lord Tomlinson: It is just arising out of one point that Mr Avery made. He was talking about the decision-making not really being held to ransom. Have we not had a couple of examples in the enlarged Community—for example the Poles over the Budget and the UK rebate and the Austrians holding the whole of the European Council to ransom over Turkish enlargement and in the end extracting a price? Did the Austrians suddenly persuaded or did they get the new agency in Vienna as a price for agreeing at the last minute? I think with this large Community you have seen a lot of trading and people almost holding the European institutions to ransom. Would you not agree?

Mr Avery: With all due respect, I think the kind of events which you describe already happened when there were 15, nine and six members. I do not think enlargement can be characterised as paralysing the work of the European Union. It certainly makes it more complicated, but that is not a new phenomenon.

Q77 Lord Roper: I wonder if we could go on to what we have discussed already and some of the obstacles to further enlargement. Would you like to comment at all on what Commissioner Rehn said in his speech yesterday, which seemed to give some indication of his pessimism about this?

Mr Avery: I have not seen the speech.

Mr Peel: I printed it out in the office and failed to read it! He was talking about absorption capacity, was he not?

Q78 Lord Roper: Among other things.

Mr Peel: Yes, I think that there is a real pessimism, what Lord Grenfell was talking about, with the Croatians being really worried that it is going to stop there. I think that there is going to be a vigorous debate about bringing more of the constitutional

reforms back on to the table before we move any further down the line, and I think Mrs Merkel is certainly going to be a leader in that debate. I think therefore the Germans are going to try and relaunch the process in their Presidency next year. I think there is a very interesting line-up coming up. Both France and the Netherlands will have elections and both France and the Netherlands want to move on somehow, and so I think we could very well get into a situation where there is a very large body of Member States which really wants to move forward and dear old Britain is going to find itself in an election year in 2009 faced with the possibility that most of the Constitutional Treaty in some form is back on the table and we are finding it very difficult to say yes.

Q79 Chairman: The French have hung an albatross around their necks to have a referendum every time there is an accession treaty. Do you think they will be able to get themselves out of that somehow?

Mr Peel: It is, it is an albatross with the name "Chirac" on it, I suspect. Having said that, I think a much more sensible decision, and if only we could get over that hang up it would be a very good thing, but so long as they are still the flavour of the month, surely it would be far fairer to have a referendum at the beginning of enlargement negotiations rather than hold people to ransom to the end and then suddenly have the possibility that not just France but perhaps Austria might vote no at the very last minute?

Chairman: Interesting. Lord Harrison?

Q80 Lord Harrison: Gentlemen, public opinion polls say that in Germany, France and Italy six out of 10 people are opposed to further enlargement. Why do you think that is and what could be done about it by governments and others? Could I just take Mr Peel back to his partial answer earlier when talking about France and the Netherlands saying no. You said this was in part to do with enlargement but you also linked it to recognition about the Single Market and the effects of the Single Market. I would be particularly interested to learn more from you about why you think that and what elements of the Single Market have brought that about?

Mr Peel: I was very struck in France in the weeks before the referendum campaign by the debate on what were fundamentally parts of the Treaty of Rome—free movement of labour, free movement of capital and services. It was what we all summed up as the "Polish plumber" debate. I was very struck, too, by the failure of most of the political leaders in France to tackle that at all head on. Both the Left and Right came with those arguments and it struck me then that this coincidence, if you like, of really this enormous revolution of opening up the Single Market in the late 1980s/early 1990s, and then

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enlargement had made, if you like, a more threatening reality of that to ordinary people than it would have been without enlargement, so it was that combination of events. I feel that was certainly part of this hostility that there does seem to be to further enlargement. It is further enlargement including Turkey, and Turkey is undoubtedly a factor. It comes up both in the Netherlands and in France as a worry. It is a Muslim worry, it is a size worry, and it is a poverty worry and all of those things create worries. Finally, I think it is this question of your nation's capacity to influence the decision-making in Brussels. There I think it was interesting you got it both from the big nation, France, which was used to having a very large influence in Brussels, feeling they did not influence things any more, and the medium-sized to small nation of the Netherlands feeling much the same. The final point, it was the failure—and this is dramatic in Britain too—of national politicians to show how national politics and European politics are, in a way, two sides of the same coin and they are not two different worlds with nothing to do with each other. This failure to link the national debate into the European debate and vice versa linking the European debate into the national debate, I think has been a dramatic failure of both political and media establishments right throughout Europe but it is very stark in Britain and it has got much worse in France.

Mr Avery: In relation to this problem that enlargement is unpopular with public opinion, I do think political leaders in all the Member States ought to do more to explain and defend the decisions which they have taken. Every decision on enlargement is taken at the top. These are decisions of state which are not taken accidentally in the European Union but by the leaders. It is interesting that such decisions are all taken by unanimity. Never in their wildest dreams have European federalists suggested you should

decide enlargement by majority vote. It is always done by unanimity, and therefore there is a responsibility on the political leaders of all Member States to explain more clearly and justify what they have done with Turkey, the Western Balkans and so on.

Q81 Chairman: Would anybody else like to have the last question? Are there any final points you would like to raise? In that case we will call this to a close. Mr Avery and Mr Peel, thank you both very much indeed for your excellent evidence which was very clearly put and will certainly inform our inquiry. Mr Avery, you look as though you have a last word you would like to say.

Mr Avery: My Lord Chairman, I want to mention the forgotten enlargement—I mean Norway, Iceland and even Switzerland. We should not forget that one day these countries may come back to the table. The Norwegians have signed two treaties, and one day they may return. I say to my friends in the Balkans that when they go to bed at night they should say a little prayer for one of these countries to come back to the table, because the European Union likes rich, small countries that pay more into the budget than they take out, and that is a wave that other prospective members would like to ride.

Chairman: I was recently in Switzerland talking to Swiss politicians in Berne and they told me that the Swiss people seemed to be very happy to see the number of bilateral agreements with European Union mounting up more and more but as soon as you start talking about it leading to the inevitability of accession, the answer always is you will never get the small German-speaking cantons to agree, so forget it. We will see. As I was saying, thank you very much indeed. This has been a splendid occasion for us and we are very grateful.

TUESDAY 27 JUNE 2006

Present	Blackwell, L Bowness, L Dubs, L Grenfell, L (Chairman) Hannay of Chiswick, L Harrison, L	Marlesford, L Renton of Mount Harry, L Roper, L Thomas of Walliswood, B Woolmer of Leeds, L
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Examination of Witnesses

Witnesses: MR ALAN DASHWOOD, Cambridge University, and MR CHARLES GRANT, Centre for European Reform, examined.

Q82 Chairman: Alan Dashwood and Charles Grant, can I welcome both of you to the Select Committee to give us evidence on our inquiry into enlargement. I should inform you that this is being recorded and will be broadcast live on the Internet. You will receive a full verbatim transcript in the next few days, and you are welcome to make such corrections as are necessary to be sure that what you have said has been clearly reflected in the text, and then the corrected version will be published as part of the report. We expect to publish this report some time after our summer recess, and you will, of course, be sent copies of it. Could I begin by asking you whether either of you would like to make any opening statements. You are welcome to do so, if they are relatively brief. We will go until about 5.30, and we have eager members with lots of good questions to ask you, but if you do, by all means feel free. Do you want to go in alphabetical order?

Mr Dashwood: I have prepared a few remarks but I am quite willing to renounce them, Lord Chairman.

Q83 Chairman: I am sure all the points will come out in the questioning. Mr Grant?

Mr Grant: I am happy to focus on the questioning, since we were given advance notice of some of the questions you might ask.

Q84 Chairman: That is usually music to the ears of the Committee when we can go straight to the questions, so let us begin. If I may begin with this tricky business of absorption capacity which is very much on our minds. We are trying to work out as a committee whether this is a legitimate concept, what role it should play in determining which countries come in when or are candidates. Could we get your views on how you see this whole issue of the debate on absorption capacity? May we start with you, Mr Grant?

Mr Grant: I think it is legitimate to talk about absorption capacity, because if the EU was to continue enlarging indefinitely without changing the way it runs its institutions, then enormous problems would result. The institutions, obviously, is one

aspect; there is also the policies. So, I think that those of us who are favourable to the idea of enlargement, and I myself am broadly favourable to it, think it is up to us to show that the EU does have the capacity to take in further members without causing particular problems for its institutional make-up and without causing stresses and strains for its policies. Indeed, I think the weakness of the British position on enlargement for many years has been that we (and when I say "we" I mean many people in Britain, politicians, commentators and so on) have assumed that we can just go on enlarging without thinking too much about the institutional consequences, and I think that is, frankly, misguided to do so. Of course, not everybody in Britain would say that, and there are people in Britain who would say that we should accept there are institutional consequences, but I think when the British champion enlargement often it has no impact at all on the debate in other countries because the politicians who champion it are often the same politicians who say, "Let's not bother with treaty change", and, "Let's ignore the Constitution." Having said all that, therefore, while I do think it is a legitimate concept, it is also true that countries, or people, politicians, who are opposed to enlargement are using it as another tool to try and slow down enlargement or prevent it from happening; but I think the British should not ignore the concept of absorption capacity.

Q85 Chairman: Mr Dashwood?

Mr Dashwood: Absorption capacity is not an entirely novel concept. It was actually referred to in the conclusions of the European Council of Copenhagen in 1993, but its content has developed over the years. The Luxembourg Presidency conclusions in 1977 focused on institutional reform and since then the emphasis has begun to fall on the budgetary consequences of enlargement. What was really novel in the conclusions of the European Council on 15 and 16 June this year was the reference to public opinion. That is a new element. Your Lordships will have probably read them. They say that the analysis which the Commission has been invited to undertake

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should also cover the issue of present and future perception of enlargement by citizens and should take into account the need to explain the enlargement process adequately to the public within the Union. That is something new and perhaps a little worrying if it should become an excuse for not pursuing negotiations which have already been undertaken in a whole-hearted way. It does, of course, make perfect sense that public opinion should be properly prepared for the next enlargement, and it is widely believed that dissatisfaction with the recent enlargement was one of the reasons for the failure of the referenda on the Constitutional Treaty in France and the Netherlands. So, it does make sense to prepare public opinion, but I do have a concern that in certain countries at least the concept understood in this sense might be used as an excuse for not pursuing the negotiations in a whole-hearted way.

Q86 Chairman: Do I read into what you are saying, Mr Dashwood, that, for example, in France, if they maintain the policy which they have at the moment that there must be a referendum before any country accedes to the European Union, that if public opinion is tested in the referendum at the end of the negotiating process, that that rather makes a mockery of the whole process and that maybe it would be better, if there has to be a referendum to have it before the negotiations actually start?

Mr Dashwood: I do agree with that. Indeed, I was debating with somebody the other day as to whether for a Member State to hold a referendum at the end of a long negotiating process might not be an infringement of Member States' duty of loyal co-operation under Article 10 of the European Community Treaty, but that is a lawyer's point.

Chairman: It is an interesting one. Who else would like to come in on this particular question?

Q87 Lord Woolmer of Leeds: When Mr Grant referred to absorption he talked largely about institutional change, how the institutions would cope with this and so on. Mr Dashwood, you, reporting on the European Council, raised this issue of public opinion. What is it that the public may be concerned about when they think about the absorption capacity of expansion? Is that to do with constitutions and incidents of reform, or is it really quite something different?

Mr Dashwood: I think, first and foremost, they need to be helped to understand the advantages of enlargement, why so much effort should go into preparing countries to become members of the Union. There was very little effort made to explain the advantages of integrating the countries of Central and Eastern Europe into the Union. Although those advantages are enormous, the case for integrating a

country like Turkey is different, but it can still, I think, be effectively made.

Mr Grant: Can I pick up Lord Woolmer's question. I think the point you make is very important, because as soon as you say that public opinion is part of absorption capacity you are dealing with a different set of issues. What politicians and bureaucrats and think-tankers may worry about is the impact on institutions and numbers of commissioners or whatever, but actually what the public worry about is probably the free movement of labour, people coming to take their jobs. They may worry about the spread of organised crime from new countries in the EU. A lot of people, I think, do worry about the budgetary impact of enlargement. They do not realise that the sums being transferred to new members on a per capita basis are pretty minor, I have talked to people in England who think that large sums of the British budget is going towards Polish farmers, which is not really true if you look at the numbers. I think they probably think about culture and religion too and some people, perhaps less in Britain, but certainly in France, the Netherlands and in Germany, a lot of their hostility to enlargement is the fear of more Muslims coming into their countries. You get a whole different set of issues coming up if you switch to public opinion.

Q88 Chairman: We have certainly had people referring to absorption capacity as being simply a euphemism for keeping Turkey out. That policy would be not a very good basis on which to make a rational decision, but there is one other question I would like to ask you. I do not want to pre-empt the question of another member who I know wants to ask this, but if the enlargement of the European Union goes even further in the future, up to, let us say, the Russian border, to what extent will the EU's foreign policy be affected by this? It would become, would it not, a major issue if some of the closest neighbours of Russia were to become members of the European Union? Would there not then be a sea-change in the ability of the European Union to conduct a foreign policy that was not almost wholly focused on the new near neighbour?

Mr Grant: I think I would not quite agree with that, Lord Grenfell. We have already imported into the European Union within the last two years the three Baltic countries and Poland, who are inclined to be pretty tough on the Russians, and the Russians say that there has been a shift in the tone of EU foreign policy towards Russia, but, of course, you have that balanced against countries like France, Germany and Italy which have bent over backwards to be nice to Mr Putin and do energy deals with him, and so on. So, supposing the Ukraine was to join the EU and possibly Moldova one day, it is conceivable, I do not think that would actually have an terribly big impact

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on foreign policy if you are implying we would get a much more anti-Russian foreign policy. The truth is that EU foreign policy is largely the creation of the big countries on most issues most of the time, because your average EU country has no opinion on the Iranian nuclear problem or the arms embargo to China; they just go along with the big countries if the big countries can sort it out. I accept on Russia certain little countries do have very strong views, and they may have to be taken into account. If I am right that most small countries do not actually have much to say on most foreign policy issues, then the enlargement of the Union need not make it harder for the EU to develop common foreign policies than it already is, in my view.

Mr Dashwood: I do not have anything to add.

Q89 Lord Dubs: Can we go back to the more recent enlargement from 15 to 25. How do you think that has affected the functioning of the EU institutions? Let me specify that. What about the Commission, the Council and the Parliament? Are they working less effectively than before because of the larger numbers, and, if so, what changes should be made to the institutions or the decision-making process to cope with the larger membership? For example, what about the number of commissioners and MEPs? Should they be reduced or should the voting threshold of the Council of Ministers be lowered?

Mr Dashwood: It is early days to express any kind of evidence-based view as to how well the institutions are working with 25 Member States, but an unscientific impression gathered from talking to former colleagues in the Council and MEPs is that, in fact, the institutions are coping pretty well under the existing constitutional arrangements. That does not mean that we may not have to consider institutional adjustments in the future, but we are almost certain to go up to 27 as from January and we may be up to 30 before very long. So far as the Commission is concerned, there is already a legal commitment which takes effect under the so-called "Enlargement Protocol". This was annexed to the Treaty of Nice. This takes effect once the number of Member States reaches 27, and the requirement is that the next commission which is appointed after that time must have fewer members than the number of Member States. So, some time between the end of this year and November 2009 the Council is going to have to grasp the nettle, because there is a power for the Council, the Treaty does not have to be amended. The Council has to grasp the nettle of deciding the appropriate number of commissioners and also establishing a system of rotation among Member States for the post of commissioner; so that point is already decided. So far as the Council of Ministers is concerned, the arithmetic of the Nice Treaty is pretty roborative, but it does not actually make it more difficult just to add

a few more Member States because the Council of Legal Service will get very used to doing the numbers. I do think that perhaps with a proliferation of small Member States, in time, it would be an advantage if, besides the population criteria for the qualified majority, we were to abandon the allocation of a certain number of votes to different Member States and go for a simpler system like that in the Constitutional Treaty when you only have to have a majority of the Member State or three-fifths of the Member States voting in favour of a particular measure to get the width, and, of course, this is the really important thing from the point of view of the big Member States, a certain population proportion.

Q90 Lord Renton of Mount Harry: Mr Dashwood, I was very interested in what you have just said. I confess, I did not know that if there are more than 27 member countries of the EU you cannot have more than 27 commissioners. I was unaware of that. I take it there is no strict formula about this. It would then all be up for argument and discussion and, arguably, the smaller countries could well be against going above 27 because they think there is a likelihood that they would between them lose a commissioner or two and they would not want that to happen?

Mr Dashwood: You are right, Lord Renton, there was a terrible argument about this over the Constitutional Treaty, because one of the reforms in the Constitutional Treaty would have been a reduction in the size of the Commission. I have to say that I do not feel particularly enthusiastic about this myself. I think there are two reasons for this. One is that it is reassuring for the smaller Member States to know that there is one of their nationals who is a member of the college. Of course, commissioners are not supposed to represent their governments, and by and large they do not, but the smaller Member States in particular find it reassuring that there should be a familiar voice. The other factor which gives me pause is that it is possible that a commission lacking members from one or two of the larger Member States would have less authority, but it would be more difficult, for example, for a commission having no German commissioner to take a really tough decision on an issue of state aid. While I accept the argument that a leaner commission might be more efficient, I think that there are significant political considerations that point in the other direction.

Q91 Chairman: But you would not go so far as to say that there should be, rather like in the UN Security Council, a permanent membership of the Commission?

Mr Dashwood: It is politically absolutely inconceivable that that should happen.

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Q92 Chairman: Good. I am relieved to hear you say that.

Mr Grant: May I add something to what Alan has said?

Q93 Chairman: Yes, please.

Mr Grant: I actually think that the particular solution to this problem enshrined in the Constitutional Treaty is absolutely unworkable and will never be introduced, although I happen to be, in general, rather partisan to that Treaty, but not this bit of it. As I am sure you know, the solution in the Constitutional Treaty is a rotation system, so countries take it in turns to give up their commissioner. According to this rotation system, Britain will get a commissioner about as often as Montenegro—there is no bias in favour of large countries—so you could conceivably have a commission in which there were five Yugoslav commissioners and no Brit, and no German, and no French, and I think this is absolutely inconceivable. Of course, it was part of a trade-off of balances in the Constitution. This was something to keep the small countries happy and flatter their vanities and, in return, the big countries got things that they wanted, such as the Foreign Minister and the President of the Council, and so on, but I do not believe that this model is viable because when it comes to the crunch the big countries will never agree to it. I think there are two viable models in the future. One is that every country keeps a commissioner, and I think this is not such a silly idea because of the legitimacy point which Mr Dashwood has mentioned. I think the EU's biggest problem of all, the Commission biggest problem, is legitimacy and how can it fine companies or stamp out illegal state aid if the country does not feel it has a stake in the Commission? But if one day you do have 33 members and 33 commissioners, you will have to have senior commissioners and junior ministers, just as we have junior ministers in the Government in Britain today. That is one model. The other model is a rotation system, but big countries would have to have a better deal than small countries, and I suspect the smalls would never agree to that.

Q94 Lord Marlesford: We are getting on to this point about the EU's ability to act on foreign policy. In the Constitution there were some proposals for the Foreign Minister, of course, which is going to subsume both the Commissioner for External Affairs and the High Representative. That is obviously not on itself, but with enlargement presumably there will be, in a sense, a greater need for having some vehicle for expressing and carrying forward common foreign and security policy. I noticed a slight difference of opinion last year between the two of you, with Mr Dashwood suggesting the High Representative might be given a speaking but non-voting role and you

saying that all those facilities which tried outside the Constitutional Treaty to recreate the idea of a European Foreign Minister would be unacceptable. Is there any way we can square this circle?

Mr Grant: It is something that I have been thinking about since whenever it was last year that I came here. I still think, regrettably, without changing the treaties, it is impossible to create a single EU Foreign Minister, ie to merge the jobs held by Mrs Ferrero-Waldner and Javier Solana. The legal services in both the Council and the Commission say you cannot do it, and although I do not necessarily take that as gospel, because they are very biased and very conservative, I nevertheless think you probably cannot do it. Obviously, Mr Dashwood is the legal expert here and not me. I do think there is an awful lot you can do make EU foreign policy more effective in terms of bringing together the two sides of EU foreign policy without formally merging those jobs. The staffs of Solana and Mrs Ferrero-Waldner do not talk to each other at the moment; they compete against each other and they see each other as the enemy. We need to create a common, something that we cannot call an "external action service" because that was in the Treaty, but some team, some team work between the two groups of officials going on to work together for a common purpose, and I think you can do much more in that direction.

Q95 Chairman: Would Mr Dashwood like to add anything to that?

Mr Dashwood: As a former member of the Council's legal service, you have to treat what I say with proper reserve, but from what Charles has just said, I do not find myself in strong disagreement. I do not believe that it is legally possible to establish the post of Foreign Minister in the way that was foreseen by the Constitutional Treaty without having a treaty because the Foreign Minister had to be liberated from his duty of loyalty as a member of the College of Commissioners when he was chairing the Foreign Affairs Council. As the Treaty stands, the duty of independence of members of the Commission is absent. It is still my view that a useful step would be to give the high representative, the Javier Solana figure, a right to speak but not debate in Commission votings that were discussing external relations matters, and I do also believe that it would be possible to establish an "external action service", or something of that kind, bringing together Commission and Council officials and also officials from Member States, though the early years of that service would be difficult ones.

Q96 Baroness Thomas of Walliswood: Could I put this numbers question in a different context. We are all quite worried at the moment in setting up endless institutions, all of which have management boards of

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25 people, including those whose budgets are so small that you cannot imagine why you need more than five people to manage them. Have you any ideas about how that might develop if or when the European Union increases in size, because the problem can only get worse?

Mr Grant: I agree with Alan when he says that the EU institutions are working quite well post enlargement, but they are working in a different way. I am told that there is seldom now a real discussion with all 25 ministers round the table in the way that there used to be with 15. There are still, of course, meetings of the 25, but a lot of the foreign ministers, the finance ministers, do not actually turn up to these because they are boring and they leave their deputies or their “perm reps” to takeover. The real business now is done away from the Council of Ministers formal sessions in little huddles, in little groups, and that, I think, is the inevitable consequence of enlargement of the Council. It is not necessarily less efficient in the outcome, it may or may not be less efficient, but to answer your question directly, I do think anyway that the EU has been moving in foreign policy towards leadership groups. We have with Iran Britain, France, Germany, supported by Solana as the leadership group, and they report back to the broader council and get guidance from them. On the Ukraine crisis in December 2004 we had Solana, Lithuania and Poland in the lead and, on a slightly different subject, on counter-terrorism, the big six countries now have an informal grouping to give leadership to the others. I myself would predict that we will see much more of this, because you cannot expect a council which will be 27 members next year to actually have some useful discussions and be able to lead EU diplomacy on a particular problem, whatever it is.

Q97 Baroness Thomas of Walliswood: What about the smaller organisations of which there are a number now: ones that collect statistics or do work on the legal aspects of this and that. They all have these big management groups, do they not, or almost all of them do?

Mr Dashwood: I am afraid there is a risk that the bad habit of making sure that every single Member State has some kind of institution located there will probably continue.

Q98 Chairman: Since Mr Grant has raised the matter of the character of council meetings, I cannot resist asking him whether or not he felt that the United Kingdom took the correct position that it did in the Council on the question of transparency and the opening up to the public of the legislative function of the Council.

Mr Grant: I was rather surprised when Mrs Beckett argued against opening up the Council, since it was British Government policy to open it up. I subsequently heard that at the European Council all Member States, including Britain, agreed to greater transparency in the Council, which is fine by me.

Q99 Chairman: Do you have any views on that, Mr Dashwood?

Mr Dashwood: I think they are the same as Charles Grant’s.

Chairman: Thank you very much indeed. Let us move on, if we may. Would you like to come in on the Treaty of Nice?

Q100 Lord Woolmer of Leeds: Yes. I had understood that the Treaty of Nice provided for institutional structures for up to 27 members. I am not sure whether Mr Dashwood was saying that that is capable of being overcome in some ways. Are there constraints imposed by the Treaty of Nice going beyond 2027? If so, what are they? If, in your words, we cannot expect at an early stage a new Constitutional Treaty, how could the EU enlarge beyond 27 after Romania and Bulgaria?

Mr Dashwood: I think you are referring to the provision that I mentioned earlier, which is the provision in Article 4 of the Enlargement Protocol attached to the Treaty of Nice, which does not say that the Union must not enlarge beyond 27, it says that, once it reaches 27, the number of commissioners must be fewer than the number of Member States. As far as know, that is the only reference to the number 27 in the Treaty. I do not think even any of the Member States have 27 votes.

Q101 Chairman: We have the Chief Negotiator of Croatia, Vladimir Drobniak, coming to give evidence to this Committee next Tuesday, and I would not be much surprised if he advanced the theory that Croatia could be held hostage to any delays in the Council about making the necessary changes to permit Croatia to accede to the European Union well before Turkey in, say, 2009–10. Is that a likelihood?

Mr Dashwood: I do not think it is a likelihood. Certainly, there is no legal reason why that should be so. As we said before, there is a legal obligation to tackle the issue of the size of the Commission, and I suppose there are two options. One is to amend the Treaty, because you can always do that, but if the Treaty is not amended, then the Council will somehow have to decide what the number of commissioners should be and how the rotation should take place.

Q102 Chairman: Could I clarify one point. Are you saying that what will trigger the move to make the necessary institutional changes will be the moment

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when the twenty-seventh member becomes a member of the European Union, or will it be when the twenty-eighth looks like being close to coming in?

Mr Dashwood: It is when the twenty-seventh. It will be 1 January.

Q103 Chairman: They will start then to do something about it?

Mr Dashwood: Yes, but only for the Commission. That is the only obligation.

Mr Grant: The broader question is can the EU enlarge without changes, without it being a Constitutional Treaty? I think the answer is it can. Firstly, the EU can actually make some important changes without modifying the existing treaties. As I mentioned earlier, I think on the foreign policy side there are some important technical adjustments you can do to get a more efficient foreign policy, for example, getting Solana to chair the meetings of foreign ministers, and so on, getting in more staff. Article 42 is quite important. This is the provision on the Nice Treaty which allows you to introduce majority voting on justice and home affairs issues, of which bizarrely the British Government, I gather, is sympathetic to implementing but the German Government is blocking and, of course, we talked about openness, which you can do, and the so-called yellow card or subsidiarity procedure, which you could do without change. So, I would say, firstly, do these little things without changing the treaties. Secondly, there will be, I believe, some sort of inter-governmental conference, probably late 2007–08, which, I think, if it is a so-called mini inter-governmental conference, if it is perceived as a modest adjustment to the existing treaties, it could make some of the most important institutional changes required to get the EU working efficiently with more members (and we can discuss what they might be) but it would not be a grand constitutional document. If it is a mini IGC, the result need not go to referenda in many Member States, though some probably would want to hold referendums. Therefore, if this scenario is accurate, if I am right in this, by the end of 2008 you would have a minor treaty revision which would give the EU the feeling that it would be able to take in a few more members, at least certainly Croatia, which will not be ready to join until 2010-ish anyway.

Q104 Lord Roper: As I remember, treaties of accession themselves, of course, amend the Treaty. Would it be possible for the Croatian Treaty of Accession to amend the provisions in the Nice Treaty which actually put this restriction on the number of commissioners and fall back on what I might call the Dashwood doctrine of one commissioner per country?

Mr Dashwood: There is a legal debate about this, because the Treaty of the European Union uses the phrase “the treaties on which the Union is founded”, so that the EC Treaty, the Euratom Treaty and the Treaty on the European Union have a special status. It does not necessarily follow that they could not be amended by a treaty of accession, and there have been treaties of accession in the past which introduced important changes. For instance, our own treaty of accession elaborated the competence of the community in the area of fisheries policy, happily or not, but certainly that was an addition to the primary law of the Union.

Chairman: I am afraid we are going to be interrupted by a division, which means that for 10 minutes we have to take a break. I apologise to our witnesses.

Committee suspended from 4.59 pm until 5.08 pm for a division in the House

Q105 Lord Roper: We have already referred to the fact that the enlargement has increased the number of smaller Member States and changed the balance between smaller and larger Member States. How has this affected decision-making so far? You have already referred to some of the decision-making taking place outside the Council. Going forward, how would the admission of the Western Balkans change the Union by even further increasing the number of “smalls” compared with large Member States?

Mr Grant: I think this is a very important issue that people do not think about enough. Obviously, there is a recent enlargement, letting nine small countries in and one big country, Poland, and therefore it changed the dynamics of the balance between “biggs” and “smalls”. In my own view, the institutions of the EU have always been rather biased in favour of the “smalls”. Each of them has a veto, for example and in the qualified joint voting system they are over-represented in terms of the population. It did not really matter when there was a balance of “biggs” and “smalls”. Now that we have so many “smalls”, I think there is a danger that the large countries will see the institutions as working against them and, therefore, work outside the institutions. This is happening in foreign policy, in fact, already. The real danger with letting the Western Balkans in, and I think they should all join the EU at some point when they are ready, is that the countries there are all small, again, some of them are very small, and so this imbalance, this bias against the large countries such as Britain will be extended, and I think this is a real problem which we have to think about.

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Q106 Lord Marlesford: May I go back for a moment to Ukraine? I think Mr Grant referred to Ukraine. Do you feel that Ukraine, as a Christian country, has an equal claim to Turkey to be a member of the EU? *Mr Grant:* I think it has an equal claim to Turkey, but not because it is a Christian country.

Q107 Lord Marlesford: I am thinking about acceptability, the question of absorption and public opinion and all that?

Mr Grant: I think you are absolutely right. One reason why Ukraine might be more acceptable to some people in the EU would be the fact that it is a Christian country. I myself do not believe that the EU should be a Christian club, and I would welcome Albania, Bosnia and Turkey if and when they comply with the criteria and are ready. I think Ukraine has a good case. It has a perfect case to be eligible as a candidate because it is clearly in Europe, whereas with Turkey you can argue whether it is in Europe or not, but of course the Ukraine is a long way from being ready and it is much less ready than Turkey. It has only been a sort of democracy for about a year and a half.

Q108 Chairman: Mr Dashwood, do you have anything to add on that?

Mr Dashwood: No.

Chairman: Lady Thomas, I know you are interested in Turkey.

Q109 Baroness Thomas of Walliswood: Turkey's accession will bring in a country with a population larger than all Member States probably by the time it actually comes in. What effect would the accession of a very large state with other perceived difficulties, namely the fact that it is a Muslim population and might not from the public opinion side of things be very acceptable, have on the way in which decisions are taken in the organisation of the way in which the EU is governed?

Mr Grant: One word and I will pass over. I think very little because psychologically having, say, 100 million Turks all voting, assuming that we would then have something like double majority voting applying to it, which I think we would by then, sounds frightening but if you think about it to get a majority under the double majority voting system you need 55 per cent of Member States in favour with 65 per cent of the people behind them. So, even 100 million Turks have no power at all unless they can create a coalition of interest with other countries to get the 65 per cent figure. In fact, in practice it would make very little difference, I think, to the majority voting system, and we would not have a lot of pro Turkish legislation being passed. The worry for me about Turkey more than any country joining is: is it the kind of country that would use its veto a lot? This applies to small

countries as much as to big countries. To be fair to the 10 countries that joined recently, they have not thrown their veto all over the place to sort of jam up the workings of the EU. Cyprus has been very difficult on the question of Turkey. Cyprus has used its veto to block, so that the EU has now broken its promises to Turkey because it would not allow the blockade of Northern Cyprus to be lifted, and so Northern Cyprus cannot trade freely with the EU—there is no free movement of air traffic, and so on, between them—but Cyprus is perhaps an exception. The other new members have behaved very well and not used their veto to a large extent. My question about Turkey, as Serbia or Macedonia, is that if they are the kind of country that is going to be using its veto once a week, then they will only clog up the working of the EU.

Q110 Chairman: Poland seemed to be flirting with its veto.

Mr Grant: I was going to say, Poland, taking an example out of Cyprus's book, threatened to use its veto on the complicated VAT argument but, in the end, climbed down at the last minute.

Q111 Lord Dubs: On this question and the one before together, do you think that if some of the existing EU countries were to show an increasing reluctance, not to Cyprus but to Turkey's progress on membership, that will have knock-on effect on other countries wanting to join? I am thinking not so much of the Western Balkans so much as to the east. In other words, if Turkey is blocked, would that affect the chances of the Ukraine, Moldova, Georgia, and so on, because the Turks would say, "You have stopped us. How can you allow other countries to jump over us in the queue"?

Mr Grant: The truth is that Turkey is a bit different from the Western Balkan countries and from the far eastern countries. I do meet politicians who say, "We have to take in the Western Balkans, otherwise they are going to remain a black hole on the map of Europe and there will be a bloody awful mess, so let us focus on them and worry about Turkey later." So, the fact that we might say, "No", to Turkey would not necessarily create problems for Serbia, but the far eastern countries, frankly, are so far away from being declared candidates that they have no chance of joining in the near future, whatever happens to Turkey. I think only Lithuania and Poland are really keen to get Ukraine in, and you need 25, soon to be 27, members in order to get a decision to elect Ukraine a serious candidate. Moldova and Belarus are even further away, as is Georgia and the other caucuses countries. So, I do not think that a collapse of the talks with Turkey would necessarily hurt these countries because they are so far away from joining anyway.

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Mr Dashwood: These are not countries in a waiting room which consist of the countries that are part of the stabilisation of association process, and those are the only countries that have any prospect of accession in the foreseeable future.

Chairman: Let us move on, if we may. The whole question of enlargement raises in our minds the issue of whether or not the structure of Europe is correct, and I think that Lord Renton has a question on this.

Q112 Lord Renton of Mount Harry: Would it, in your judgment, be at all possible for the idea of the creation of a core Europe to work? Obviously, any time any French or German or Belgian leader talks about the possibility of a core Europe, leaders in Britain shiver with horror inevitably, but what could it look like? To get out of the present impasse, could it be practical? Do you see any chance of it being accepted as an idea when those who were partly or entirely in it and have joined the Euro, *et cetera*, would form a core and the others could accept that?

Mr Dashwood: Different people mean different things by a “core” Europe. In one sense, I think it betrays the nostalgia of the six. We would like to go back to being the old comfortable community where everybody had the same long-term objectives, or thought they did, and in that sense it is not a serious option. I think when Mr Sarkozy talks about it he thought of it as something more like the *Electoire*, the Franco France, Germany and some other Member States, including the UK, that would be a political core, not an institutional core, that worked out what they wanted to happen before an important council meeting of the full European Council will then try to impose their views. If one is serious about creating a “core”, in the sense of a policy which would be debated and decided upon within the institutions, that kind of core would have to include security and defence and it is inconceivable that the United Kingdom would not be part of that. It would clearly be done seriously. I do not myself believe that the idea of a core unit is any kind of solution or, indeed, any kind of serious political threat. It is possible that we will have some greater degree of enhanced co-operation in the future, although it is also striking that the enhanced co-operation powers that were initially created by the Amsterdam Treaty and then simplified by the Treaty have been significantly used. The only instance that we have so far of enhanced co-operation is what I call primary enhanced co-operation, the instances under the treaties themselves where certain Member States are excused from participation in certain policies, notably the Single Currency and Shengen. I think there is a strong perception of the difficulties of implementing enhanced co-operation in practice, and it has not so far proved very useful.

Mr Grant: I agree with everything that Alan has said. I think that the idea will come back on the table because every time the British are difficult and block a radical treaty change of the sort wanted by some countries, there will be talk of a core Europe to frighten the British into submission and Juncker said as much at the last European Council. Mr Verhofstadt, the Belgian Prime Minister, wrote a pamphlet recently calling for a core Europe to be built around the Euro group, but, as Alan says, it does not make sense because there is no point in having a defence union without the British or even a tax union without some countries, and so I do not think it will happen. Although the French will keep pushing it forward—Giscard, Chirac and others—it will not happen because the Germans do not want it to happen, and it cannot happen without the Germans. Schroeder, of course, did flirt with the idea, and Merkel has quite explicitly said she does not like it and so the French and the Belgians and the Luxembourgers can dream on, without German support it is not viable, and anyway the political and judicial difficulties of creating a two-speed Europe are enormous. Like Alan, I think that there may be other sorts of certain variable geometry, but different groups doing different things rather than an A team and a B team.

Q113 Lord Blackwell: Can I push a bit further on this issue of enhanced co-operation. Is not the reality that the more members we get with more different interests, the more there will be a natural tendency for some to have a set of interests that do not necessarily encompass every other group and that actually the evolution of different groupings and circles of interest with some involvement and some opted out will go beyond Shengen and the single market, for example, areas of energy policy or areas of transport policy? Would that not be a natural way of coping with a more diverse Europe? Indeed, if you think about extending to Turkey and some of the other areas, maybe even areas of foreign policy and defence policy, that you would want people in or people out or choosing. Is not that a natural way of dealing with Europe today?

Mr Dashwood: Yes, I agree, Lord Blackwell, it is, and to some extent we are there already, including in the defence area, but there are real problems with enhanced co-operation. I am rather vividly aware of this because I am litigating a couple of cases on behalf of HMG at the moment, about which I must be a little bit cagey. They are both cases which relate to Shengen, they arise from the fact that the UK wanted to opt into certain legislative measures, one relating to the establishment of a European audit agency and one about biometrics in European passports. We wanted to opt into those measures and we were told that we could not because they are Shengen related

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and we do not participate in the relevant underlining key. That illustrates a problem of enhanced co-operation which I call the problem of spill-over. If a group of Member States decides to co-operate more closely in a certain area, it is quite difficult in practice to define the border between that and the area in which everybody is participating, and I suspect that if enhanced co-operation happened more often, we would have more of these disputes about whether Member States that are not participating in the basic principles should be allowed to take part in legislation which only seems to be peripherally related to it.

Q114 Chairman: Do you want to add anything?

Mr Grant: Yes. I agree with Lord Blackwell. I do think there have to be limits. I think that certain policies cannot operate effectively without everybody taking part such as in the trade policy, foreign policy, competition policy, and so on. I do not think you can do this variable geometry everywhere, but, in my view, there will be more of it than there is now. I see four areas where we may see more of it. One is the Euro group, which does exist already. It is an informal grouping, but it is, I think, going to get bigger and stronger and maybe have more external representation and more surveillance over its own members' economies. Secondly and differently, corporate taxation. I think there is going to be quite a strong pressure amongst some countries to harmonise tax bases and possibly set minimum tax rates in the very long run. I think there is pressure for that in France and Germany, and it may happen one day. Thirdly, justice and home affairs, where there is no reason why we should not have some countries doing things together. The Treaty of Prüm, an inter-governmental treaty, a kind of super Schengen, was signed a year or two back by seven Member States. I think that shows that we will get *avant garde* groups in that area. Finally, defence. As Alan mentioned, there was really a lot of variable geometry in defence. Spain has decided not to join the code of conduct recently agreed on making the European defence market work more efficiently. Not every country takes part in *avant garde* groups, and so on. What we have not seen yet, of course, is an official enhanced co-operation under these rules. One day we might get one, but you do not have to use those rules, you can do it outside the treaty. You can do it under a treaty like the Treaty of Prüm, which is not an official enhanced co-operation.

Q115 Lord Blackwell: If that is the way things may go, has any thinking been done about the implication that it might have for European institutions, because you can imagine this creating a sort of West Lothian question, people sitting in bodies in the Council or

Parliament on areas where actually they have opted out?

Mr Dashwood: Yes. There are quite strict rules for the Government under enhanced co-operation if it is done formally. If it is done informally, then that can interfere with the well-functioning of the institutions, and each case would have to be carefully examined on its merits, but I agree that there is a risk there.

Q116 Lord Blackwell: It sounds like it is new territory?

Mr Dashwood: It is new territory.

Mr Grant: I think under the official enhanced co-operation rules in the Nice Treaty there is a kind of West Lothian question that all MEPs are concerned with votes on the matters concerning—

Mr Dashwood: Absolutely, yes.

Lord Blackwell: So there is a kind of West Lothian question.

Q117 Lord Marlesford: The ECP in the Ukrainian election worked quite well. It has not caused a problem, partly because of the independence of Giessenburg(?).

Mr Dashwood: Under the rules of enhanced co-operation, the ministers from the Member States concerned do not vote, I should say the ministers from the non participating Member States do not vote, but the MEPs of those Member States do play their normal role.

Chairman: I would like to come on, if I may, because time is running out for us, to the whole question of the EU relationship with the non-members. Lord Bowness, would you approach this with our witnesses, please.

Q118 Lord Bowness: Gentlemen, can I ask you to perhaps look at the European Neighbourhood Policy, whether you think it its adequate, how it could be improved, how could we use it to develop relationships with those countries that really do not have a prospect of joining the EU in the foreseeable future, either because they are ruled out geographically—I think you could say that in terms of North African countries—or because they just are not ready?

Mr Grant: I think it is too early to be sure, because it has only existed for a couple of years. We have an action plans to link the EU with seven of its neighbours but I think it is probably not working as well as one would hope it would work. There are a number of reasons for this. The biggest one is simply that the neighbours themselves are in a bit of a mess. If you look at the Ukraine, it has signed up to an action plan, as has Moldova, but they have not really done very much about implementing it because they have been in a mess and they do not have an efficient political system that can do so. The second reason

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why it has not been a great success—by the way, I define “success” as the EU’s ability to shape the evolution of these countries in a sort of EU-wards direction through the offer of carrots, basically, through trade, aid and political contacts—is that the EU countries themselves have not taken it seriously enough. It has been left to the Commission to run and, therefore, it has been run on a technocratic basis, and I think it has not been seen by foreign ministers or other ministers of various Member States’ governments as a politically interesting area to engage with and sell and promote. The third and final reason why I do not think it has been a great success is that it is not offering enough to the neighbours. Of course, it should not offer membership, because it would be unrealistic to offer membership, but it is not offering enough, and, therefore, I think we need to think about something that is less than membership but a much more current neighbourhood policy. For example, I have been toying with the idea of allowing neighbours to join certain aspects of EU foreign policy. It is a lot easier for a country to join the foreign policy than taking on the 80,000 pages of the *acquis communautaire* on trade, single market and agriculture, but I think we need to think about those intermediate steps.

Q119 Lord Bowness: Mr Grant, when we looked at the action plans there are desirable wishes and there is a desirable wish-list for every country. Do you think there is a case for either prioritising to distance themselves or prioritising the countries within the 15 or, indeed, is in fact the answer to increase the funding of the neighbourhood policy?

Mr Grant: One of the strengths to the neighbourhood policy is that it allows different action plans for each Member State. You can, in theory, make them bespoke. Probably they have not been differentiated quite enough and probably one should prioritise certain neighbours. I do not think money is the issue really. Just shoving money at them is not necessarily going to have the desirable effect. I think what matters is involving them with the EU method of decision-taking, the EU culture, which is why I would suggest letting them send a few diplomats to the Council of Ministers, to take part perhaps initially in

the shaping of such decisions but not actually taking them, a bit like the European Economic Area where other countries take part in the shaping of decisions. I think that is probably more important than just channelling money, which we do already.

Q120 Lord Roper: Would that be a privileged partnership?

Mr Grant: It is, in fact, a privileged partnership. I would not use that word because in Turkey it is seen as an anti-Turkish word because of the German Democrats’ use of it. Effectively, it is something very close to a privileged partnership but we need to find a better phrase.

Chairman: I would like the last question to come from Lord Hannay.

Lord Hannay of Chiswick: Is not the problem with the neighbourhood policy one you have not mentioned, which is that at least those neighbours who are European do not accept the neighbourhood policy as an alternative to accession and will never accept the neighbourhood policy as other than an ante-room for passing through into the European Union, but, on the other hand, the Member States who like the neighbourhood policy will never put enough resources or effort into it, unless they are assured that they can lock the door that leads from the ante-room into the European Union and throw away the key?

Q121 Chairman: Give us a quick answer and then I will let people go and vote.

Mr Grant: My quick answer would be that my suggestion for a better neighbourhood policy would be disliked by countries such as the Ukraine, which really hope to become candidates. My proposal is for membership neutral when the Ukraine understands it is not going to be a Member State for a very long time, it may look more kindly on the concept.

Mr Dashwood: Institutionally lawyers rather like the look of the neighbourhood policy because it is a clever way of using soft law to supplement the hard law in the partnership of the operational agreement.

Chairman: I am going to raise my voice above the division bell noise. I am going to close the session. Thank you both very, very much indeed for your excellent evidence.

TUESDAY 4 JULY 2006

Present	Bowness, L Brown of Eaton-under- Heywood, L Dubs, L Geddes, L Grenfell, L (Chairman) Harrison, L Maclennan of Rogart, L	Marlesford, L Neill of Bladen, L Renton, L Roper, L Thomas of Walliswood, B Woolmer of Leeds, L Wright of Richmond, L
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Examination of Witnesses

Witnesses: MR VLADIMIR DROBNJAK, Chief Negotiator in Croatia's Accession talks with the EU, and
 HE MR JOSIP PARO, Croatian Ambassador to the UK, examined.

Q122 Chairman: I would like to begin by welcoming very warmly our two witnesses, Ambassador Vladimir Drobniak, the Chief Negotiator for Croatia, and Ambassador Josip Paro, an old friend or ours, the Croatian Ambassador here in London. I should tell you that we are being recorded and going out live on the Internet, and you will be sent a transcript of the proceedings and that will enable you to see whether what you have said has been properly reflected in the evidence that will be published with the report. Once again, I thank you both for taking the time—you are both very busy people, and I know that Vladimir Drobniak has to go off and make an important speech at Chatham House immediately after this. So we have just about half an hour with you and we will try and make our questions succinct. Would either of you like to make an opening statement?

Mr Drobniak: Very briefly, considering the shortage of time. Firstly, I feel privileged to be amongst you and I thank you for the opportunity that you have provided us with to share some thoughts of ours on this immensely important process of enlargement, which we deem to be important not only for Croatia but also for South East Europe and Europe in general. My closing line in Chatham House in an hour will be seeing Croatia as a new EU Member State will be not only victory for Croatia, it will be victory for Europe, and that is why we are very pleased to see the attention that you are paying to this process. Maybe if you would like me to briefly outline where we stand for the moment or just to go straight to the questions?

Q123 Chairman: Please do.

Mr Drobniak: Croatia started negotiations on 3 October but the screening process started on 20 October and as of the end of July we accomplished two-thirds of the process; we had 28 explanatory screenings, 21 bilateral screenings and the screening process will end as planned at the end of October. The process is very much different in some aspects—not

in all—than the enlargement process had been for 10 new EU Member States as well as for Romania and Bulgaria. The main difference, of which we will probably go into more detail a little bit later, is the benchmarking mechanism which added a visible rigorous approach to the process and new Member States are showing the utmost attention to each and every detail. The process is very demanding, not only due to the political circumstances that surrounds the enlargement process in Europe in general, but also with the new mechanisms it is technically immensely demanding. To respond to those demands we have created a large negotiating structure—and, by the way, I have some booklets on that subject which I shall leave in the room so whoever is interested in Croatia's negotiating structure can have a look. But to demonstrate how demanding the process is let me just say that we have 2,000 people at the moment dealing with negotiations. Just for this, two-thirds of the screening process so far we have produced 14,000 pages in English and 14,000 pages in Croatian. So it is a very, very vigorous and technical process. But I think that we are recording good progress. We provisionally closed the first of the 25 chapters and we feel confident that before the year is over a number of other chapters shall follow, either to being opened or some of them even provisionally closed. Just to conclude, Croatia is confident that we can successfully negotiate the accession and we are encouraged by the support we receive from many EU Member States. But I must say that one has to have in mind the complexity of the process, which is laborious, it takes a lot of effort, it takes a lot of expertise, and whoever is afraid that this enlargement process will be rushing through towards the European Union can feel satisfied because the way that the process is now designed one cannot rush through it, even if one had to. We feel that Croatia will use the existing new mechanisms to prove itself as completely prepared at the end of the process and the benchmarking mechanism will, at the end of the day, alleviate these concerns and help the ratification

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Mr Vladimir Drobnyak and HE Mr Josip Paro

process. So, so much for the beginning. I suppose that you have a number of questions and I will not take more of the time.

Q124 Chairman: Thank you very much indeed, Mr Drobnyak. Ambassador, would you like to add anything to that?

Mr Paro: I am very grateful for your consideration in taking me on board. I think that my colleague in fact is far more important. I would just like to stress how satisfied we are with the bilateral support we receive from the British Government, which is, I would say, by its nature, pro-enlargement, and we find obviously our way in that support. Also I have to say that the British Government sees Croatia as a good example to be set to the Western Balkan countries which have not been as fortunate as we to jump on the enlargement train at this time. Our Prime Minister will be in London in two weeks' time and we believe that this is going to be an opportunity to cement this otherwise very good relationship. That is all I would like to say for the time being.

Q125 Chairman: I have two questions. First of all, do you have in mind a target date for the completion of the negotiations? The second is a rather broader question, and that is that obviously this is a very, very time consuming, complex, onerous process that you are going through—you have told us of the number of pages that you have already produced—and that this is going to be a long process. Do you get the sense that some of the other Western Balkan countries are watching very closely your experience and that if it seems to be very, very long and very, very drawn out that they might be discouraged by this? Either of you to answer.

Mr Drobnyak: A target date? First I would like to state that for the purpose of membership preparations at this stage of negotiations Croatia considers 2009 as a target year for accession. The exact date, I do not think anybody can provide for the moment because there are too many elements that still remain to be cleared and there are too many elements still unknown, in particular benchmarks because the benchmarking mechanism that follows the logic that you have to meet a number of benchmarks in order to open the chapter or closing benchmarks in order to close the respective chapters shall certainly dictate the tempo of the process. For the moment we know just a small portion of the benchmarks because many screening reports that will define benchmarks and many common positions that will define closing benchmarks have not been drawn yet, so we lack parameters to make a more accurate assumption of when we may reach Europe. So this 2009 we do not consider is something carved in stone, we are fully aware that it may not materialise, but we do not exclude entirely the possibility that 2009 could be the

year. This 2009 for the moment is, as I said, for the purpose of membership preparations because you need some target in mind for budgetary and other reasons. We see that at this stage a number of EU Member States are reluctant to speculate about any dates, about any timeframes, which we understand considering the overall enlargement fatigue that is still present in parts of Europe. But we think that it is very useful to have at least a hypothetical working date, for the reasons I have outlined. When it comes to our eastern neighbours, they are carefully watching the process and we exchange regularly views and opinions on that and gradually they are becoming aware of how complex and demanding the process is. Will this discourage them? I think what could encourage them is the end result because if Croatia will make it—and I am confident it will, but let us leave the benefit of the doubt a little bit on the table—then they will be certain that Thessaloniki agenda has been proven empirically. So if Croatia can make it there is strong hope that they can follow the example; but if Croatia cannot make it then this will become “mission impossible” for them. So the success of Croatia is the best incentive that this can be done even under changed and more difficult circumstances.

Chairman: There are two extraordinarily important questions that we need to ask and I am conscious of the time and that there may be another division, so I want to go to them immediately to make sure that we get them in. One is a question that Lord Neill was planning to ask a little later and I think it would be appropriate if he asks it now.

Q126 Lord Neill of Bladen: One sometimes hears EU leaders talking about a relevant factor on enlargement and they use the phrase “absorption capacity”. I wonder if you have come across it and, if so, what meaning you attach to it and whether it is relevant to Croatia's current position?

Mr Drobnyak: Indeed, “absorption capacity” is turning into the phrase of the day I would say because in all corridors of Brussels this is *the* phrase these days. In a way absorption capacity has been on the table since 1993 because it has always been the way we read conclusions of the European Council of Copenhagen and Madrid, it has always been the issue that not only a candidate country has to be prepared to be absorbed but also the other side has to be ready to absorb the candidate country. But now the way that the absorption capacity is being defined—I feel a little reluctant to make comment on that because we are not even a Member State, and you would say, for example, every country should be regarded on its own merits, but our business at the moment is to negotiate accession and we do not want to give the impression that we are interfering into internal matters of the Union before our time. But I would

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like to state one thing, absorption capacity being defined to alleviate concerns of public and political opinion in respective Member States to ensure that a new Member State really fulfilled all criteria and that it shall represent no problem. It is entirely different, I think, if absorption capacity is just a pretext to slow down enlargement as such. So Croatia supports the debate on absorption capacity but not at the cost of the enlargement process. It should not be an excuse for slowing down or derailing enlargement as such. From our point of view it should serve the candidate country, it should contribute to its success.

Q127 Lord Renton: To follow up on the question of enlargement, you used the phrase just now saying how complex and demanding you were finding these negotiations. Do you think in any sense the experience of the Central and East European countries as Members has put them off at all? Do you think their expectations have been fulfilled? There has been talk of possible “second class membership”; has this been vindicated at all?

Mr Drobnyak: Not being in their shoes, again it is a little bit hypothetical of me to be judge of that but from what I can observe and my contacts with them I would say that it has been a big, big success. But for us, who had the opportunity to travel to that part of Europe five, 10 or 20 years ago, what you see speaks for itself, it needs just to walk through the streets of Prague or Budapest or Bratislava these days—and the walk speaks a thousand words. Statistical data is also very clear and the Commission’s report on the economic success of this enlargement speaks for itself and we often use their success and good economic data as a strong argument for our public opinion to support more firmly the accession. The first and second-class membership, again I am a little bit hesitant to use this phrase because I would say that you have big and small countries; you have new and old Member States; there shall be for years to come old guard and new Member States. With no disrespect to those new Member States but the old guard will remain the old guard and the big States shall always be big. We have already experienced that there is a very delicate balancing mechanism and what, in our point of view, makes the European Union so appealing to us is that it has tried to properly balance two almost impossible things to be balanced—that the big remain big but the small remain equal to those who are big, without denting the rights of the big to be big. We think that this is exactly what is going on. When we speak to new Member States they have their Commissioners, and maybe this is not an appropriate example but in our daily business we encounter a number of Commission Members coming from the new States and you can barely see the difference—they are already well melted in.

Q128 Lord Renton: Is that a good thing?

Mr Drobnyak: I would say it is. I think this is what draws us towards the European Union, and it can hardly be better in my opinion.

Q129 Lord Maclellan of Rogart: When the Treaty of Nice was agreed it envisaged 27 Members in the new enlarged Union and it did not go beyond making proposals for that. That may create some legal uncertainty for you. Have you provision for the discussion of that? Are you concerned about that issue?

Mr Drobnyak: I think that one can approach this question from the legal point of view and from the political point of view. From the legal point of view, legally speaking Croatia could enter the European Union on the basis of relevant changes in the present institutional arrangements with a constitutional Treaty in place. What we could do is just amendments to the present institutional solutions through our Accession Treaty. So we believe there are any obstacles to solve the problem of Croatia’s absence from the Nice Treaty. It is an entirely different thing: is there a political will to do that? Politically speaking there is a problem. So the bottom line is: is the European Union ready to inform institutionally in the light of new accession negotiations without the decision on what will happen to the Constitutional Treaty? So I think the real problem that surrounds Croatia’s future place in the institutional framework of the European Union is not of a legal kind but is of a political kind due to the present uncertainty. We understand the complexity of the situation and we fortunately—or unfortunately—still have some time to reflect on that before it will materialise. But we would like this debate on the new institutional provisions to be as short as possible; we think it would benefit enlargement immensely if the debate were turned into a real action and whatever the outcome would be we hope that there will be a place for us. I repeat, it could be solved to through our Accession Treaty. In the debate that will probably come later this year on the future of these institutional arrangements, Croatia being the candidate country and negotiating accession agreement, we hope that we shall be given the opportunity to observe incoming debate more closely the way that the previous candidate countries did that during the debates.

Chairman: Thank you. Lord Woolmer, are there any points that you were going to raise that have not been answered?

Lord Woolmer: I think they have been dealt with.

Chairman: It was the benchmarking issue. In that case, Lord Roper.

Q130 Lord Roper: You said that you have in your leaflet some information as to how you structured your negotiating team. In that case could I go on to

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the second part of the question? Can Croatia help other candidates or potential candidates? For example, the fact that the *acquis* is being translated into Croatian will presumably help those who speak Serbian or Bosnian or even Montenegrin when they come to their negotiations, but will you also be able to help candidates such as Turkey and Macedonia in their negotiations?

Mr Drobnyak: Not only that we feel confident that we can help them but we are already doing that. We have already had several rounds of technical advisory talks with Serbian diplomacy, with Bosnian diplomacy. They requested our opinion and assistance while they were preparing for negotiations for the Stabilisation and Association Agreement of, so we have already sent our experts to their capital to provide them with some assistance and guidance. So there is a dialogue on enlargement-related issues among the countries in the region that is not spurred by Brussels but it is more within the region. I think this is an example how enlargement itself is important for regional cooperation because we have a new agenda item on our regional cooperation level and this is enlargement. They would like to learn from us, where we make mistakes could something be done better, what can be expected and so on. Stabilisation and Association Agreement negotiations is just child's play compared to this extremely demanding process and I think that the experience we shall gain shall serve immensely those who will follow. The way that Slovaks or Slovenes are sometimes counselling us, we can counsel those who will follow. The problem, I would say, with Slovakia counselling is that only half of their experience can be used because the process is very much different. I believe that in years to come for Serbia and Macedonia, if you will, the process will be basically similar because we are trail blazers here and we are a sort of guinea pig and the process will be fine tuned to our negotiations and then it will be carved in stone for those who follow. So I think that experience and knowledge gained by Croatia can be immensely used elsewhere and I cannot emphasise enough how important it is for Croatia to see Western Balkan countries follow our example; the closer they are connected with the European Union the better for Croatia, the better for regions, the better for Europe.

Chairman: Thank you very much indeed. Lord Dubs.

Q131 Lord Dubs: I think there is some evidence that public opposition to future enlargement is increasing in countries such as Austria, Germany and France. What effect might this have on Croatia?

Mr Drobnyak: To a certain extent it has an effect; technically it does not. We have a huge task to fulfil, we have a lot of homework to do and so from a technical point of view it does not affect negotiations whatsoever. Politically and public opinion-wise it does to a certain extent. Whenever our public opinion

registers through Croatia's Press that there is a resistance in some parts of Europe to enlargement then they feel disgruntled to a certain extent because the public opinion is—of course they are flesh and blood and they react emotionally. Our public opinion strongly feels that Croatia deserves EU membership, that we work hard and that we are therefore qualified, of course providing the homework that has to be done is done. Again, technically it does not but sometimes it is not entirely helpful. You have 2,000 people in your team and in order to make this process work you have to work many, many extra hours and basically the only way you can cope with the complexity of the subject is through enthusiasm and goodwill, and when those people read on the front pages that somewhere in Europe someone stated, "This is it, the door has to be shut, no more enlargement," then it is very hard sometimes to motivate them at the morning meeting and say, "Now, let us go for the next 12 hours today," and they say, "Did you see that?" So it is not helpful. But we are confident that this is not the prevailing mood and we really believe that the historical significance of continuation of enlargement shall be recognised and that what Croatia is currently doing shall not only be appreciated but also used for future enlargement as the example of how things can be done and should be done.

Chairman: Thank you. Two last questions from Lord Renton and Lord Harrison and then I would like to ask Ambassador Drobnyak and Ambassador Paro to give us their final thoughts if there any points you want to raise that we have not managed to get into our questions.

Q132 Lord Renton: Just a very quick point following on from Lord Dubs' question. Are you taking any special measures to try to influence public opinion in France, Germany and Austria, particularly with a view to possible referendums in the future?

Mr Drobnyak: Not yet because we think that the day is too young for that, when it comes to very specifically targeted measures. But we have one measure that is working nicely and this is Croatia's tourism because around nine million people come every year to visit Croatia and more than 80 per cent of them come from the European Union Member States. This is the opportunity for many more European citizens to see how beautiful Croatia is, how well developed we are, and this is the best PR we can have. The irony is that some of them think that are already an EU Member State! So for the moment this tourism works well. We have another big ambassador which is sports, and we have well-known sports champions in skiing and tennis, and I do not want to mention Croatian football at the moment—I wish I could! So I think that Croatia is well known. There is another element which I think is important to have in mind. Croatia

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has a big diaspora, there are many Croats, throughout the new Member States; they are well incorporated in local societies, they are good workers, they are well respected and this is an additional tribute that from an absorption capacity point of view Croatia represents no problem whatsoever, Croatia represents an added value. But in the final stage of the process we shall certainly want precise PR campaigns in those capitals where at the moment we shall register the need to apply.

Q133 Lord Harrison: Mr Drobniak, this is my unofficial question. Given that you do have nine million visitors to your country each year, is the Euro circulating? What is the standing of the Euro? What might be the preparedness of the Croatian economy for such an event? Secondly—this may seem a predatory request of you given that you are currently negotiating with coming into the European Union—but have you given any thoughts to future enlargements and whether there might need to be conditions fulfilled, for instance the complete restructuring of the budget, greater use of variable geometry or longer periods of acclimatising candidate countries to come into the European Union?

Mr Drobniak: When it comes to the Euro question I can answer that you know it takes a minimum of 2.5 years once you become a new Member State in order to qualify for that. The Slovenian example is a wonderful one and we are very encouraged by the prospect of Slovenia to enter the monetary union zone; we think it is going to be great for the wider region and it is an excellent message for Croatia's public opinion, and we are already considering some initial steps to follow. I think that we shall have sufficient time to prepare for that; but, again, considering the number of uncertainties in front of us this is not a front-runner of our strategic planning for the moment. Future enlargement, I can state it on the record that Croatia firmly supports future enlargement throughout South East Europe or Western Balkans, if you will, for all Western Balkan States, and also Croatia supports Turkey and we have an exceptionally good bilateral relationship with Turkey. I would hesitate to go beyond that. But I think it would be unwise to firmly close the door in principle because only God knows how the world is going to look in 25 or 30 years from now. So I do not think we have any right to make such a firm prediction 30 years in time; it is impossible. Twenty years ago there was no Croatian State; you just go back 20 years in time and my country looked entirely

different. Very few people with me in this room could have believed that 20 years down the road I would, as the Chief Negotiator, be testifying to the British Parliament, but it happened. So following this line I think that we have to have in mind that everything could happen, thinking positively not negatively.

Q134 Chairman: Some final thoughts, Ambassador?

Mr Paro: I think there is just one point missed, which I think we should use the opportunity to make it clearer. We have—and I deeply believe we share with the British Government—the belief that the Thessaloniki Agenda, which is the basis of the European perspective for the Western Balkans, should not be blurred either by the need to reflect about the future of Europe nor by the intrinsic difficulties that the countries in the Western Balkans are undergoing recently. That is all I would like to add.

Q135 Chairman: That is a strong message. Thank you. Mr Drobniak?

Mr Drobniak: Just to conclude by expressing our gratitude to the British Government for all the assistance we are receiving. Just to inform you that, for instance, we have a very generous assistance by the British Government in the field of competition, which is one of the most demanding in the course of the negotiations; but apart from that I think enough has been said. Our mantra has been to talk less and work more so I think it will suffice.

Q136 Chairman: I am very happy to hear that the British Government is behind you and, dare I say on behalf of the Committee, that the sentiment here is that the Parliament should be fully behind you as well.

Mr Drobniak: Thank you very much.

Q137 Chairman: Any helpful encouragement that we can give you.

Mr Drobniak: And the booklets on our negotiating team.

Q138 Chairman: It only remains for me to thank both of you, Ambassador Drobniak and Ambassador Paro for your, very clear exposition of the situation in Croatia which is very helpful to our inquiry. We will be sending you the transcript. We wish you well and will follow with great interest your progress towards your desired goal, which is membership of the European Union.

Mr Drobniak: Thank you.

MONDAY 10 JULY 2006

Present	Bowness, L Grenfell, L (Chairman) Hannay of Chiswick, L	Marlesford, L Roper, L Thomas of Walliswood, B
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Examination of Witness

Witness: COMMISSIONER OLLI REHN, Member of the European Commission, examined.

Q139 Chairman: Welcome, Commissioner Rehn.

Dr Rehn: Welcome to Berlaymont. Before saying a few words about enlargement, and then we can proceed with questions and answers, I would like to inform you that we have recently published a booklet on the *20 Myths and Facts about EU Enlargement*. I hope you can utilise this. This has just come from the printer so we do not have more than three copies but we will provide you with some later on. First of all, I would like to say on my trip to Serbia at the end of last week I read the record of your meeting with Graham Avery and Quentin Peel who were witnesses in your Committee. I found it very interesting and stimulating. I worked with Graham Avery in the Commission, I know him well, and he has been a key person in developing the European Commission's and European Union's enlargement strategy over the past decades. Can I ask, is this on the record or off the record?

Q140 Chairman: It is on the record. We will send you the transcript of our meeting for you to check that you have been properly reflected and it will be published as part of our report.

Dr Rehn: If you will allow me I would like to give you a concise update of enlargement over the next six months but which will extend longer because many of these issues are at a critical phase at the moment. If I could start with the June European Council which reconfirmed the existing commitments of the European Union in terms of enlargement. It did not set any new criteria for enlargement policy. I will come back to this at the end concerning the overall debate and absorption capacity. We have two levels. We have the concrete decisions in the accession process in relation to several countries, which will be topical in the coming six months, and then we have the more general conceptual and policy-oriented discussion on enlargement strategy. Of course, these two levels have to coincide at some point but it is clear that we have concrete decisions that we will be facing in the next six months. Our policy is based on, I would say, three Cs: consolidation, conditionality and communication. By "consolidation" I mean that we want to avoid an overstretch of commitments and instead focus especially on South Eastern Europe. In the past 15 years EU enlargement has helped to reunify Eastern Europe with Western Europe,

peacefully reunify Eastern Europe with Western Europe. At the moment our energies are focused on peaceful reunification of South East Europe with the European Union. The second C is conditionality, which means that while we speak about commitments at the same time we can ask of the candidate countries that they must meet the criteria to the letter when they join the EU. This is the critical issue now as regards Bulgaria and Romania. Thirdly, we have been better at doing enlargement than communicating enlargement and that is why we have to focus on better communication in order to better communicate with our citizens about the success story and the challenges of EU enlargement. It is not only for the Commission but the primary responsibility lies in the hands of Member State governments, their administrations. The Commission alone cannot achieve too much in this field if we do not have the support of the Member States on the policies which they have unanimously agreed in the context of EU decision-making. Every key decision in the field of enlargement requires the unanimity of all 25 Member States. On this basis we have four main challenges in the next couple of months. First of all, on Bulgaria and Romania we will present the final monitoring report on their readiness in the light of the accession criteria. We will present that report on 26 September. In that report we will give our assessment whether the envisaged accession date of 1 January 2007 can be maintained. Both countries are working hard in order to redress the remaining shortcomings and the focus is now pretty much on whether both countries can convince the Commission and the Member States of their ability to fight organised crime and high level corruption and whether they can complete their judicial reform so that we can be assured when both countries join the European Union they join in a condition where the rule of law is truly applied in these countries. Our goal is that both countries can join in January 2007, but our duty as the guardian of the treaties is to ensure that when the countries join they truly meet the conditions of accession. In Romania there has been a complete overhaul of the judicial system in the past 18 months while Bulgaria has been lagging behind in the reforms but now in Bulgaria, the government, the parliament and the law enforcement agencies need to use the summer

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holidays and remaining months and weeks to redress those shortcomings and provide a concrete track record on their ability to fight corruption and crime. Secondly, Croatia and Turkey, but mainly Turkey because as regards Croatia the negotiations are progressing smoothly. In fact, Croatia is politically and economically a relatively developed country. For instance, national product per capita is about one and a half times in Croatia compared with either Bulgaria or Romania. Croatia's negotiating machinery is very well lubricated and there is a credible possibility of making reasonably rapid progress with Croatia in the negotiations. As regards Turkey, I have been warning about a possible train crash with Turkey during the last couple of months in order to raise awareness among the European and Turkish decision-makers over the risks involved during the second half of the year. This concerns both tracks of the negotiations with Turkey. It concerns the Cyprus track and the reform track. Our line is clear, that in order to open the accession negotiations in October 2005 the European Union expected Turkey to sign the Ankara Protocol, or the additional protocol, the Ankara Agreement, and of course we expect full implementation of that protocol, including the opening of Turkish ports for Cypriot vessels. At the same time, even though there is no link, we are working in order to have the UN-led process of reunification resumed and to have the trade regulation adopted implying direct trade between the Turkish Cypriot community and the European Union, perhaps with some accompanying measures. Over the weekend, for the first time for a long time we had positive news from the island. The UN Under-Secretary General, Ibrahim Gambari, has been on the island and over the past week, in fact, President Papadopoulos and Mr Talat, the leaders of the two communities, have met three times and have agreed on the necessity to resume negotiations on reunification based on a bi-general, bi-communal federation. That is important and, for our part, we are ready to contribute to that process and, as well as supporting the adoption of the trade regulation in the Council of Ministers in the European Union, to have the resumption of negotiations on a comprehensive settlement restarted and at the same time making such confidence building measures which on their part will facilitate the reunification of Cyprus. The other track is the reform track and on that track we need to register significant progress concerning the reforms related to the rule of law and human rights, and especially their implementation. Failure to do so would have negative repercussions for the overall process of negotiations. We will present a progress report on Turkey and its compliance with its commitments and progress of the reform process at the beginning of November. This means that the period from early November until the December

European Council will be particularly critical in order to avoid the train crash with Turkey. Third, we have Serbia and Kosovo. To cut a long and very complicated story short, we are working together with President Ahtisaari to support his work as the status envoy of the United Nations. Our interest is to ensure a sustainable settlement on Kosovo in the context of the broader European perspective of the Western Balkans. By "sustainable" I mean that the European Union has a major responsibility over Kosovo and once the status has been settled we will have an increasing role in terms of an international presence in Kosovo. It is very strongly in our interests to ensure that we have such a settlement which facilitates citizens' rights and living conditions for all Kosovar Serbs, Kosovar Albanians and other minorities so we can avoid any political turmoil on day one, day 100 or day 1,000 after the status has been settled. Namely, Kosovo will not be the 51st Member State of the United States of America, it is part of the future home territory of the European Union and, therefore, we have lots at stake as regards the future development of Kosovo. To my understanding, President Ahtisaari will call the first High Level round of negotiations in the course of July and the objective of the international community, including the EU, is to have the settlement concluded before the end of this year. I was in Serbia for two days on Thursday and Friday and the negotiations on the Stabilisation and Association Agreement have been called off and we expect that Serbia will achieve the full co-operation of the International Criminal Tribunal for the former Yugoslavia in order to resume negotiations. To that effect, next Monday we have the next Council meeting and for that meeting, in fact for the EU troika, Serbia is now preparing an action plan of how to achieve full co-operation which should lead to the arrest and transfer of Ratko Mladic. We expect at least Prime Minister Kostunica, maybe also President Tadic, to attend the EU troika meeting which the Presidency will then report to the Chairman of the Council next Monday. Of course, for us the plan is fine but action is what really matters and that was our message when I was in Belgrade. The Serbian authorities now have a sense of seriousness on this matter and are intensifying their efforts to achieve full co-operation with ICTY. One important aspect is it is very unfortunate that the democratic forces in Serbia cannot work together. In other words, the parties of President Tadic and Prime Minister Kostunica do not seem to be able to work together, which has the negative consequence of giving the argument to the radicals, to the nationalists and the two parts of the democratic bloc end up in a continuous setting of appeasement towards the nationalist bloc, which is not a very good omen for winning the elections which will take place

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next autumn at the latest or even in the course of this year. Finally, before moving to the dialogue and questions and answers, we have the enlargement debate. Personally, I would have preferred to have concluded the enlargement debate during the Austrian Presidency because this ongoing existence of debate has its price in our candidate countries where people tend to read the debate in the European Union like the Devil reads the Bible and the words “absorption capacity” are on the lips of every politician and every civil servant in the Western Balkans and Turkey and it is eroding this debate. As long as it is not concluded and stays ambiguous it is eroding our credibility in the candidate countries. We need the credibility of our commitment in order to be able to pursue the policy of conditionality, which is the driver of democratic and economic transformation in these countries. However, it was not possible to conclude it by June so let us do it by December. Our aim is to present a report as part of our enlargement package in October to present a strategy document which includes an assessment of both the strategic, concrete added-value of enlargement as well as our capacity to absorb new members. In fact, I would like to de-dramatise this debate because if you look at absorption capacity, it is not a new concept, it was included in the 1993 Copenhagen Criteria as a consideration, the fourth consideration with the three criteria. On that basis the Commission presented in 1997–98 Agenda 2000 which was a comprehensive policy review of our budget and common policies as well as institutions which paved the way for successful enlargement in 2004. If you look at the 2004 enlargement from whatever view or angle you must say that it has been a successful enlargement. Fifteen years prior to the enlargement date we have seen a major democratic and economic transformation without a single bullet being fired in Central and Eastern Europe. Even in the last two years you will know from your country that the free movement of workers has been a success both in Ireland, the UK and many countries, including the Member State I know best, have followed your lead in this regard. We have different dimensions of absorption capacity but the point is we have done it before, it is not rocket science, and we can do it in the future. In fact, the 2008–09 policy and budget review is important in that respect because this budget review will have to look at the allocation of resources in the European Union. It should aim at economic modernisation of the EU budget and, of course, as a side-effect it should look into the issues related to future enlargement of the Union. To sum up, I think we should use this opportunity to create a new consensus on enlargement among the EU Member States with the Parliament and with other actors in the civil society. It should be based on two principles: first, respecting our enlightened self-interest to gradually extend the zone of peace,

prosperity and democracy because it is in the strategic interest of the European Union and, at the same time, ensuring when new members join we have the capacity to function and we can keep our citizens on board and ensure that future enlargements will be as successful as the previous enlargements have been. I would like to conclude here and suggest if you have any questions or comments we can move from monologue to dialogue.

Q141 Chairman: Thank you very much indeed, Commissioner, for that wide-ranging and comprehensive review. You have answered a lot of our questions already, I think, so what I am going to do is ask each of my team to come forward one-by-one with questions where they feel they would like to hear a bit more or in more detail on issues that you have raised, because I think you have raised just about all the issues that we wanted to talk about. I should mention in passing, since we may not get to a further question on Croatia, that we had Vladimir Drobnjak come and give evidence to our Committee last week and we were very impressed by him. If that is the standard of their negotiating team then it does bode well. We were very encouraged by what he had to say, although he did raise one or two small issues about the difficulties of being the guinea pig on benchmarking. He does seem to have some worries about that, but you are very familiar with that so we do not need to go further into it. I just want to come back for a moment to the absorption capacity issue because there is one thing I am not quite clear about. When you report in December of this year and, as you say, you want that to be, in a sense, the end of the enlargement debate, that it should provide some definitive guidelines for future enlargement, are you in effect saying that absorption capacity is not a very useful way of deciding on future enlargement policy and what you are really looking for is, as you mentioned, a more sensible, flexible budget system, the institutional changes necessary to go ahead, and if those issues are solved then the question of absorption capacity becomes much less important?

Dr Rehn: Thank you for that question. I have just one comment on Croatia. Even though I want to emphasise quality over speed and substance over schedule, it is fair to say we need some kinds of scenarios for our future planning. Concerning Croatia, with the current rhythm of negotiations, and if they can intensify the pace of their reforms on the ground, it is quite possible that we could conclude the process with Croatia around the end of the decade, without specifying any particular year. Concerning the absorption capacity, I think it is an important consideration but it is also self-evident, in a way, that the European Union wants to ensure that it has the capacity to act institutionally and financially when it accepts countries as new members. In that regard,

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even if I want to leave the more precise definition and analysis of the concept to our November report, we now have three or four dimensions which have to be taken into consideration in every enlargement. One is the economic dimension, say economic development, trade with Eastern and Central Europe. We had the Europe Agreements in 1991 with the first of the countries and by 2001 we had established free trade for 85–90 per cent of all products, which meant there was no trade shock on 1 May 2004 and, effectively, economically enlargement to Eastern Europe is yesterday's news already. It was well prepared. We will now do the same with the Western Balkans and Turkey. The Western Balkan countries, by their Stabilisation and Association Agreements, go further in free trade than the Europe Agreements of the East and Central Europeans. With Turkey, of course, the customs union has led to significant economic reforms in Turkey. As I said, Agenda 2000 worked in the late 1990s and for the 2004 accession and now the budget review will possibly be a similar kind of exercise in 2008–09 even though if you talk about Turkey nobody expects Turkey to join, even under the best circumstances, during the current Financial Perspectives, we are talking about 2014 and beyond. On institutions, we all know what the current situation is and we need a new institutional settlement but we do not need it because of future enlargement only, we need it because the current EU should be made more effective and more democratic and it should be given better tools to work in the field of Common Foreign and Security Policy. Then you have democratic legitimacy, or public opinion of democratic legitimacy, and in the European state tradition public opinion is generated to decision-making through democratically elected bodies. The fact that each key decision in the field of enlargement requires unanimity of all the Member States, and each Accession Treaty requires the ratification of each national parliament and the European Parliament, that is a very strong guarantee of the democratic legitimacy of enlargement policy. Could I make one point on absorption capacity. I read *The Economist* last week concerning the absorption puzzle which I found an interesting analysis of the concept and its possible consequences. You may have read it as well. At the same time, I think there is one aspect which in the British debate one would be advised to take into account and that is the relationship between a new institutional settlement and future enlargement. There are people who think that we could still take new steps in enlargement without any new institutional settlement but I do not believe that this can be the case and, therefore, it is better to take into account that we heed a new institutional settlement not only for the current EU but also to facilitate any future enlargement. It will have to be more than only the minimum

requirements which are in the Treaty of Nice to take us on to Bulgaria and Romania. When the 28th Member State, which is likely to be Croatia, joins the European Union at the minimum we should amend the Council voting weights and the number of seats in the European Parliament and agree on the composition of the Commission, but because of the Treaty of Nice that is already there. With the current constitutional/institution debate going on it is not realistic to expect that only the minimum challenges will surface, instead we need a new institutional settlement and then we will take new members.

Chairman: Thank you very much. I am going to go round the table to pick up the points that we have not covered.

Q142 Lord Hannay of Chiswick: Commissioner, thank you very much. I have just one further question on the absorptive capacity. Do you not think that the concept which, as you say, has existed some certain time, but is not a criterion, suffers from being almost impossible to make objective? It is a highly subjective concept in which it is only too likely that different Member States will have different views, and also it is very lacking in transparency because, unlike the Copenhagen Criteria, which are fairly easily discerned and measured by the Commission—has a country got the rule of law, is it democratic, and so on—this concept of absorptive capacity seems to me at any rate very difficult to treat in that sort of way. I must say I have some scepticism whether by the end of this year you will get all 25 countries to sign off on that and I imagine the European Union may have to travel a bit in some doubt on that, as long as it does not become an obstacle. I would like your comments on that. Secondly, on Turkey and Cyprus, I have been following your public statements with interest and sympathy and the Turks, as usual, do seem to have dug themselves into a hole over the question of Cypriot vessels and to be still in there digging. How do you think you are going to get them out of that hole and, if you do not, how wide do you think the damage is likely to go?

Dr Rehn: Thank you very much, Lord Hannay, for your questions concerning absorption capacity and its nature. It is true that it is very difficult to make it overly scientific or extremely precise because of the nature of the concept and issues. Moreover, we are talking about certain political processes as part of the absorption capacity which are, in fact, major policy issues of their own, such as the constitutional or institutional debate. In other words, I do not expect that we can solve it, nobody should expect that we can solve the institutional debate by December 2006, we have a different track for that which was decided in the June European Council. At the same time we have to mention it and mention its relation to enlargement so that all the Member States'

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parliaments, all the actors, are aware of what is at stake and what should be done in relation to enlargement in this particular field. In my view, we can define certain policy dimensions where we have to take into account our capacity to absorb new members, those I have mentioned already, but when we have done that it is fundamentally a political assessment of costs and benefits of a particular country possibly joining the European Union if it meets the other criteria or if it meets the criteria of accession: political, economic and accumulated criteria. I am a bit more optimistic concerning our ability to conclude this part of the debate. Of course it will continue in the context of the constitutional debate and then we will have the budget and policy review in 2008–09. The objective of this exercise is to create such a comprehensive framework of absorption capacity that it enables all Member States to see the issues at stake and then agree we work on this bit and that bit on the basis of this and this objective and timetable. Concerning Turkey, which you also mentioned in this context, it is likely that we will present an impact assessment over the accession of Turkey to the Union but the time for that is not now, in my view, it is in a few years because then we will be wiser as regards how the negotiation process will move further. In fact, the process of negotiation provides us with an enormous amount of new information which helps us to better understand what the accession of Turkey would mean for the European Union. There was a paper released in October 2004, which is still worth reading if one wants to have an overall picture of the possible accession of Turkey to the European Union. It had to be done very fast and it is not as deep and “scientific” as one might have wanted it to be. When we do an impact assessment in the next few years we can do it in a more profound and interpretive manner. On Cyprus and Turkey, it is perhaps better, as this is an on the record meeting, that I do not speculate on any possible Plan B. In fact, the virtue of the raising of awareness of the possibility of a train crash has meant that now a number of Member States are very much aware of the risks involved, so are the Turks and the Cypriots, and there is a possibility we can start a more positive process which will facilitate avoiding the issue of the train crash on the issue of Cyprus at the end of this year.

Q143 Lord Roper: Commissioner, you have already pointed out that the enlargement, unfortunately, perhaps has not been marketed as well as it might have been in every Member State and, indeed, the results of the Eurobarometer which came out at the end of last week suggested that the situation may be getting even more difficult than it had been. In this situation should we not be trying to do some studies on the costs of non-enlargement and what would be

the advantages. In particular I would like to ask a question on the situation in the Western Balkans. How difficult would it be for President Ahtisaari to carry out negotiations if the prospect of Kosovan and Serbian membership were not available?

Dr Rehn: That is the crux of the matter in the Western Balkans. If we do not stay clear on our commitment to the accession perspective of the countries of the Western Balkans, including Kosovo, then we, as Europeans, do not have the right to ask Ahtisaari to prepare a sustainable settlement or we do not have the right to ask Javier Solana to continue his excellent work for stability and security in the Western Balkans, or the right to ask the Commission to ensure progress in terms of stability and democracy in the Western Balkans. I think Paddy Ashdown said it very well some time ago, that the EU perspective is the glue that keeps the Western Balkans on a peaceful and reformist track. I can only second that position on the experience of the last two years in the area. For instance, last week when I was visiting Belgrade and Podgorica I could see very concretely how enormously important it is that we maintain a clear commitment to the accession perspective of Serbia and Montenegro. It is driving the reforms and in the case of Serbia, after quite some problems, it is now helping the country to try to ensure civilian democratic control of the security services and military intelligence, which has been a very critical problem as regards co-operation with ICTY. In the course of non-enlargement we have been reflecting on whether we should be making a study of the matter. It is a bit like absorption capacity, it is quite a complicated concept, but the issue is whether we want to finance tens of thousands of military in the Balkans or whether we want to finance institution building or Member State building in that region. In that regard we have to allow ourselves to think positively and we have made quite some progress. Ten years ago we were mainly financing peacekeepers in the Western Balkans, now we are financing mainly institution building or capacity building, economic development. The area has moved from stabilisation to integration, from stabilisation to economic and social development by and large. We still have problems. We have not solved the status problems of ICTY and other issues. At the same time we have to acknowledge that they have made progress, we have made progress, and the accession perspective has been a critical driver of this progress.

Q144 Baroness Thomas of Walliswood: You were talking about public opinion in the existing Member States and that affects what the European Union can do since the Member States are the main decision-makers. We have not been conspicuously successful in redirecting some of our budgets. We are now considering bringing into the European

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Union countries which are a good deal poorer than the Eastern European countries were when they came in. Are you confident that the current Member States have got the guts to actually do something with the agricultural budget and the various other budgets that really does result in a transfer of receipts, as it were, from the richest countries to the rather less rich countries? I think that has a lot to do with public opinion. The existing Member States resent having their subsidies taken away from them, that is absolutely natural, we all do resent that kind of thing, and meanwhile the incoming states may be expecting a more generous treatment than the existing Member States are willing to offer them.

Dr Rehn: That is at the heart of the forthcoming policy and budget review which should prepare the ground for the next Financial Perspectives study from 2013–14. Of course, in that context we have to take into account possible new members during this Financial Perspective of, say, Croatia, and then in the next Financial Perspective. I have no miracle solution to that, we all know how intensive and sensitive an issue this is for most of our Member States. In my view, and it is also the Commission's position, we have to work in order to achieve economic modernisation and, of course, we have to tune the EU budget, or we should tune the EU budget, for those purposes which would speak in favour of continued reform of the Common Agricultural Policy. As regards the future Member States and the Common Agricultural Policy, thinking of Turkey, for instance, Turkey is a country of 70-plus million people, it is growing quite fast, and the EU10 include more or less the same number of people and the size of the agricultural sector is roughly comparable, different in nature but roughly comparable. You can extrapolate something concerning the challenge to accommodate Turkey by studying the lessons of the EU10 from 2004 onwards.

Q145 Lord Bowness: Commissioner, you talked about the very vigorous approach that is being taken to the enlargement process now, how different is the role of the Commission at the present time with regard to Croatia and Turkey? How different is it likely to be for future enlargements compared with the previous big enlargement? Linked to that, whilst you have expressed concerns about preparedness of Bulgaria and Romania, had the process been as vigorous and rigorous do you think that maybe some of the 10 that joined in 2004 would not have joined?

Dr Rehn: The 2004 enlargement has been an overall success story and I am glad that these 10 new Member States have joined the European Union.

Q146 Lord Bowness: We all are, yes.

Dr Rehn: Without denying that there may have been some adjustment problems. As regards Bulgaria and Romania, the assessment of 2002 was that neither of the countries was then ready to join the Union. In fact, the rigorous monitoring mechanism and the postponement clause which can be invoked by qualified majority in the case of Romania has been the critical incentive for encouraging reforms in Romania and also in Bulgaria. In Romania we have seen a complete overhaul of the judicial system and our assessment is that Romania now has credible structural or systemic conditions in place to fight corruption and crime. I will be able to provide you with a better informed assessment before the end of September when we present our report. We are still collecting information and both countries are still working in order to redress the remaining shortcomings. The jury is still out so let us wait until September in this regard.

Q147 Lord Marlesford: Commissioner, thank you very much. The way you are tackling both the preparation for countries and, indeed, the assessment of absorption is very impressive. My impression is that national governments are inevitably going to be greatly affected by public opinion. I was just thinking in the context of what you have been saying that there are perhaps four factors to public opinion that may vary between one country and another. First of all, people say, "What is that enlargement going to do for my prospects?", secondly, they may say, "Are these the sort of people I want in?" and the other two questions are on absorption capacity in a way but I do not think they analyse it, one "Is there a limit to enlargement?" and "Is the limit in sight?" Would you like to comment on whether you think these are some of the feelings that do affect public opinion and, if so, how can the Commission deal with them?

Dr Rehn: Behind the enlargement fatigue, or enlargement blues that we have had over the last couple of years in the European Union already, there is a broader feeling in some Member States, for instance in France and the Netherlands, of losing influence in the European Union, which may be right or wrong but that is the perception of the people and that has played a role in both countries even though one should not make enlargement the scapegoat for certain domestic policy failures in terms of high unemployment or slow economic growth. The reasons for this are clearly much deeper in our social fabric and the reasons for enlargement fatigue are related to the social discontent felt in many of the Member States related to a sense of insecurity and fear of future high unemployment. We should not make enlargement a scapegoat for those. At the same time we have to understand how our citizens feel about enlargement. Jacques Delors put it quite well

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when he said that we should now try to consolidate and enrich the contract of marriage we have achieved between the 25. There is a certain need for mental adjustment to learn to work in the EU25 and to learn to take into account that, say, Slovenia or Estonia or Poland or Hungary is a member of the Union and the consequences this will have. At the same time, when you analyse how people perceive enlargement, it is actually quite rational. If you take the previous Eurobarometer from April or May this year, 55 per cent of people being interviewed said they consider enlargement as a positive thing on balance, whereas when they were asked what they expect for the labour market in their own country 65 per cent said enlargement would have negative consequences. When they were asked does enlargement enhance Europe's interests in the global arena or in world economics and politics, 65–70 per cent of people said yes. That is a pretty sensible assessment. Yes, enlargement reinforces the European Union in global politics, in the global economy, while it may mean certain challenges in the labour market, say in Germany or Austria. That is why we have to try to tackle these concerns and fears which people have and that is why, even though I am proud that the Member State I know best has also abolished restrictions on the free movement of labour from the new Member States, I see the point of having the

possibility to decide on such transitional periods in the future because it may be a way of avoiding certain concerns and certain consequences which people are concerned about. In fact, when we make policy on enlargement we have to take public opinion into account and that is where the Member State governments have a role to play. They have to know which kind of policy they want and that they can defend on their home territory. One of the main problems in recent years has been that not all EU governments have been willing and able to defend the policies that they have decided in the context of the European Union.

Q148 Chairman: Well, we have come to one o'clock, Commissioner. On behalf of the Committee may I thank you very warmly for a fascinating one hour with you. You have given us lots of information and lots of ideas for our inquiry. We will be sending you the transcript. Thank you very much for giving us such a very full and frank view of the enlargement process. May we wish you well with your future endeavours in that direction.

Dr Rehn: Thank you very much. I must say I really appreciate the permanent committee structure that is called the House of Lords, it is a very valuable element of British parliamentary democracy, and I have to admit that even being a republican myself!

Chairman: Thank you.

Examination of Witness

Witness: MR RICHARD HOWITT, a Member of the European Parliament, examined.

Q149 Chairman: Thank you very much indeed for coming to join us, I know how busy you people are. As you know, we are doing this inquiry into the future of enlargement. This morning we have had an interesting hour with Olli Rehn and in the past we have been talking to a variety of people, including Paddy Ashdown, Vladimir Drobnjak, the Croatian Chief Negotiator, Graham Avery, Quentin Peel, Alan Dashwood and Charles Grant. We have had quite a range of views. It is very important for us to be able to talk to a few MEPs and we are very pleased that you have been able to give the time to come and talk to us because you are obviously very well qualified according to what we have read of your responsibilities in the European Parliament. We are on the record, by the way, and you will get a transcript of the conversation so you can check and see that your views have been properly reflected, and they will be published as part of the report which we hope we will be able to get out towards the end of this year, before the end of the parliamentary session. Would you like to say anything as a starter to get us going?

Mr Howitt: I will be guided by you because we have got this long list of questions. I will be guided by you as to how you much you want as a starter and

how much you want a discussion. I would say in opening that I am delighted that you are here. I follow the work of your Committee, I know one or two people in this room, and I am pleased to be here. Just to check that you know that what you think about me is also what I think about me: I appear as a member of the Foreign Affairs and Human Rights and Security Committee in the European Parliament and I am the British Labour spokesperson on that committee. I was the vice-president of the Human Rights sub-committee in the European Parliament and also a member of the Joint Parliamentary Committee between the European Parliament and the Turkish Parliament.

Q150 Chairman: Maybe we could go straight into the questions, if you like.

Mr Howitt: That is fine.

Q151 Chairman: If I may begin. I suppose the first question we need to ask you is are you in favour of further enlargement and up to what point, which means that we would be asking you what you think about the Western Balkans and what you think about Turkey? We will leave Ukraine for the

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moment because I know that Lord Roper would like to come specifically on to that. Maybe if you could talk a little bit about your views on future enlargement.

Mr Howitt: First of all, I do take the view that enlargement has been a superb success story for the European Union both in terms of trade and the extension of our single market and for the arguments around peace and security on our borders. I also argue that it has very clearly been in the UK's interest, both in terms of our direct increase in trade and also the development of a European Union that very much reflects British interests in terms of the British perspective. To give an example of that, I was in the European Parliament when Austria, Finland and Sweden joined and it seemed to me that that clearly moved the European Union into a more northerly direction but also on some of our issues around open government, for example, was very decisive at the time and quite clearly has been part of the enlargement including the eight countries of Central and Eastern Europe and—all of these are slight simplifications, of course—the increased transatlantic outlook of some of those countries also bears a British perspective. Both for Europe as a whole and from Britain's perspective in terms of the European Union I see it as a big success story. In terms of where we go next, I think the impact of enlargement on Eastern Europe in particular is very self-evident and clearly at this stage we are very involved in what we hope are the final stages for Bulgaria and Romania as well as issues around the Western Balkans and Turkey. If I can say a bit about each of those three and then I will stop. If I could just say a bit about Bulgaria and Romania, the Western Balkans and Turkey. On Romania and Bulgaria, we are all aware of the concerns that exist still around corruption, organised crime and some elements of the rule of law. I am a disability campaigner and I have raised very searching questions about the treatment of people with psychiatric illness in institutions in those countries and, indeed, in Turkey, so I am not at all immune to those concerns. I have to say I have been impressed by meeting representatives of government and opposition parties of those countries. I do not think any of us are immune from charges of concern about corruption and the impact of organised crime. I am persuaded of the genuine commitment of those countries to tackle those problems. I also wonder whether a further year, which is realistically what is being talked about, between 1 January 2007 and 1 January 2008 is really the solution to the problem. I think the solution to the problem is the genuine political will and action of the governments concerned. Whilst I, for reasons I have already described, strongly argue that we should keep the

pressure on for reforming those countries, and absolutely support the decision taken by the Commission in order to further review this in the autumn, I wonder whether there really will be any benefit when it comes to the autumn to look at a further year's delay although I accept that we should look at safeguard clauses as a possibility. If I move on to the Western Balkans, but it is a common argument whether it is to those countries or to Turkey, the impact of the halt of the enlargement process or a signal that it is slowing down will be profound in terms of the Western Balkans and Turkey. We all have our own perspective on these issues but we meet the visiting politicians and I have spent time in Bosnia-Herzegovina looking at the SDP mission there. The impetus that there is for reform for the establishment of democracy, for the rule of law, in those countries will be taken away if the EU sweeps enlargement off the table. I have to say I take a common view in relation to that to Turkey. I accept the argument that Europe cannot enlarge simply because that is to the benefit of those other countries but I do believe that if you look at the countries of the Western Balkans it is the missing piece of the jigsaw puzzle of Europe and the idea that those countries should not at some point be part of the European Union I cannot consider. As far as Turkey is concerned, it is absolutely clear to me through some years of direct work with Turkish MP colleagues and visiting Turkey on Parliament missions and meeting civil society in Turkey that without the pressure of reform huge changes in that country would not have happened, I have to say to the great benefit of Europe in terms of having on our doorstep a country with a predominantly Muslim population that is supporting EU positions in international institutions which is pursuing democratic ideals, which is seeking to meet human rights challenges. Therefore, trying to summarise all of that, I think we are at a very difficult stage in the enlargement process, which is why you are undertaking your inquiry, but I would want to caution very strongly against any attempt to halt or slow down the enlargement process. The same benefits that we have seen that have arisen from past enlargements are available to us for future enlargements and the cost of our failure to continue with that process is very high, in my view.

Q152 Chairman: Thank you. I understand that your fellow parliamentarian, in fact the Chairman of your Committee, Elmar Brok, is saying, or has said very recently, that for those countries that have no immediate prospect of coming in, or in the foreseeable future, we should be thinking of offering them a sort of EEA-plus or some privileged partnership. Might I be right in thinking that you

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would probably regard that as sending the wrong message to the Western Balkans, that it looks as though this is pushing it off into the far distant future as a sop to them so that their expectations are not dampened down, or is it something that you think is a reasonable arrangement to make?

Mr Howitt: You would be right in saying that. I think you need to put it into context. Mr Brok is a senior and eminent politician in the European Parliament, indeed in German politics as a Christian Democrat, and I greatly respect him and his role, but he would not disagree that he is someone who campaigns strongly for the so-called “privileged partnership” with Turkey. In my view, his personal views are coloured in relation to that. You will note that his own report in response to the Commission’s communication on future enlargement policy was deferred from being voted in committee because it did not carry the consensus of the political groups, and when it was renegotiated it was a report that whilst it did refer to the need to maintain different forms of relationships really held back from the idea of saying there should be a newly defined relationship with other countries. Although it did recall the fact that the European Parliament did vote and suggest that there should be at least another €2.5 billion in what is currently Chapter 4, whilst there are issues around absorption, the sorts of words being used in that finally voted report of the European Parliament reflected roughly the sorts of words that are used in resolutions of the Council of Ministers and, therefore, the idea that we should create some new different category— I think we have with the Neighbourhood Policy, and I do not know if we are going to explore that.

Q153 Chairman: We can certainly.

Mr Howitt: In a sense we have invented a new category there, but for those of us who argue that enlargement has been a success and is in our future interest there is a trapdoor that we can fall through in creating some sort of secondary or subsidiary membership and that is why we would argue against that.

Q154 Chairman: Would you say that on balance the European Parliament is in favour of keeping the door open to the Western Balkans and beyond at this stage, or do you detect some enlargement fatigue in the Parliament?

Mr Howitt: There is definitely enlargement fatigue. Again, that is partly why you are here. Certainly in German domestic politics that is very apparent at the moment.

Q155 Chairman: And that is reflected in the European Parliament?

Mr Howitt: That is reflected in the European Parliament by our MEP colleagues from both sides and those that advise them. Our Dutch and French colleagues are having to come to terms with the no votes and we may explore that later. That is there, I am not trying to suggest it is not there, but when it comes down to the final votes on the Brock report that we were just describing, on the Parliament’s response to the Commission progress report on Turkey, it is about two-thirds for, one-third against. That has been pretty consistent. When it comes down to it, yes, the positive orientation is still there within the European Parliament itself.

Q156 Lord Hannay of Chiswick: Absorptive capacity: apart from fitting Dr Johnson’s definition of patriotism as the last resort of the scoundrel, which it is obviously with some people, ie it is a way of finding an excuse not to do further enlargement, do you have any views on whether there are aspects of the discussion about taking into account, as the Copenhagen text said, that the capacity of the European Union should absorb new members? Do you think there are respectable parts of that or do you think the whole thing is basically a cop-out?

Mr Howitt: I think there are respectable parts of it but I would move in the direction of your question that it is more of a cop-out than it is respectable. Without doubt there have to be the appropriate constitutional arrangements for future enlargements in terms of the weighting of votes in the Council of Ministers, numbers of Commissioners and numbers of MEPs, that is clearly true. I have to say that the Nice Treaty showed that it was completely possible to come to accommodations in respect of those sorts of questions for the enlargement that we have just seen, and are seeing, and it is my view that similar accommodations could be made in relation to those points which, as far as the general public is concerned, are not very interesting. I do not disagree that they have a political importance, especially if we get them wrong, but nevertheless they are not huge political issues that will affect public opinion, it is about the internal grinding of the machinery of Brussels and making sure that a certain degree of efficiency and oiling carries on. However, in the wider notion of absorption, which is are the policies effective, are the programmes effective, what is talked about in Brussels, these are the real issues of absorption for people and communities across Europe both for ourselves and for future enlargement countries. I do not denigrate those who want to ask hard questions about that because, for example, meeting environmental laws, making sure that the single market is operable, that British companies are properly seeing that the barriers are lifted to enable our companies to export to countries, are proper questions but, having been in the

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European Parliament when it moved from 12 to 15 and 15 to 25, I have not seen those questions substantially or qualitatively changed. The *acquis* is hard for new member countries to join and it will be hard for future member countries to join, but I do not think it is harder and I do not think it is harder for the EU itself to deliver with those changes. I do think that the main intention and, let us say, provocation for those who use the arguments about absorption is not a genuine and sincere concern for numbers of seats around tables in Brussels or, indeed, on these issues of the environment and single market, it is an attempt to find an argument which can say “thus far and no further” and in that sense I do not want to dignify it.

Q157 Lord Roper: I have got two questions, one going back to your first answer. You started off showing great enthusiasm for enlargement but why have we all marketed it so badly? Why has it not had more of an impact? This has been a great success of the European Union in the last five years and yet, and I think the recent Eurobarometer showed this up rather well, we have not got it through to the electorate in most of the Member States.

Mr Howitt: I would say that the answer to that is very close to the answers on why we do not market and promote Europe very well, which we have not. I would accept, and do accept, the criticisms that Europe has been too much of an elite project and despite the very best efforts of myself as a Member of the European Parliament and many of my colleagues across the political spectrum to provide a practical and essential bridge between our electorate, our communities and decision-making here, there has been a failure, commonly called the democratic deficit, which has to be addressed. I do not think that we can suggest that the public attitudes towards enlargement are very different from the public attitudes towards EU policies and programmes as a whole. There are some special considerations. One that we do see in our own country, but is probably more marked in others, is the reaction to migration and views about the influx, so-called, of migrant workers and perceptions about that, even if the reality is rather different. It was very interesting in relation to the 10 countries that joined, particularly the Eastern European countries, that tabloid-type newspaper headlines and rather less than respectable political parties were stoking up fears about that in other European countries that did not happen in Britain until literally days before the 1 May 2005 deadline. There is no doubt that there is an element of that. You may be aware that there has been a recent study undertaken in my own constituency by the East of England Development Agency that shows a massive positive benefit from migrant workers in the East of England and very positive attitudes from

employers, but that does not necessarily transfer into what the media writes about those issues and, indeed, what my electorate feels about them, so we do have a job to do there. I see that more marked over a longer period in some other European countries compared to Britain. There is the issue that we saw in terms of France and the Netherlands that some politicians in those referendum campaigns used the campaigns to suggest that the Constitutional Treaty was about something which in my view it never was, some form of neo-liberal model and so on that was suggested in the French campaign, and some people in France, and perhaps to a lesser extent the Netherlands, felt that their model of the European Union was being threatened and that was why they wanted to call a halt to proceedings. Some people say, but a bit more cynically, that those countries as founder members felt they were just losing a bit too much control. I have got a very good relationship with a number of Irish colleagues who said, “Look, we went into the European Union because the money was there, and we knew it was there, and now suddenly it is not going to be and we are having to persuade ourselves that things are in Ireland’s interests that we would not and had not thought about before”. I think there are a number of special factors that I accept are there on the table that make it a different terrain in which to put those arguments, but my contention is the arguments are strong and true and it is our ability to project them to people that has been at fault.

Q158 Lord Roper: Do you think that the EU should now define its borders and what sort of attitude should we take to parts of the CIS, countries like the Ukraine, perhaps at some stage Moldova and Georgia?

Mr Howitt: My strong contention to you is that we should avoid a lengthy and, in my view, unnecessary argument in Brussels about what the borders of the European Union should be. Again, the people who are motivated to have that type of debate are motivated to try and draw the borders closer and tighter. The wording that is in the Maastricht Treaty, that has been reproduced many times, has stood very well for us, which does not rule out some of the former CIS countries at some point in the future, 10 years, 100 years, 200 years, who knows, from being members of a future European Union. Nevertheless, certainly being involved in Turkey that wording has been extremely useful in the way that it has been interpreted now over 40 years and the fact that Morocco applied to join and was rejected because it did not meet that wording seems to me to have helped us enormously in the last period to avoid long and theoretical and unnecessary debates and we should do the same *vis-à-vis* Central and Eastern European countries. Perhaps you want to ask me questions about that, I have a little more to say about that.

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Shall I just go ahead and say it? I think we in Britain underestimate how far the centre of gravity of the European Union has moved eastwards. For example, the delegations of the European Parliament with countries like Moldova, Azerbaijan and so on, are High Level delegations that, because members of the European Union are now neighbouring countries of those countries, are of great political interest to the EU and Britain. Certainly this is the counsel that I have given back home on many occasions and I give to you: we should not underestimate that and we should fully participate in those discussions and we should recognise the sensitivities of our colleagues. We want our colleagues to understand our own sensitivities and it is important that we give a bit more there. Whilst I would not claim to have as much first-hand knowledge of those countries as some of the others that we have been discussing, it is clear that if we do not hold out the EU perspective, as it is called, for those countries then the effect in terms of political impact will be grave. I would talk about Belarus, for example, which is a country which is a million miles from EU membership as it exists at the moment. Unless the reform elements in those countries and the human rights activists and the others feel the hope that this might one day be the path that they will go down, is that really a message we want to send to them? The same in the Ukraine where everyone agrees that it has stepped backwards since the Orange Revolution and people were very hopeful and exultant, including many of my colleague MEPs who were present in monitoring those elections, but nevertheless is the message that we want to give to reformers and people promoting democracy and human rights that Europe is shutting the doors? I think not.

Chairman: We have talked a bit about widening. Could we move on to deepening and Lady Thomas.

Q159 Baroness Thomas of Walliswood: For years we have been talking about widening or deepening, or widening and deepening, or in some people's vocabulary neither. Is there a conflict between widening and deepening and, if so, where does it lie, as it were?

Mr Howitt: I am giving personal evidence, which is a great luxury to me, so perhaps I can just tell you what I think. Whether they are always my party's views, I will have to put that one on hold. I strongly believe that the two are not contradictory to each other. My Conservative opposite number is on the record as saying that he wants widening because it will prevent deepening, and I understand that, but that is not my perception. I think we have got choices on both. Can I say a little bit about deepening and what I understand by deepening. Some people think that there is this roller-coaster one way towards ever-closer union, a federalist super-state and so on, and it

has to be stopped at all costs. That is not my view. My view is that we have sensible co-operation that can be enhanced. There can be some deepening, and ultimately will be, with some of the pressures around the environment, around refugee movements, around organised crime, around economic globalisation, on which we will find new and more interesting ways to work with each other as countries in our own interests. Not because of some roller-coaster that forces us to do it but because we will choose it to be in our own interests.

Q160 Baroness Thomas of Walliswood: It makes sense, you mean?

Mr Howitt: And it makes sense. Equally, at the same time, if there are areas or policies where it is sensible to say "Actually, co-operation is not that useful and it might have been in the Treaty in the past for good reasons but let us take it out", why not? I have always taken the view that subsidiarity should not stop at the level of the nation state but should go as far as possible down to the parish council. I am sorry to give you a bit of politics in all of this but you cannot have a debate about widening or deepening without looking at what assumptions one makes and if the assumption we make is you have to stop the roller-coaster then you have one set of actions. If you have a view which is more pragmatic, which is co-operate where it is in your interests and not where it is not, then you have a wholly different perspective on these things. What I want to say about widening is in a way anecdotal, but that is why you are here. In the European Parliament I have not seen everything grind to a halt, as people said it would do, because extra countries have joined. Personally, I have experienced the European Parliament becoming richer, more interesting, more diverse, but ultimately just as effective and, if I talk about the EU10 that joined, new members joining, being part of our committees, they start off being a bit on the edge and learning things, just as when you go to school for the first time, but are now coming forward and putting their fists down just as much as we have to from time to time, taking positions of responsibility, leading important political debates. The fundamental nature of those debates and the sorts of decisions we are taking have not altered and are not inhibited by the enlargement process. To the extent that I can comment I see that in the Commission as well. Perhaps it is less transparent to me, perhaps the Council and other people can give you better evidence about that than me. I am not saying it is not true there but I have less first-hand experience of that. Certainly in Geneva I have sat round the table with the 25 ambassadors in relation to the recent UN Commission on Human Rights, for example, now the Council on Human Rights, and you can make allies among the new Member States, you can see all of

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those processes are going on. I do not see it as being a choice between the two and my personal experience backs up my political views in relation to that question.

Q161 Chairman: When we run up against the inner brick wall of the Nice Treaty with 27 members, is it your view that we can find the means to go ahead with Croatia and further by making the necessary incremental institutional changes which, whether or not they were in the constitution, we need if we are to find the means to make the Union function better? Can we do that without this constant carping on the issue of cherry-picking of the constitution? We are finding this more and more problematic that when one recognises there are certain rather obvious institutional changes that are necessary to make further enlargement, or simply to make the Union work better, the red card goes up. "You are cherry-picking, you cannot do it". What is your feeling and what is the feeling in Parliament about this?

Mr Howitt: There are some open questions there. I will give you some views but I do not claim to have all the answers myself. Clearly I am interested in your inquiry and I am glad this is one of the areas that you are deliberating on. There are some people within the Parliament—I have discussed Mr Brok but I can also think of colleagues within my own European political group who take this view—who are so motivated to get the Constitutional Treaty in roughly its draft text as it stands that they are more interested in that than they are in enlargement policy or lots of other policy developments. That pressure exists within the European Parliament as it exists elsewhere, and you have just quoted it. We also have euro-sceptic elements in the European Parliament, including from Britain, who will want to claim that at every moment. My own view, as I think I said earlier, is it is perfectly possible—I am not saying it is the only way that could or will happen—for there to be another intergovernmental conference to make some further Nice-type changes and to look at Croatia being able to be a member of the club, for example. Whether that is ultimately the road we go down I do not know but I see that as possible. The tone of your question is very clear and I strongly agree with you that we must not stop good changes in their own right happening that improve the European Union in a way that critics of the European Union say they want it to simply because it happens to be referred to in the final Constitutional Treaty, as yet not fully ratified. The example of the transparency proposals that were and are being brought in at the Council of Ministers are a very good set of proposals and we are all very aware—this is not the first time I have met members of the Select Committee, and several of my parliamentary colleagues also meet with you—we want to enhance parliamentary co-operation and we

do not see that as a threat, we see it as an opportunity and welcome it. That is also in the Treaty but we like to do it anyway. Some people can call that cherry-picking but if we can argue that these are good changes in their own right and we can legally introduce them, they why should we not?

Chairman: Let us go on to decision-making.

Q162 Lord Marlesford: I wondered how you felt the accession of the 10 new members to the European Union has affected decision-making in the European Parliament and also in other European institutions. As a sort of roll-on supplementary to that, one of the effects one has got the impression of having heard is that insofar as there is a division in Europe between the European social model and the so-called Anglo-Saxon model, the accession has resulted in a shift from the status quo to a majority in favour of the Anglo-Saxon model. Would you like to comment on those points?

Mr Howitt: Thank you for your question. I perhaps got ahead in terms of the questioning, which I apologise for, but I have said already in Parliament itself I want to give you the direct answer that decision-making is going as well as ever with its usual frustrations. I do not pretend it is perfect, I do not think it is in any political institution, but certainly the integration of members from Central and Eastern Europe has improved and enhanced the business of the European Parliament, it has not inhibited it in any respect. I have already said that I think the number of Commissioners is pushing at the very boundaries of what is efficient in terms of each having a proper set of responsibilities but, nevertheless, it seems to me to be working at the moment. In terms of the second part of your question, it is very, very easy for all of us to slip into generalisations and they exist because they are partly true. I have said already that this movement towards the transatlantic perspective, the movement towards—you call it the Anglo-Saxon model I prefer to say towards open markets—outward looking policies in terms of trade and development of trade, the proper completion of the single market so it is indeed effective for businesses around Europe, all of those are areas where I think enlargement has moved in a direction that Britain can be very comfortable with. The idea that that is in some way—I am not suggesting you have said this but some people will say this—an alternative to the European social model, I do not see that. These are all very deep debates so one tries to find words that mean something in a short time. I think there is a European social model. There have been speeches by some colleagues that there are different models but they are social models. My own view is there is a social model that does try and achieve economic prosperity for businesses and trade whilst at the same time seeking to sustain high social

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and environmental standards. The idea that open markets improve trading relations with the rest of the world, an effective single market, is contradictory to high social standards I do not accept; the whole point of the social model is that it combines the two. What I have not seen is anything other than the day-to-day difficulty of resolving that piece of legislation by implementing another piece of legislation. All of that was very theoretical. As an example I want to talk about the Services Directive because it means something to people, everyone is aware of the Services Directive and its potential implications. Many times during the course of debate about the Services Directive, both in the Council of Ministers and in the European Parliament, there have been different camps and it is important not to try and pretend that has not been the case, and many of our colleagues from the new Member States have been concerned by what they felt even within the Parliament, let alone elsewhere, that some of the compromises that we sought to achieve were motivated by protectionism rather than an attempt to sustain what those on the side of the previous members many would say have been defending high levels of service, recognition of the role of public services and other elements of that debate. What is interesting is that we have arrived at an outcome where both in Parliament and in the Council of Ministers a compromise has been struck. There may be some disagreement but I think it is moving towards ultimate agreement on the Services Directive in a way that is not too far removed from where Parliament ultimately found agreement and Parliament was simply reproducing that debate itself. There was a bit of old versus new Member States but ultimately we found a compromise and I suspect as time goes on that distinction between old and new will begin to become less and less relevant even to the degree that it is today.

Lord Marlesford: I take your point that the Services Directive is an aspect of open markets but I think I had more in mind the economic balance between, for example, the cost of the European social model and the levels of taxation that are needed for it, and the inclination apparently, certainly of the new entrants, to go for a lower tax framework, perhaps without the same social model provisions. It is quite interesting that in Germany Mrs Merkel has decided, whether it was her own decision or as a result of a deal with the outgoing Social Democratic government of Germany, to increase taxation, which is in a sense contrary to that and reinforces the social model—I think VAT has gone up by about three per cent and the top rate of tax by about three per cent—yet Britain has very much kept to being a relatively low tax economy, certainly in terms of direct taxation, and at the moment there seems to be a determination to keep it that way. That is a pretty fundamental

difference in attitude which seems to have produced quite a lot of tensions inside Europe. Perhaps if I could just remind you of the extent to which—

Chairman: We are straying rather far from enlargement.

Q163 Lord Marlesford: Only in the sense that this is *qua* enlargement. When the Eastern European countries joined there was direct pressure by the French that they should not have a new tax policy which was too competitive for the old members.

Mr Howitt: I just recall what are the powers of the European Union and what are not. Social security is not a competence of the European Union. There are huge debates about pension reform, issues about mutual recognition of occupational pensions and mutual recognition of social security, but the big costs are not in the European Union budget, they are in the budgets of the Member States. Simply on taxation—I know because some of the more colourful national politicians in my own region constantly suggest that the European Union is going to set its own taxes and so on—the proposals that have been discussed are about common definitions over the tax base to help in terms of administration and looking at certain tax loopholes within the European Union, particularly around corporate tax that could be ended. The idea that these major questions are planning to be determined at the level of the European Union I just do not see, therefore I find it difficult to answer your question. I would take the ruling of the Chairman that we should not stray too far from the inquiry.

Q164 Lord Hannay of Chiswick: Can I ask a question about the numbers of people in the institutions. You said you thought that the Commission was now at the borderline and if we add another Member State the provision of Nice is triggered. Have any of your constituents noted that there is only one British Commissioner now where there were two two years ago? Would any of them notice if there was not a single British Commissioner?

Mr Howitt: That is a very, very good question.

Q165 Lord Hannay of Chiswick: Has the Parliament seen any advantage, as this Committee did some time back, in also looking at some of the other institutions, like the Court of Auditors, where, to our opinion, having 25 people on the court is completely mad and has no justification whatsoever? You can argue that having all those governors on the ECB Board is also excessive, and certainly it would be excessive if you got up to 18 or 20. I just wonder what your reaction is to the politics and institutional dynamics of moving below one of everything for everyone.

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Mr Howitt: I think that is an extremely good question. What they might say in the future if we had no Commissioner I cannot say, but I can say that nobody has remarked to me out of any of my six million electors that they are very concerned about the reduction. I will probably find one letter somewhere from three years ago, I do not know. To the best of my knowledge, not one person in my electorate has suggested to me that Britain is now less well represented, so I am absolutely in tune with the thrust of your question. Bearing in mind Commissioners, and I suspect board members of the other institutions, are supposed to renege solely national interests anyway and to work EU-wide then the *raison d'être* to making sure we have got one each should be rather removed. I am not saying that we do not have special relationships with our British Commissioners, and in my own personal experience that was with former Conservative Commissioners despite the fact I am a Labour MEP. The key influence is in votes in the Council of Ministers and in the European Parliament in my view. Without straying too far, in the Constitutional Treaty that was an outcome that was very helpful to Britain, not that many people in certain areas of the British press would recognise that argument.

Chairman: Can I ask Lord Roper to come back to one or two other issues on decision-making.

Q166 Lord Roper: I am not going to be provoked by your remarks about the Services Directive, only to say that our Committee is going to publish a report from Sub-Committee B looking at the amended report without a great deal of enthusiasm. I think it was the Treaty of Amsterdam which put forward the idea of enhanced co-operation as a mechanism of a more flexible way of decision-making. In fact, there has not been too much enhanced co-operation, although in one sense Schengen and the euro are a form of enhanced co-operation, but one of the possibilities was with an increased number of Member States one would see more opportunities for enhanced co-operation and more enthusiasm for it. Have you any evidence of that happening yet?

Mr Howitt: You have given examples yourself that are classically—

Q167 Lord Roper: They are here already since enlargement.

Mr Howitt: The issue for us here is having coalitions of countries who are more interested in certain areas than others is an entirely sensible way to operate unless what it ultimately means is that you end up with two camps, a first division and a second division, with Britain in the second division. That is what we have got to be wary of. In each policy area we consider that as one of the potential outcomes. We have to be aware of precedents that may be set. There

are certain areas—I have said already enforcement of the single market is an obvious one—where we absolutely need a level playing field, so we have to be very careful and although it is not a Community competence some of the areas I am personally directly involved in around defence and security, where certain countries are choosing to go ahead but we respect the neutrality and non-participation of some other countries, is entirely sensible but we have got to be aware as we move forward in some of these areas of the wider implications and have to be cautious and careful in doing so.

Q168 Chairman: There is the slight constraint—maybe not that slight—that countries can only go forward on enhanced co-operation if the countries that are not going forward agree to let them do so. The larger the European Union, the harder it may eventually become for a small group to go ahead getting the full backing of the rest of the Member States.

Mr Howitt: These are fairly wide questions. I think we all have our own views on that. I am a pragmatist in many ways and I deal with my political responsibilities now as I see them and in the five years of my mandate, and where I have decisions to take in terms of how I personally vote in areas that is the test that I set myself. If something seems to me to be beneficial and helpful and not have wider impacts that are negative then I will support it. A certain degree of pragmatism in European politics is a good thing because there is too much ideology and shrill shouting about Europe going on and not enough just getting on and doing the hand in job. I am sorry, I do come from that latter school.

Chairman: I applaud you on your attitude, I must say.

Q169 Lord Bowness: When you look back at the past enlargements, are there any lessons that we should take into account if and when we deal with potential new members? How do you see the role of the Commission at the moment? Do you see it as significantly different in any way in perhaps the dealings with Croatia and Turkey? Are we treating the new members, particularly Bulgaria and Romania, whilst it is a good thing that they may be being treated rigorously, more rigorously and future members more rigorously than under previous enlargements?

Mr Howitt: I have got a couple of points I would like to make on that. I think consistency is all. The politics of enlargement are so difficult in relation to individual countries and countries which have certain allies, whether European Union or not. As someone who has worked extensively on the issue of Turkey I want Turkey to be given a fair deal. Recently, having made my first ever visit to Cyprus and looking at the

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perceptions of the negotiations there, if the European Union ever departs from being consistent, fair, open and just in relation to its policies with enlargement countries, using those as an example, then it is going to be heavily, heavily criticised and it is going to impair and colour our ability to continue the enlargement process and it will provide a very big negative effect even on what we are doing in the business today. I think consistency and fairness are extremely important. In relation to Turkey itself, the former Commissioner, Commissioner Verheugen, before he left his office as Enlargement Commissioner made it quite clear that there was a move from not just the legislative change required to achieve the *acquis* but implementation as well. As someone who works on Turkey and wants to see Turkey join, but who is passionate about human rights, I support that change and in that sense we have changed the rules of the game in relation to Turkey, but I support that. It seems to me that we should not say that to Turkey and not to other enlargement countries, be it Croatia or other countries further down the line. Nevertheless, that does not detract from what I say about consistency, so if we keep changing the goalposts we are going to cause big trouble to each other. As you have met Commissioner Rehn, in case you do not give me a chance to say it, can I say I am extremely personally impressed by Commissioner Rehn, and I hope you were.

Q170 Chairman: We were.

Mr Howitt: I have been with him during a working visit in Turkey and also seen how he operates and seen him asking some of the hard questions and saying some of the hard things that need to be said in relation to Turkey. I have got a great deal of respect for him. One of the things that I would like to put to you, coming from the House of Lords, is that we should get Commissioner Rehn in Britain more. If we are interested in having the enlargement debate more understood in Britain and having a serious debate of the kind that you are waging in this inquiry then one of the things we could do is have Commissioner Rehn a bit more in Britain because I have the highest, highest regard for the way that he is discharging his responsibilities.

Chairman: Certainly in Parliament, if we ever get the joint committee set up, the Commons and Lords on the European Union, he would be an obvious choice to come and talk to it. You have brought us back to an important subject, which is public opinion, and I know that Lady Thomas has a question on this one.

Q171 Baroness Thomas of Walliswood: There is evidence that people in the so-called “old” EU Member States are becoming more sceptical about enlargement, and in particular perhaps doubtful

about Turkey and the Balkan countries, their readiness, suitability and so forth. I wonder if you can tell us from your parliamentary perspective whether you see the same range of doubts and worries within the European Parliament and how you look at the public opinion side of things.

Mr Howitt: We have covered part of that ground so I will not repeat what I have already said. In 1996 I broke the Labour whip and would not support the customs union with Turkey because I was so concerned about the failure to observe human rights in Turkey, so I am not someone who is pro Turkish succession unthinkingly; I was the opposite not so long ago. There was a night when I sat in my own European-wide political group in the European Parliament and heard some of the arguments against Turkey when it just clicked in my mind that the opposition to Turkey was not on the basis of other than not wanting a majority Muslim country in the European Union and I then asked some searching questions about whether I wanted to be associated with that. That, alongside the genuine progress that has been made in Turkey, has helped to change my mind over the course of a number of years. I give that illustration to show that, yes, in the European Parliament that concern is there but it is a concern that needs to be confronted rather than assuaged. I wonder how far it does exist in relation to the Balkan countries. There are clearly very strong links, not least between Germany, arguably Austria and Croatia, who have been great champions of their accession. I am not sure that they are great opponents of the accession of some of the Balkan countries in the same way that they were great opponents of the accession of Turkey. I think there were genuine questions, of course, in relation to peace and stability, the rule of law and so on, in the Balkans and big issues this year on whatever happens over Kosovo, but I think those issues can, will and should be treated in their own right and that would be the opinion of the majority of my colleagues in the Parliament. I hope that answers the question.

Q172 Baroness Thomas of Walliswood: Yes, it does. Paddy Ashdown, when he came and spoke to us, asked us to think not just about the costs of bringing in the Balkan states but the costs of not bringing in the Balkan states. Is that a consideration which you think affects people’s opinions where you are active, as it were?

Mr Howitt: It is. Coming from the Foreign Affairs Committee of the European Parliament colleagues are very, very sensitised to those questions and there is a real hope that progress can be made in the Balkans. Our Committee has championed the sort of progress that is now seeing Croatia and the Former Yugoslav Republic of Macedonia—when you are on the record you have to get that right—accepted for

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candidate status, together with the sorts of reforms that Paddy Ashdown was talking about. I visited him in his office and saw the work that was going on, and is continuing under his successor, and all of these things are extremely important. There is a lot of support for that is the answer to the question.

Q173 Baroness Thomas of Walliswood: Good.

Mr Howitt: I do not see the same opposition to the Balkan countries as I see to Turkey. I do feel, and it comes back to the answer I gave to Lord Marlesford, it is extremely unfair that there is one rule for big countries and another rule for small countries. We discussed the absorption capacity earlier and we cannot be immune to those questions, but if one of the issues is about being consistent and fair then I think on the lack of opposition to the Balkan countries because by and large they are small populations, we did not allow ourselves to oppose the application of Poland and we should not allow future large countries to be opposed on those grounds either.

Q174 Chairman: I think Olli Rehn put it rather starkly to us this morning when he was saying to us in relation to the Western Balkans and public opinion on enlargement that the question you have to ask is do you want the EU funds in the future to be poured into military operations or would you rather it went into economic and social development, and the answer can obviously only be the latter. In relation to that we still have the two swords of Damocles hanging over the Western Balkans, France and Austria, who say that they will hold referenda on each occasion, presumably after Croatia. Is there a feeling in the European Parliament that they might be persuaded to change their minds on this eventually?

Mr Howitt: My own view on that is we have to fashion resolutions which predict where we might be. Who actually knows where public and political opinion will be in 10 years' time? That is why I counsel very carefully when we come up with these resolutions. Will France and Austria abide by these referenda? There is no suggestion I see at the moment that they will not, I do not want to suggest that to you, but I think a huge amount of water is going to flow under bridges between now and then, and in other countries too. For us to try and predict that now and to make political decisions today on the basis of what might or might not happen in unknown future governments of unknown political colours is not the best use of time.

Q175 Lord Marlesford: What is the perception of enlargement among your constituents in the UK, both in theoretical terms and in specific terms in relation to the countries that are candidates?

Mr Howitt: Again, I do not want to stray too much but I think I have already said that if you run a business in the East of England your perception is a very welcome one in terms of workers who are coming in that you are utilising and, according to my own region's Regional Development Agency, that is adding £300 million a year to the regional economy. I fully accept in the minds of some people, both in the press and in the public, there are some negative connotations with respect to migrant workers, although if I could take you to meet the local Catholic church in Wisbech in the Fens and see the work they are doing with local migrant workers to help people learn languages, integrate and enjoy the experience of living and working locally in our community, that is a very positive thing in my own mind.

Q176 Lord Hannay of Chiswick: Could I ask you what thoughts you had after your first visit to Cyprus.

Mr Howitt: I really appreciate the chance to answer that. We are moving close to a situation where both sides on the island, and in the recent elections in north Nicosia, say "Reconciliation? Don't want it actually" and many of the younger generation there do not see the need for it. From Europe's point of view, from any view of natural justice, our political priority is still to see reconciliation is absolutely still there but I am warning from the experience of my visit that the political opportunity to pursue that is closing fast. I am trying to gauge colleagues at all sorts of levels, although it could probably never be done formally as a conditionality, and probably should not be, whether on the direct trade regulation that is still on the table between Northern Cyprus and the European Union and what Turkey needs to do in terms of letting ships and planes in with regard to implementation of the Ankara Protocol, we cannot fashion some sort of mutual choreography that enables both of those to be accepted together. That idea that I did look at and spoke with Mr Talat and the foreign minister for the Republic of Cyprus in Famagusta could be on the table and that could be part of something there. Whether between all of us at a really crucial moment in all of this we could try and move those agendas forward, the imperative is both in terms of the future reconciliation of Cyprus and I very much fear for the continuation of the Turkey talks because of the Ankara Protocol issues, and if we cannot use these months up to the end of the year to try and fashion whether we can move forward with some movement on both sides I do fear the political consequences if we do not.

Q177 Chairman: Thank you very much indeed, Mr Howitt. This has been a very, very helpful hour with

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you and you have given us a lot of food for thought that will inform our inquiry. We wish you well. We will be sending you the transcript and the eventual report, which I hope you will share with some of your colleagues.

Mr Howitt: I will. Thank you for the experience. Although I have met some of you informally I think this is the first time I have given formal evidence and it has been an interesting experience. Thank you for

your courtesy and your interest. I hope that I have met your expectations.

Q178 Chairman: You have indeed.

Mr Howitt: I look forward to reading both the other evidence and your conclusions. I hope there can be future occasions, both formally and informally, that we can sit around tables together.

Chairman: Thank you very much indeed.

Examination of Witnesses

Witnesses: MR MICHAEL EMERSON, MS JULIA DE CLERCK-SACHSSE and MS GERGANA NOUTCHEVA, Centre for European Policy Studies, examined.

Q179 Chairman: Mr Emerson, Ms De Clerck-Sachsse and Ms Noutcheva, welcome. As you know, we are doing an inquiry into the future of enlargement drawing on the experiences of the past, the current situation we are in, where we may be going from here and what the benefits and problems may be. The conversation we will have this afternoon is on the record and we will send you a transcript of it so that you can see that your views are properly reflected. Please, all three of you feel free to participate as you see fit amongst yourselves. We are just over half way through the inquiry in terms of the numbers of meetings we are having and we have quite a long summer recess after which we will probably be going to Berlin and Paris for a couple of other meetings taking evidence. We have had a very useful talk this morning with Commissioner Olli Rehn and we have also seen Richard Howitt, the MEP, who gave us some interesting thoughts on what views were in the European Parliament as well as his own views. I do not know whether you would like to make an opening statement, please feel free to do so, and then we can go on to some questions.

Mr Emerson: I have read your questionnaire, which has about 60 questions in it, so I do not propose to go through them sequentially. Maybe I could just highlight one or two principal points and indicate the areas of special interest of my two colleagues which are relevant in ways that I will mention. The first point is around this new piece of jargon, “absorption capacity”, which appears in the questionnaire. What is it, and does it have a dignified and correct place in the high politics of the European Union? In any event it has to be deconstructed and given clear meaning to test it. We are working on that now and Gergana Noutcheva in particular—with the three of us and some others—is working on a paper for September on this. I will say a little bit about the structure of our ideas around that. Julia De Clerck in particular has a project underway which is looking at how the EU25 is functioning institutionally and is doing four sector specific case studies. She is in a position to offer some evidence on that. Our thoughts around the subject of absorptive capacity, at this stage would be first to

deconstruct it into a number of different subheads, some of which are really tangible and you can research and take a view on, while others are extremely fuzzy and ambiguous, if not possibly hypocritical, dare I say, in the sense of trying to invent a fancy expression to cover ulterior motives. I will come to those in a moment. Let us deconstruct it into political, institutional, economic, financial and social identity components. We would give an easy pass to the economics and finances of it, saying we are not frightened by the prospect of further enlargement on those scores. The economics would be a plus almost certainly in general terms and the finances not overwhelming, even with Turkey in 10 years’ time. We find that fairly easy to reach a judgment on. On the institutional aspects, yes, there are clear-cut institutional issues which have been gone through in the draft constitution. We would regard the measures proposed in the draft constitution as relatively minimalist from the point of view of accommodating a 35 member European Union, so there are definitely things that would have to be done there. This an honest business of discussing institutional capacity. We know what it means and what the variables are, voting rights and degrees of switch to less intergovernmentalism and so forth. The other two components are difficult ones, the political and the identity business. This is a very tricky business, both analytically and politically. One specific comment which is not in your questionnaire. Some parts of the elites of mainly old Member States fear further enlargement because they fear dilution of their power and influence in the functioning of the European Union. This is, of course, an argument which is not talked about in polite Coreper circles. However, we would read it as being the prime motor force behind the advocates of “be very careful about our absorptive capacity”. Where are you going to next, Paris and Berlin?

Q180 Chairman: Probably, yes.

Mr Emerson: Public opinion has the feeling that we are losing control of the European Union as a project. What does that really mean? It is not difficult

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to decode the views of important parts of the elite who are fearing loss of old-style control over power and influence in the institutions. This is an important political reality. The question then is, if it is valid today, how is it going to change over time and how might changes in the institutions in effect change the power structure in ways that might render this fear less frightening than it at present seems for the individuals concerned. Taking a relatively bullish view over a period of time, and assuming some sensible institutional amendments, with a President of the European Union as wanted by Giscard and a foreign minister, more majority voting, this is going to be an increase in the power of key parts of the institutional structure. In five or 10 years' time when those people who are afraid that they are losing control of old-style powerful intergovernmentalism may find that their personalities of their nationality, their nominees in the political structure, are in exceedingly powerful positions and in more powerful positions than at present. This argument may turn around or change over the time horizon that you are dealing with. I presume you are dealing with 2010–20 at least, are you not?

Q181 Chairman: Into the next Financial Perspective but one certainly. Yes, going into 2020.

Mr Emerson: The next Financial Perspective plus one? 2020?

Q182 Lord Hannay of Chiswick: I hope they do not do it for seven years again.

Mr Emerson: In response to your questionnaire you must be envisaging at least a couple of decades' time horizon, because Turkey and Ukraine are simply out of the question within a decade, but it is a serious matter for 2015 or 2020. It is from that perspective that some of the perceived problems of today may change their nature. The other principal point is the identity question. We know from public opinion surveys, Eurobarometer and general political information, that there is a widespread perception in at least some parts of the European Union that the ongoing enlargement risks undermining our sense of European identity. What does that stand for? Does it stand for Christianity or does it stand for an historical sense of the Charlemagne map of Europe? That is a map of Europe which some people can relate to. There is a really important problem in public opinion today, as we all know, with the problem of tensions around Muslims and Muslim minorities. If we think through over your time horizon of 10 to 15 years then you can easily make the argument that somehow the countries of the European Union sort out their relationships with their significant Muslim minorities, new integration models have to be found and this becomes part of the multicultural reality of the European Union. We

have no choice but to do that because people are not going to be sent home. At the same time, the economic demographics of the European Union are getting more and more serious, so the prospect of having a sizeable new inflow of migrants from Turkey may become the least unattractive way of getting some fresh blood into the labour force. Turkey may also then have the singular quality of being the world leader on how to reconcile Islam with democracy and, therefore, it is a plus for the European Union. Today all of this looks terribly difficult with Islamophobia on the rise, the burning *banlieux* in Paris and all of that, but I would posit that you can imagine over the appropriate time horizon that this identity factor may turn around or become less serious, particularly if there is leadership to help it go that way. You have a "final frontiers" question which is linked to that. Personally, if you insist on asking the final frontiers question I would say that the outer limit is the Council of Europe map of Europe. Except that Russia does not want to join the EU: there would be some problem of absorptive capacity in anybody's perception, but for all of the rest it must be within the conceivable final frontiers.

Chairman: So you would say Council of Europe minus Russia?

Q183 Lord Roper: Minus Russia forever or for the foreseeable future?

Mr Emerson: I am going to suggest no for Russia for the lifetime even of everybody present in this room. That may not be very long for me but it would be considerably longer for others! Unless you are in the business of totally transforming the nature of the European Union to redefine it, but I think that is not our purpose, is it?

Q184 Chairman: No. Thank you very much, that is a stimulating introduction to our discussion. Perhaps I could put the first question to you, a very stark one. Is the enlargement process in trouble at the moment? What are your general feelings about what is happening? Are there serious problems on the horizon, let us say in the medium term going up to and including Croatia?

Mr Emerson: EU25 or the Turkey-Croatia question?

Q185 Chairman: I am thinking of post-EU25. Are the prospects for further enlargement running into serious obstacles?

Mr Emerson: We would perceive the EU25 as functioning with some problems but it is not doing too badly at all.

Q186 Chairman: I am thinking after that.

Mr Emerson: It is still settling down and there are still a few bumps to be absorbed. The economics of it are very positive. The globalisation issue should be

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viewed as a plus for enlargement. We improve our competitiveness by having a certain amount of outsourcing in Slovakia and if we did not do that then we would be in even bigger trouble with China, so that is a plus. The institutions are functioning, it is not a gridlock situation.

Q187 Chairman: What I am coming to, and if Ms De Clerck would like to come in on this as well please do, is whether you think that the Western Balkans as an area have reason to look quite confidently to the future or whether there are obstacles in the way that are really giving them sleepless nights.

Mr Emerson: We could perhaps insert a word about Bulgaria and Romania here.

Q188 Chairman: Let us take it that Bulgaria and Romania are coming in. Let us take it that Croatia has every expectation of coming in. What about the rest of them? It is a very, very important area. When we heard Albanian Prime Minister Berisha yesterday saying he is looking forward to coming in and confident about this, and when we hear the FYROM getting very enthusiastic and confident they will come in, are they just singing in the wind?

Mr Emerson: Our view is Croatia could be on a fairly fast track for accession in 2010 but all the rest have a considerably long wait of indefinite time durations, for some very long indeed. There is a link to the Bulgaria/Romania question and Gergana, who comes from Bulgaria as you may have guessed, has recently written a piece basically saying that the EU trapped itself into having Bulgaria and Romania in before they were really ready and they will not want to do that again with the Western Balkans.

Q189 Lord Hannay of Chiswick: They should not want to or they will not want to?

Mr Emerson: They will not. They will try and avoid this again.

Q190 Lord Roper: In spite of the implications for Mr Ahtisaari's negotiations with Serbia and Kosovo if he cannot offer some sort of sweetener in terms of EU membership?

Mr Emerson: The EU has got to work hard for a long time at the alternatives to full membership of Kosovo, Montenegro and everybody else. The Western Balkans are subject to French referendum approval quite apart from other arguments. Objectively I think the EU will be very slow to admit more, so the Macedonians are going to feel very sore about this because they will be a marginal case. If Croatia, what about Macedonia? The answer will be "Tough on Macedonia". That means the European Union will have to work some kind of super regional policy that would functionally integrate the whole of the Western Balkans into as many of the functional

policies of the EU as possible. We make the argument to the Commission—this is not an argument that they accept at the moment—that they should not encourage them, the Western Balkans to form a regional free trade area.

Q191 Lord Marlesford: Are you saying that Croatia has gone under the net, as it were, along with Bulgaria effectively?

Mr Emerson: Bulgaria and Romania will be—

Q192 Lord Marlesford: You are saying that Croatia has got good prospects and the rest are a long way away and you are saying to Macedonia "hard luck". Are you saying, therefore, in a sense what has happened is Croatia has managed to get itself on a much faster track without necessarily more—

Mr Emerson: Yes.

Q193 Lord Hannay of Chiswick: I am still puzzled to know whether what you are saying is what you as a think-tank believe should happen or what you believe will happen. There is a huge difference between the two.

Mr Emerson: We do not take corporate positions in any case. Gergana has views on this. Let us just be clear on Croatia and Macedonia. We think that Croatia is on track without the obstacle of the French referendum, the wording of which lets through Croatia where it will not let through Macedonia. Quite apart from the French referendum I think the rest of the European Union is saying predominantly yes to Croatia in a few years' time but the others will have to wait and see.

Q194 Lord Hannay of Chiswick: Can I just ask you a question on the French referendum. Do you not think that the French referendum condition was motivated by one thing only, which was called Turkey? It was not motivated by the Western Balkans. Can you seriously believe that the French people will vote no to an Accession Treaty with, let us say, Macedonia which has been negotiated by the European Union, signed by the French Government and endorsed by the European Parliament?

Mr Emerson: Yes.

Lord Hannay of Chiswick: Really? But why?

Chairman: Because they will read it a different way.

Q195 Lord Hannay of Chiswick: But why?

Mr Emerson: There is a deep-seated opinion in French public opinion—

Q196 Lord Hannay of Chiswick: About Turkey.

Mr Emerson:—that this enlargement business has been spinning along too fast.

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Q197 Lord Hannay of Chiswick: Okay, that is your view. It is not mine.

Mr Emerson: Do you not see that down there?

Lord Hannay of Chiswick: No, I do not believe that it is credible except in respect of Turkey. People seem to forget all the time that no electorate, not the French electorate nor the Austrian electorate, will be asked the question unless their government has signed the Accession Treaty. That is when you get asked. You do not get asked at the opening of negotiations or before the closing of negotiations because there is not a text to be asked on, you are asked on the basis of an Accession Treaty which your government has signed. I am perfectly prepared to believe that in the case of Turkey that may go wrong. We all know why it was inserted in the French constitution, it was all part of a game to try to get a yes vote on the Constitutional Treaty and it failed, now they have got it in the constitution they have to apply it, but to assume that it will be applied in, it seems to me your assumption, a very automatically negative way, I do think is—

Q198 Chairman: I think to be cynical it could depend on what view the electorate take of the government in power at the time. If they are having tremendous difficulties that could have nothing to do with Macedonia they might still vote no just to irritate the government.

Mr Emerson: Apart from covering the Turkish issue it is also covering the many more very small micro-states or very small and medium-sized states. How many small states can we have around the Coreper table, which you will remember from a few years back? I think in this case both French public opinion and the French elite are very wary about any further enlargement.

Lord Hannay of Chiswick: They are now, yes.

Q199 Chairman: Do either of your colleagues have anything they want to say on this at the moment?

Ms De Clerck-Sachsse: I can give you an overview on the institutional question addressing the questions that you have got in the questionnaire that you sent to us. This is based on work in progress. I can give you some results but they will be indicative. We are doing a study specifically focused on the functioning of the Council, in the institutional context. We are still in the interviewing phase but I believe that nevertheless there are some interesting conclusions coming out of this. On the general question of whether the institutions are still working or is there this roadblock, we can say pretty confidently that there is no institutional crisis, the institutions are working. There has also not been a bloc formation of the new Member States gearing together and forming a bloc of old versus new in terms of voting behaviour. Another important thing is in terms of the quantity of voting. It has not gone up, so it continues to be a

consensual way of trying to come to conclusions on decision-making. That still prevails in 92 per cent of the cases, so even in policy fields where there is qualified majority voting consensus is prioritised. Now, having such a large increase of 10 new Member States, that has become much more difficult. There is a clear atmospheric change. There are many more people around the Coreper table. It is much more difficult to come to informal agreements during the meetings. There is much more statement reading in Coreper so ambassadors are much more tied to their national governmental positions rather than having quite a bit of leverage to come to an agreement. In terms of the case studies that we have been looking at, which are in the field of environment, CFSP, agriculture, and we will be looking at justice and home affairs but we have not done any interviews, we can say there is a shift in emphasis on which policy positions predominate. For example, on CFSP we can see through enlargement there has been more of a transatlantic shift and that is definitely as a result of the new Member States joining.

Q200 Lord Marlesford: In this context, what do you mean by “transatlantic shift”?

Ms De Clerck-Sachsse: There is more emphasis on trying to co-operate with the United States. In terms of agriculture we can see there is a mix of alliances. Agriculture has always been a policy field where there have been pretty fixed camps of producers versus non-producers, north versus south. This is just jumbled up now and so far there are no new fixed blocs. There is an introduction of an element of flexibility now. As far as our preliminary interviews go we have also seen that it is not just the new Member States adapting, but in this context all the Member States have to learn a new game because they know they cannot rely on the previous alliances any more so much. As far as environment is concerned, there is less emphasis on trying to push forward environmental reforms. There is a tendency of trying to scale down because the standards of new Member States in that respect are often lower and the reforms will be very costly for them. In terms of absorption capacity, as we have heard, for the moment we are looking at possibly three, definitely two, and then Croatia. For the rest it is quite far in the future. I do not think that will make a huge difference. The adaptation to the 10 new Member States is still the big issue the institutions are dealing with. Whether it is next going to be three more or less I do not think will make a qualitative shift. However, this is still very early days. We can see this atmospheric shift. We can see there is a tendency to have more informal meetings now, not to do everything within Coreper, to have to go outside. This is all very difficult to quantify and to measure. So far voting has not increased, we will have to see in

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a few years. Another thing that has been coming out in interviews is that while the new Member States have been integrated very well, they are still learning the game and are still quite cautious. There have been exceptions, like Poland, but it is usually very issue-specific and in general they are still taking a little bit of a back seat. You can say that everyone is learning a new game but so far the game is still dominated by the old Member States. We will have to see in three, four or five years whether there will be a shift towards possibly more voting and even more difficulties to find consensus.

Q201 Chairman: So looked at objectively what you are saying is that Bulgaria, Romania and then Croatia do not present an absorption capacity problem, at least as far as the institutions are concerned. The question remains, as far as public opinion is concerned in the Member States, there is still that problem to be overcome, is there not?

Ms De Clerck-Sachsse: Absolutely. Obviously this is a whole different issue. You can see how enlargement is coupled to the failure of the constitution because it is not just an institutional question, but the atmosphere of gloom and failure in not have this big project carrying Europe forward. This, coupled with domestic problems, and, as we have discussed, France and Germany have similar domestic problems, are placed together, so public opinion is not just very negative but it has become much more important for these Member States because they are not in a very firm position.

Q202 Lord Hannay of Chiswick: I liked your deconstruction of absorptive capacity, I think that is very important, and it seemed to me that you brought out two factors about the phrase and the concept. One is that it is extraordinarily subjective and very difficult to subject to any kind of objective measurement. The second is that it totally lacks transparency because one person can say that their view of absorptive capacity is X and another can say Y, there is no yardstick which everyone agrees to. I thought that came out very clearly. I was a bit surprised, firstly, that you swept past the financial section of deconstruction. I can see, and it would be nice to hear your view, that there are perfectly simple solutions to the CAP and the Structural Funds in a European Union of 35 but we have not got them yet, so if we are to get them during the next Financial Perspectives period of 2013–18, as I would hope it would be, because I think seven years is a ridiculously long time to set, but it may be 2020, presumably the 2008–09 review is going to have to start thinking about that. There will have to be some quite serious consideration of financing the CAP, partly co-financing, and also switching more of the Structural Funds away from the old Member States towards the

new Member States now and the newer ones who have come in. The second thing you passed across pretty fast was the institutional chapter. The institutional chapter, again, you can say is all there in the Constitutional Treaty, if you simply took the bits out of the Constitutional Treaty and applied them you would not have too many institutional problems, which I would agree with you about, but the belief that is going to be a simple process is one I would not agree with you about. How do you get Member States who either did not much like the Constitutional Treaty or might be expected to have rejected it, like Britain, to buy into this approach, which is just as serious a problem, I would argue, as getting the French to buy into the approach that there has got to be further enlargement?

Mr Emerson: On the budget point, my response would be as follows: you have got the numerous small Western Balkans to talk about, and Turkey. The numerous small Western Balkans are already very expensive budgetarily, so it is no big deal budgetarily. Turkey is more important but if we are thinking about Turkish accession some time not starting before 2015 you will have quite a lot of the new 10 who will have grown a lot economically by then, so the problem of income disparities within EU25 and 27 will have gone down quite a lot. By the way, the Turkish economy itself is growing very well at the moment, so the need for Turkish Regional Funds will be very important but this is an economy which is improving strongly. On the agriculture point, yes, there is a serious problem there which EU15 could not solve and EU25 has not yet solved. Indeed, there is a problem that has to find a solution at some point. On the institutions, I was not trying to say that there is not a problem, I was making the distinction between the “fuzzy absorptive capacity” department versus the “tangible absorptive capacity” department. On the institutional issues we can talk seriously about how far the institutional mechanism ought to go further in the direction, broadly speaking, of less intergovernmentalism and more Community decision-making or more majority voting. That is already revealing some body language at the other end of the table.

Q203 Baroness Thomas of Walliswood: Only on the grounds that it is a big assumption.

Mr Emerson: I agree. It is more or less what the political market looks like for more powers to the institutions or more streamlined decision-making. The constitution would have done a bit with the further development of majority voting, a reduction in the number of Commissioners. Basically this is all that is necessary if then the Council of Ministers could also accept to work with quicker recourse to majority voting. At least we know what we are talking about here in terms of the mechanisms and if

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the time horizon is 2015–20 then the system and public perceptions can change, as they have indeed over the past decades. After all, in the last 15 years there have been transformations in institutions through the successive treaties, which Lord Hannay, when he was working with Christopher Soames in the 1970s, would have considered to have been highly unlikely.

Lord Hannay of Chiswick: Sure.

Q204 Lord Roper: Just going back to Ms De Clerck's analysis, one interpolation of what you were saying is that most of the difficult members were in the original 15 and the added 10 have not really created too many more difficult members but they have done one other thing, they have changed rather significantly the ratio of large to small members because nine out of the 10 are small and five out of the 10 are very small. How do you think that will affect the dynamic of the institutions?

Ms De Clerck-Sachsse: It definitely has an impact insofar as the bigger Member States have even less capacity in terms of trying to define alliances. I think there is now much more flexibility generally and there is more openness in approaching new Member States and trying to build camps very early on rather than defining your own position and seeing who can go along with it. There is also much more forward planning in that respect and thinking which things they can approach and which might be rather difficult. That is definitely a factor that comes in.

Chairman: I am anxious to get on to European Neighbourhood Policy. We have somebody who knows a lot about it anyway in Gergana Noutcheva. Could I ask Lord Bowness to open the questioning on this one?

Q205 Lord Bowness: Thank you, Lord Chairman. If we assume, and I think we do, that the Union is not ready or able to accept all the countries that expressed an interest in joining the EU, is there a viable alternative to full membership? Could the European Neighbourhood Policy evolve into a realistic alternative? Leaving that to one side, what ought we to do to improve it, if indeed you think it needs improving? Despite the fact that there is a different Action Plan for each country, is it possible to have a single policy for countries as diverse as Ukraine and Morocco?

Ms Noutcheva: We are of the opinion that the Neighbourhood Policy has the potential to deliver but it is under-specified at the moment. What we feel is lacking there is the definition of the incentive package. If full membership is not on the table there has to be an attractive alternative for the neighbours so that political elites in these countries see the opportunity and change their domestic structures accordingly and push through very difficult and

sometimes unpopular reforms. For the time being, the EU has been reluctant to specify the stake in the internal market or whatever the alternative proposition is. CEPS has done a study on deep free trade with Ukraine and that is an avenue which we think is worth exploring, but Michael can tell you more about it because he was the research director of that project.

Mr Emerson: I agree with Gergana that the Neighbourhood Policy has the potential to become a strong, functional, partial substitute to membership. We know what it means, looking at all the instruments in the Commission in particular, and also on the CFSP side, for many of the functional sectoral policies of the EU to be configured in such a way as to include the neighbours. It could be done. How to do it precisely is under-developed and under-specified and we are of the opinion that President Barroso ought to be giving a far higher priority to the internal co-ordination and deepening of the specification of the Neighbourhood Policy in general. The Member States pushed the Commission into a bad decision to have a single policy for both Ukraine and Morocco, ie for the Mediterranean neighbours and the former Soviet states and we now see what this means. This is not such a problem for the economics of it. The progressive and selective invitation to the partner states to anchor their regulatory policies on the EU *acquis* can be valuable in both cases. The problem of reforming the banking sector in Morocco is not all that different from doing the same in Azerbaijan or Ukraine, because in both cases it relies on being open to foreign investment and following established international regulatory norms: i.e. Basle I, or, in the case of subsidiaries of EU home controlled banks Basle II. Where this business comes unstuck is in the politics. On the one hand, for the Council of Europe Member States there is no doctrinal or ideological human rights democracy disagreement, they have all signed up to the Council of Europe principles and they all want more or less to achieve the European model of democracy and human rights. In the Arab Mediterranean states it is totally different. The European Union has to find its way into the business of political dialogue with the moderate Islamist parties from Morocco to Egypt certainly, where the question of European values is anathema to them. That sounds like the Crusaders and it provokes very strong reactions. You can talk about the search for compatible, common normative elements in politics. But then you have to find a way between Mubarak and the King of Morocco and their minority parties which are more or less suppressed. So this is a different ballgame there so far as the politics of it are concerned and that means two different policies.

Q206 Lord Marlesford: Are you saying that the Neighbourhood Policy is, as it were, both a stepping stone for some to join and an alternative for others?

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Mr Emerson: I would say for the European neighbourhood states possibly, yes. The question of membership perspective is controversial, it is not adopted or agreed by the Council. But there are some Member States who think, for example, Ukraine ought to have membership perspective and, indeed, the Finnish Prime Minister as President said last week that the Treaty of Rome says the European Union is open to all European democracies, full stop.

Q207 Lord Hannay of Chiswick: Quite right.

Mr Emerson: Personally I think that is a good statement. It is a legally founded and politically good statement. But one cannot make that statement about Arab Mediterranean states.

Q208 Chairman: With reference to the former group, the European Neighbourhood Policy group, to whom one would saying “possibly, but certainly not yet”, why is Elmar Brok suggesting that there be interposed between that stage and the next stage of accession negotiation what he calls the European Economic Area-plus? How does that fit into the pattern, I am not quite clear? What he is saying is that countries with expectations, but not immediate, should be put into an EEA-plus. How does that relate to those European Countries who are in the near Neighbourhood Policy?

Mr Emerson: I read or interpret Elmar Brock—it is just one and a half lines rather than a fully specified proposal—as saying that, with respect to the European neighbours, one could open the way to the Neighbourhood Policy being almost a European Economic Area. It will take some time for them to have regulatory controls of Norwegian quality, but if they want to have European membership perspectives they are obliged to face up to this. What comes out from our deep free trade study in the Ukrainian case is quite an interesting conclusion. We are looking at this poor Ukrainian democracy, which we all observe with sadness these days. But what does this mean to the European Union and its Neighbourhood Policy. Some people in Brussels and in some Member States, who are the least seriously interested in Neighbourhood Policy would say, “That case is quite clear, they are not ready for anything, tell them to let us know when they are getting organised”. The alternative view, which is the one I would favour, is to say that this Ukrainian case is indeed a very particular case. It has a very weak institutional governmental structure, but has a highly qualified labour force, and manifestly sincere European orientations in much of the population. This amounts to a very plausible case for a strong degree of anchorage on European Union appropriate regulatory norms in the economic governance and corporate governance areas. So the idea of a considerable export of European legal and

regulatory models to this very weak government is not a bad idea, because they are not capable of doing it for themselves but, unlike Russia, they are quite willing to take it from the European Union up to a point. In this sense, even for the governmentally chaotic Ukraine you can welcome, if you like, the Brock proposal. It is not just economics for him; it is foreign, security and defence co-operation, justice and home affairs as well. That is also appropriate for a next “enhanced agreement” with Ukraine, to use the official language that has already been agreed. In particular there is a very interesting interaction here between the NATO accession and the EU perspective question. Up until one year ago much conventional thinking here in Brussels in both NATO and the EU along the lines “The EU is very difficult for Ukraine given the lack of agreement over membership perspectives. But NATO accession could go on a fast track with the brave President Yushchenko”. So the European side could be heard saying to themselves, “Well, that is not a bad solution, that gets us off the hook a bit in terms of EU responsibilities if NATO is a partial substitute for the political incentive of Europeanisation and Westernisation”. The problem is that game has run out now, as we have noticed with public demonstrations against NATO in the Crimea as well as the fall of the proposed Orange government.

Q209 Chairman: It is still very much on the agenda of Georgia. Their President came to London and said, “Have no doubts, we are after membership of the European Union” and there were blank looks around the table, and then he said, “Well, certainly NATO”. George Robertson who was there said, “Maybe in the fullness of time but not now,” or words to that effect. Now they no longer talk about membership of the European Union, they simply focus on NATO as being the essential next step. Do you think that is no longer on the cards?

Mr Emerson: I agree that for Georgia the United States and President Bush in person are willing to push for NATO. So the European Union can get along with a very thin Neighbourhood Policy to Georgia, and the Action Plan, which is not yet published but I have seen it, is very thin and unimpressive indeed. But this is getting into current policy which is not your concern.

Q210 Lord Hannay of Chiswick: I just want to be quite clear in my mind about your view in favour of what you call a strong Neighbourhood Policy, a strengthened Neighbourhood Policy. Are you clear in your mind that as far as the Council of Europe members are concerned, and I would agree with you about the Mediterranean being treated a bit separately and needing to be treated separately, they would not buy a strengthened Neighbourhood Policy

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unless it was accompanied by a categorical statement that this was not an alternative to membership? Can you think of any single one of them who would buy it without that assurance? I cannot. Certainly not the West Balkans, certainly not Turkey, they would not be interested. We are just playing the same game as we played in the 1980s when Jacques Delors thought he had a frightfully clever area called the European Economic Area which was going to ensure that Sweden, Finland and Austria never became members of the European Union and they put it in their pockets and became members three years later. These ones will not become members in three years. Surely the absolutely fundamental touchstone is whether you are doing an Elmer Brock, which is producing an alternative to membership, or you are doing an EEA which is a stepping stone once you have fulfilled the Copenhagen Criteria and all the rest, but there is a fundamental distinction between those two, is there not?

Mr Emerson: The position I would advocate on that is to say the door remains open for membership for all seriously democratic Council of Europe Member States, but in the meantime for the next many years we have got to get on with the job and, therefore, an enhanced Neighbourhood Policy is the thing to do. When they come back and say, "Are you just playing with words about this membership perspective business or do you really mean it?", I would say as a political scientist, if you like, as an economist, that it is possible to describe a European Union that could and should go on continuing to expand to all the Council of Europe except Russia. But then if we factor into the analysis what we think are the politics the European Union, I would say we would have to be uncertain.

Q211 Chairman: Hedge your bets.

Mr Emerson: Give it time enough and maybe it will come along okay, but we do not know.

Q212 Lord Roper: I would like to make a distinction between the West Balkans, which I do not think you could do this with, and the Council of Europe CIS countries where I think it is something that we do need to rather carefully explore. I would like you to explain more what you mean by a "deep free trade area". Is this something which has a transitional dynamic arrangement leading to the EEA? In order to go through this dynamic process, would you have something which would not be very different in some ways from membership negotiations because you would have to have chapters, you would have to see how the regulatory *acquis* was gradually absorbed into your own structures and, therefore, in some ways there would be parallels between the process of exploring different chapters of the *acquis* and

acquiring the regulatory arrangements for this in the same way as there would be for membership.

Mr Emerson: By the way, our book on the subject is freely down-loadable on our website, all 230 pages of it.

Q213 Lord Roper: Summer reading!

Mr Emerson: On the main points here, there is conventional free trade and the language is now created of "deep free trade". Conventional free trade is WTO accession first stop; second stop scrap remaining tariffs, end of story. Deep free trade in this European context means for transitional economies embarking on a selective course towards partial and progressive EEA type arrangements. The analysis is being made that these countries do not have the domestic administrative capacity or private sector implementation capacity to start now with the entire EEA, and this is the whole of the economic *acquis*, that would overload the boat. There is a question of doing a kind of cost benefit analysis of all of the significant lines of policy, and maybe there are about 25 of them. The answer is the cost benefit analysis for Ukraine says it is important that they adopt the banking regulation; but us skip the financial securities regulation because they do not have a financial securities market and the banking sector is the important one.

Q214 Lord Marlesford: Does deep free trade include things like the transfer of capital?

Mr Emerson: That is almost axiomatic from the beginning, an open capital market, yes.

Q215 Lord Marlesford: But not people presumably?

Mr Emerson: They are already in a state of virtual openness for capital movements but on the movement of people you would have to be very careful with Ukraine, because they have such a serious demographic problem. The Ukraine is going to go from 45 million, according to the UN, to under 30 million, 28 million by 2050, so they should not be losing too many young people.

Q216 Chairman: We have pretty well come to the end of our time but I want to put one last question to you, if I may. You were speaking earlier about the possible creation of an enhanced free trade area for the Western Balkans.

Mr Emerson: Yes.

Q217 Chairman: Is there not a danger of reviving the old fears that if this is to be perceived as an alternative to early membership you are recreating the old federation?

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Mr Emerson: Yes, completely.

Q218 Chairman: They really do hate that.

Mr Emerson: We completely agree with you and that is the political reason why we do not like the regional free trade idea. But there is also an economic reason also why we do not like that formula. Our proposal is that the European Union ought to cordially invite the entire non-EU part of South East Europe to join the customs union which today embraces the European Union and Turkey, so the black hole of the Western Balkans is included. It will be tough for some protected fruit juice manufacturer in Bosnia

perhaps, but basically this is the way in which this area could be regarded by the mobile investor as being a legitimate part of the European market for investment, rather than a black hole which is what it is likely to be viewed as.

Chairman: I am afraid we will have to close it there. I want to thank the three of you very warmly indeed for this very stimulating discussion, the interesting views put forward, and the way in which you have answered our questions. We will be sending you the transcript and eventually our report. Please rest assured that you have made a significant contribution to our thinking and we appreciate it very much. Thank you.

TUESDAY 11 JULY 2006

Present	Bowness, L Grenfell, L (Chairman) Marlesford, L	Roper, L Thomas of Walliswood, B
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**Memorandum by Mr Andrew Duff MEP
Spokesman on Constitutional Affairs Alliance of Liberals and Democrats for Europe**

1. The European Council of 15–16 June 2006 agreed to continue examination of the Constitutional Treaty with a view to taking “further decisions on how to continue the reform process”. An exploratory report will be made under the German presidency in June 2007; “necessary steps” will be taken by June 2008 at the latest.

2. Most Member States now acknowledge that the 2004 Constitution cannot come into force without modification. Any amendment to the Constitutional Treaty, even of the most minimal kind, requires an Intergovernmental Conference (IGC). It is highly likely, therefore, that a new IGC will be convened during 2008. As we know, the difficulty in the renegotiation will be to meet many of the objections raised in the course of the ratification process in France, the Netherlands and elsewhere while not destroying the consensus behind the overall political package.

3. It is widely admitted—and borne out by many opinion polls—that public anxiety about actual, prospective and putative enlargement was one of the factors that has led to the democratic reaction against the 2004 Constitution. This has motivated the European Council to draw some conclusions about “general questions of future enlargement”.

4. Paragraph 53 of the Presidency Conclusions says:

“The European Council reaffirmed that it will honour existing commitments and emphasized that every effort should be made to protect the cohesion and the effectiveness of the Union. It will be important to ensure in future that the Union is able to function politically, financially and institutionally as it enlarges, and to further deepen Europe’s common project. Therefore the European Council will, at its meeting in December 2006, have a debate on all aspects of further enlargements, including the Union’s capacity to absorb new members and further ways of improving the quality of the enlargement process on the basis of the positive experiences accumulated so far. It recalls in this connection that the pace of enlargement must take the Union’s absorption capacity into account. The Commission is invited to provide a special report on all relevant aspects pertaining to the Union’s absorption capacity, at the same time as it presents its annual progress reports on enlargement and the pre-accession process. This specific analysis should also cover the issue of present and future perception of enlargement by citizens and should take into account the need to explain the enlargement process adequately to the public within the Union.”

From this, one may infer that the new emphasis on “absorption capacity” is a euphemism for managing domestic public opinion. Unless well managed, France’s decision to hold referendums on all future accession treaties opens the door to demagoguery of the most nationalist, xenophobic and even racist type.

5. The other prerequisite of the European Council—the functionality of the Union—is a factor that has been well recognised at least since the drafting of the Copenhagen enlargement criteria in 1993. As the Laeken Declaration (2001) demonstrated, the constitutional process is designed to meet this requirement. One of the main motivations of the Convention, indeed, was to make the EU capable of coping with enlargement. It is ironic that if the Constitutional Treaty had come into force, the threshold for membership would surely have been raised.

6. Since the ratification process has stalled, both the European Parliament and the European Commission have asserted that there can be no more enlargement (after Bulgaria and Romania) without a constitutional settlement of the future of the Union, based on the 2004 package. That is why the 2008 IGC will have to deal afresh with the basic constitutional question of how the Union admits new members.

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7. Even if, in June 2007, the European Council were to decide to consign the Constitutional Treaty to oblivion, it would still be necessary to convene a new IGC in 2008 in order to prepare for the accession of Croatia. That IGC would need to revise the Treaty of Nice with respect to the classical hard-core constitutional issues: seats in the Parliament, votes in the Council and size of the Commission. Although the accord on these three items would normally be included in the Croatian Accession Treaty, the IGC that seeks to negotiate it should take place as early as 2008 because the question of the size of the Commission, at least, ought to be settled before the selection of the new college takes place in 2009, regardless of when Croatia actually joins.

8. So either way the next round of treaty revision will be driven by enlargement. Article I-58 of the Constitutional Treaty, which sets out the conditions of eligibility and procedure for accession to the Union, leans heavily on the existing Article 49 of the Treaty on European Union. As is appropriate for a key constitutional provision in Part I, Article 58 is fairly succinct. In substantive terms, all we have is: “The Union shall be open to all European States which respect the values referred to in Article I-2, and are committed to promoting them together”. Whereas in Part III Articles 323–326 deal extensively with the procedures for international agreements between the EU and third countries or international organisations, there is nothing comparable with respect to the procedures for accession negotiations. In fact, one can search the Constitutional Treaty in vain to find the famous Copenhagen criteria—still less the additional safeguard provisions that were designed for Croatia and Turkey in December 2004.

9. As for membership, so for neighbourliness. Article I-57 establishes the Union’s neighbourhood policy. In substantive terms, all we have is: “The Union shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation”.

10. It would be wise, in my view, in any renegotiation of the Constitutional Treaty, to substantiate Articles I-57 and I-58 with new clauses in Part III that would amplify and spell out very clearly:

- the Union’s membership criteria,
- the accession processes through which candidates are put,
- and the nature of neighbourhood policy.

11. Such an amendment would serve not only to reassure domestic public opinion that the enlargement process is both tough and manageable, but also to enlighten prospective candidates about the thresholds faced. Moreover, the revising exercise would oblige the current Member States and institutions of the European Union to make more explicit what they mean by the fashionable but ambiguous terms of “absorption capacity” and “privileged partnership”, as well as to examine the question of creating a new category of EU associate member.

21 June 2006

Examination of Witness

Witness: MR ANDREW DUFF, a Member of the European Parliament, examined.

Q219 Chairman: Good morning. We are on the record, we will send you the transcript to check over and it will be published with the report. Where we stand at the moment is we are about two-thirds of the way through our inquiry. We will have a little bit to do when we get back from the long summer recess and we hope to wind this up in November, with any luck before prorogation. We have seen a lot of people. We saw Olli Rehn yesterday, we have seen Paddy Ashdown, Vladimir Drobnyak, the Croatian Chief Negotiator, Quentin Peel, Graham Avery, and others. I will not bore you with a long list but we have gathered a lot of useful evidence. At this stage we are looking at views from the European Parliament. We are very grateful that you have given your time because I know how busy you are. We saw Richard Howitt yesterday and we will be seeing Charles

Tannock after you. Do you want to make an opening statement or shall we go straight into questions?

Mr Duff: No. I would just say that I am very pleased to be able to be here. I am delighted that the Lords is carrying out such an inquiry. I would be happy just to go straight into questions.

Q220 Chairman: One of our primary concerns, of course, is what happens after Bulgaria and Romania, where do we go from there, all the way from Croatia, which appears to be on the right track, but for which there may be obstacles to be overcome, to beyond that to the rest of the Western Balkans. We have a growing conviction that it is critical that they be given the hope that they will come in, and then on in the distant future to Turkey and the possibility of some

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of the other CIS countries coming in. I think what we would like to find out from you is how you see this progression going and where you see there are obstacles to be met.

Mr Duff: Certainly I do not think that the accession of the Western Balkans could be possible without a settlement of the Turkish question. It is not a sort of geographical spread from the centre to the east. Turkey still thinks of itself as a Balkan nation and the importance of stabilising Europe's relationship with Islam is such that Turkey is the key. I would be surprised, astonished even, if it proved possible to pacify the Balkans without the firm bulwark of Turkey, a Turkey that was steadfast on its modernisation along the European path. What we do and say today to affect the Turkish accession process is of crucial importance.

Q221 Chairman: Are you saying, in other words, that the Western Balkans needs to be told that unless and until we reach the point where we can say that Turkey is definitely on track to come in that their own chances of coming in are not even to be considered?

Mr Duff: We ought to always offer the prospect of membership. For example, to say something especially encouraging to Macedonia will certainly assist the Kosovans and the Serbs to be encouraged that candidature is a sensible strategic decision.

Q222 Chairman: If, for example, Olli Rehn's famous train crash takes place, and we hope it will not, what message does that send to, say, Macedonia for one which has signed its SAA or to Albania, say, which is very anxious to make progress towards an SAA? Does that train crash mean that all bets are off as far as these countries are concerned?

Mr Duff: I think the lesson is that one should solve one's ethnic and boundary disputes before crossing the threshold of membership, which unfortunately we failed to insist on in the Cypriot case. That is certainly the conclusion that we can draw from this increasingly dismal saga on Cyprus for the Balkans.

Q223 Chairman: Is your view that the Turkey issue needs to be resolved first widely held in the European Parliament?

Mr Duff: We need to persevere and be faithful to the commitments that we have made. The history of European policy, if one can describe it as that, on Turkey has been of equivocation, and that is not prudent, nor is it fair. It has been extremely problematical for the Turks to establish a bipartisan policy that unites the forces of secularism, the official Republic, plus the public sentiment which, as we know, is affected by developments in the Muslim world when the signal from Brussels has been so clouded with both camouflage and obfuscation. So we need more clarity and certainty.

Q224 Lord Marlesford: Can I just follow this up, if I may. I can understand that one would be increasing the pressure on the EU to treat Turkey fairly or to progress Turkey towards membership by saying that until that happens or is clear we cannot consider the West Balkans, but I do not see the other linkage which you appear to be making because Turkey considers itself a West Balkan country and because there is an Islamic dimension. I totally understand if you are using it as an argument on the EU but I do not quite see what the other linkage is.

Mr Duff: Perhaps I could express it like this: I think that the prize of Turkey's European integration will be the development of a European Muslim legacy which I hope, and expect, can then be shared and exported.

Q225 Lord Marlesford: Exported to?

Mr Duff: To other countries. The first place it can be exported is the Balkans where the democratic practice and culture is far more fragile than it is in Turkey. I believe that the Turks firmly set upon European norms will be both a beacon for the Muslims in the Balkans but also a practical source of support and best practice.

Q226 Lord Marlesford: So really what you are saying is the objective of having an Islamic country which is a secular and democratic state, which obviously one hopes Turkey will remain or become even more, will encourage the other West Balkan countries to have a significant Islamic component to progress in that way, but there are other countries in the West Balkans which are not Islamic, as it were.

Mr Duff: Yes, the Orthodox countries. If we are not able to reconcile the Cypriot problem we are not going to build a bridge between Islam and the Orthodox churches, which is absolutely necessary.

Q227 Lord Roper: We get the message that you feel solving the Turkish problem is a prerequisite to dealing with the West Balkans but I would be interested to know from your views of elsewhere in the European Parliament, whether from the outside it looks as if there is more opposition to Turkish enlargement than there is to fulfilling the commitments of accession.

Mr Duff: My view is that we cannot expect to be able to solve the Turkish problem before we do anything for the Balkans, clearly that would be a risky policy of procrastination. We need a parallel process but Balkan progress can only be feasibly conceived in the context of a successful Turkish accession experience. It is a process, it is an experience. The actual formal crossing of the threshold, as we know, is going to be several years off. As to the position of the Parliament, obviously Turkey is the exposed problem, the issue that causes all groups and all committees great

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fervour and great opinions firmly held. The complexity of the Balkans, the *problematique*, is far less exposed and considered so far. Here, again, I would draw a parallel with Cyprus. There were few members of the Parliament here or the Commission or of the Council who comprehended the Cyprus problem until it was too late. The British did because of their experience, and the Greeks obviously did, but there were not a lot of others who really understood that. If one speaks to all those officials and representatives of the Union who have been working in the Balkans, like Lord Ashdown and Mr Busek, there is a great expertise, an informed critique which must be shared with Parliament.

Q228 Chairman: Let me just see if I can clarify this in the light of what you have just said. To your mind the integration of the Western Balkans would bring results that are less than satisfactory for the Western Balkans if the Turkish problem has not been solved, but in reality that is what we might have to settle for because the integration of the Western Balkans cannot be put off forever.

Mr Duff: I think that is right, but my caveat is that for integration to be successful one has to have a viable statehood and a sense of citizenship. I believe that is present in Turkey, their sense of state, of the republic is extremely strong, perhaps one might even say too strong, but in the Balkans it is very weak, and in a lot of ways it is not perceptible yet. So to promise things that the Union cannot deliver would be the worst possible of the options in front of us.

Q229 Chairman: Okay. Could we move a little bit further out from the geographical area we have been discussing and ask you what your views are on the prospects of countries like Ukraine, Moldova, possibly even Georgia. We know now that certainly in the case of Georgia, possibly in the case of the others, they see NATO membership as being a stepping stone towards the European Union. How far distant do you think European Union membership is for these countries, including the Western Caucasus, and is it even desirable?

Mr Duff: NATO could be a false trail. I am not certain that we now know what NATO is for. If you ask the existing members you get a lot of different answers. The Finnish Prime Minister, Matti Vanhanen, has an idea of it being a pan-continental, global perhaps, security system. That is not the classical opinion of the British Government. We all know how France can always be relied up to take a contrary opinion concerning NATO. I do not share the, I suppose, quite commonly expressed opinion that NATO can be considered as some antechamber for Union membership. My view is that before we consider the geography at the frayed edge of the EU to the east, or to the south indeed, we have to clarify

the criteria and threshold for membership. As you appreciate, my adherence to the EU's constitutional project is partly because it succeeds in clarifying and defining rather more successfully than we have in the present treaties the threshold that has to be crossed by any candidate state. I would just add in parenthesis perhaps—this is a thing which we could discuss further on—if we can renegotiate the treaty in order to improve it, in order to improve its chances of being accepted, we ought to insert a chapter in Part 3 that actually spells out the Copenhagen criteria. If one has a look at the present treaty now, the 2004 Treaty, and searches for those criteria, let alone the extra provisions, the safeguard provisions that were devised for Croatia and Turkey in December 2004, you cannot find them because they are not there. If one seeks to understand the accession process, the rigour of the accession process, the screening effort, the opening and closing of the chapters, one cannot see it in the Constitutional Treaty because it is not there. I think we could easily improve upon the product in respect of clarifying and defining just how tricky it is to become a member of the EU. That would be excellent for the citizen who clearly feels some disquiet about the whole process of accession, accession, of expansion. They feel it is probably out of control, it is not managed well, and there are not any frontiers on maps. We all know that such apprehension poisons, as it were, a debate about free movement of labour, about asylum policy and all of that. I also think that if we were to improve the treaty with respect to enlargement it would be fruitful for third countries who could then see more starkly what it is that is implied by membership of the EU. That is not a straight answer to a straight question. I decline, with great respect, to answer the question about lines on maps without a greater focus upon the liberal and democratic criteria that inform and have formed us. Let us do that first and then we can return to what I have described as the frayed edge of Europe.

Chairman: This brings us rather naturally to what I would describe as the elephant currently in the room. I know that Lady Thomas is going to ask a question about this.

Q230 Baroness Thomas of Walliswood: Yes. We hear a lot about this absorption capacity “problem”. From your perspective particularly, both as an individual and also as a parliamentarian, do you think there is a problem and, if so, what does it consist of?

Mr Duff: In fact, I am quite cynical about this, if I can be quite honest. I think it concerns the acceptability of enlargement to domestic public opinion. It is clear that all the safeguards exist to ensure functionality of the EU, especially if we can secure a constitution which increases the efficiency and effectiveness of the EU. The financial resources of the Union to cope

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with enlargement are an issue of continuing debate and concern, as they are for the existing EU Member States. I am not certain what else those who seek to have a more salient consideration of absorption capacity are actually asking for. I think the Commission will have a great problem in devising an interesting response to the question posed by Parliament.

Q231 Baroness Thomas of Walliswood: I suppose there are a whole lot of technical things: how many Commissioners can we go on having, are we going to have to have 30, or whatever number it would be, of members on management boards of every EU institution even if the EU institution is only spending relatively minor amounts of money. These are issues which come up before us in the course of the work that we do in our various sub-committees. The same thing would apply to Parliament, the constant readjusting of the number of members and whether that means countries like the United Kingdom or France, the older members, will have to reduce their number of MEPs. There is a whole mass of those sorts of technical issues which I suppose can be solved because if you put your mind to it you can usually solve technical issues, but there will be a huge amount of people who say, "No, it is my right to have this. It is my right to have the other" or "I have always had that so why should I have to change just because X or Y country is coming in?" There is that constant kind of irritation, I would have thought, on the fringes of everything even if technically speaking you might be able to propose solutions to some of these technical problems.

Mr Duff: I think that is right but I have to say that all of these issues are addressed and properly answered, cleverly answered, in the constitution. The countries that speak most about absorption capacity are France and the Netherlands who have declined to accept the constitution. I hope I can be pardoned for being fairly cynical about this. There are three issues that always have to be tackled at any enlargement: the size of the Commission, the size and shape of the Parliament and, if we are lingering under the present treaty, the qualified majority weighting in the Council. I suppose it is possible that 27 Member States can agree on the inclusion of a 28th if it is Croatia but it will not be easy because it upsets the applecart. Every time you open up those three issues the applecart is tipped up.

Q232 Baroness Thomas of Walliswood: There is a ripple effect.

Mr Duff: I would like us to speak more frankly to our public opinion and explain that enlargement has distinct advantages, indeed charms. It is a question of speaking the truth more; that is the answer to the issue of absorption capacity. The Union itself must

be prepared to accept successful candidates, that is our vocation.

Q233 Chairman: Would you share the view expressed to us yesterday by Michael Emerson that future financing is not an issue in absorption capacity on the grounds, as he put it, in a rather simplified form, that an expanding Union is a Union whose wealth is increasing as it expands and that, therefore, the ability to fully finance an enlarged Union should not be an issue in discussing absorption capacity?

Mr Duff: I agree with that but the issue of finance certainly has to be discussed. We are facing a radical reform of the financial system of the Union in two years' time and, of course, in designing that improved system we have to work in the perspective of increased size of the Union, but the objective must be to create a fairer, more transparent, more progressive and buoyant financial system of the Union that will allow us to match resources more squarely with our political priorities, which include accession of further Member States.

Q234 Baroness Thomas of Walliswood: But I would have thought it also includes some rejigging of how we spend existing funds.

Mr Duff: Yes.

Baroness Thomas of Walliswood: We have not been very successful in attempting that as yet, despite international pressures, despite a certain amount of leadership shown by the British Presidency and so on. I would have said the results, for example in the Agricultural Fund, have been minimal in a way. Again, it is a very precious part of the financing of existing Member States.

Chairman: That should be dealt with by the review.

Q235 Baroness Thomas of Walliswood: I hope it will be but that is going to be a quarrel in itself, is it not? Of course it has to be dealt with, I quite understand that, but these are very, very entrenched positions upon which politicians in various countries can play, and they do play.

Mr Duff: That is right.

Q236 Lord Marlesford: The rejection of the Sapir Report, which was appalling in my view, is an example.

Mr Duff: They sidelined it. It was taken off the website of the Commission very quickly.

Q237 Lord Marlesford: It is increasingly being suggested there is some conflict between widening and deepening of the EU and, indeed, to some extent there may be alternatives. Would you like to comment on that?

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Mr Duff: Of course it has always been the assumption that we can widen and deepen at the same time. That has been the agreed presumption since Monsieur Pompidou had his historic agreement with Mr Heath. Unfortunately, the defeat of the constitutional project, or the stalling of the constitutional project, would suggest that that presumption cannot be now sustained. At present, as we speak here in July 2006, we are not able to be certain that political integration can proceed to underpin the expansion of the EU. That explains the nervousness which you are finding here in Brussels about the whole issue. I am not closed to an argument which suggests there could be some form of association short of membership which would be suitable, but I am opposed to glib assertions that there can be such a thing as a privileged partnership without that concept being thoroughly analysed and, indeed, fleshed out. My French colleagues and German CDU speak so easily about privileged partnership, but when you ask them what is privileged about the partnership they have no answer. I would be quite happy in this renegotiation of Part 3 of the 2004 Treaty that I was speaking of earlier to flesh out the idea of Neighbourhood Policy which is included, as you know, in a clause which is very brief, very succinct, in the first Part. If you look at Part 3 to find out what it means it is not there, there is not anything. The Chairman will stop me if I become too lyrical about the experience of drafting the constitution.

Q238 Chairman: We are familiar with it.

Mr Duff: The Article, Article I-57, is the product of two competing ideas. The first was that we needed something for the Ukraine, which is clearly far from being able credibly to apply, and I think that is even the case today although it was certainly the position in 2002. The second, on the other hand, was that we ought to have a safety valve, a safeguard clause, to place an existing Member State that declined to accept the federalising, qualitative leap that was implied in the constitution. The debate stopped at that point. I think we now need to consider seriously associated membership.

Chairman: Let us move on to Lord Roper, although we did slightly pre-empt some of this.

Q239 Lord Roper: Indeed. I wonder if I can therefore ask the question rather directly. Would it be a summary of what you have said so far that successful progress with the Constitutional Treaty is a prerequisite for further enlargement?

Mr Duff: Parliament has expressed itself on this in several ways. We are anxious that we do not bring comfort to the supporters of what I would call the Charlemagne Club, who actually were opposed to the British accession all those years ago—perhaps they

were right, who knows!—and the old school federalists who would be quite happy with a very small club of a tightly formed federation with centralised fiscal policy, a fully integrated army and so on. Some say that to refuse the constitution, which is not in their view anyway sufficiently federalist, you can also block the accession of all new Member States. My own view is if we do not have the constitution or something like it, an improvement on it, not anything less than the constitution, then if we blithely accept new candidatures we will be widening and diluting integration, which I am strongly opposed to.

Chairman: Let us take a rather closer look at decision-making in the enlarged EU.

Q240 Lord Bowness: How, in your experience, has the accession of the 10 new members affected the decision-making process in Parliament or, indeed, in the other institutions so far as you are aware of them? Perhaps while answering that question, do you think that the increased number of Member States is going to lead to the need for more flexible ways of decision-making, perhaps enhanced co-operation? Do you see any signs of this happening already?

Mr Duff: I think in the answer to your first question it is impossible yet to be certain, it is too early. There have been some dramatic changes to the performance of the Parliament insofar as the Plenary has become rather more melodramatic than it has been in the past with some fairly curious political parties, especially on the right, and even on the right of the British Conservative Party. It would be absurd to either criticise that or to blame the MEPs from the Central and Eastern European states who have had a huge learning curve to climb. Especially after they have been through a transition period from Communism of 10 years or more, there is a certain fatigue. The political party systems in the majority of those Central European states are still fragile, and they do not interact easily with our groups. In the old days we had Christian Democrat, Liberal, Social Democrat, Green and Communist groups and they were all easy to understand, their profiles were very clear, plain indeed, for all to see but that is not the position any more. The political forces from Central Europe have found it very tricky to integrate very well in those groups. One also has, especially from the Baltic States, political parties who have been supported strongly by Washington and political forces who are still strongly supported by the Kremlin. So there is all that proxy post-Cold War experience that is still happening and is very interesting to watch. One has a lot of Catholic forces, some ultra Catholic forces, who are not bringing to the party a sense of the supranational church but of very nationalistic churches, both from the Catholic but also from some of the Orthodox worlds. All of these things are

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fascinating and new, and it is too early to say how these will settle into our scheme of things. Of course there are some brilliant representatives from those countries who perform as if they have been here all their lives, so this is not a blanket criticism. The Commission is just too big, ask anyone. It is not the fault of those who have just come in, it is just too big. The Council sociology is changing fast and with a breakthrough in terms of transparency, which we have debated in previous fora, I am encouraged that the sheer growth of size will turn it into a more parliamentary chamber than it has been in the past. That is how it will begin to act. As a federalist, I strongly welcome that. On the second question that Lord Bowness posed on closer co-operation, is the enlargement encouraging positive thoughts about trying out an experiment of enhanced co-operation, probably not. Those who speak of it are in rather more defensive mode thinking "Look, it is not going to work. This size business is a problem that we cannot cope with, we must try to have a club of the ins, the old, the rich". I am pleased to say that under the present treaty anyway such an approach is just not sustainable, one cannot create core groups of people who enjoy self-esteem.

Q241 Chairman: We have had it in evidence before at least once that maybe in the Commission national interests might be beginning to erode a little bit the collegiality of the Commission as a result of enlargement. Do you see any signs of that?

Mr Duff: Quite honestly, I believe it was a great mistake for the largest Member States to sacrifice their second Commissioner. The instant you agreed that, each individual Commissioner was more clearly representing a nationality. We cannot return to the old way of doing things but we can go forward to the constitution which, of course, brings the size of the Commission down. It is not a perfect formula in the constitution but it is much better than what we have got at present. If we have to stick with the Treaty of Nice a Council decision can reduce the size of the Commission. I suspect, unfortunately, if it is only Croatia that is coming up the track people will say, "Come on, let's have 28 members of the Commission. An extra salary, an extra chauffeur, it does not matter all that much". I would deplore that and I would speak fiercely to oppose it.

Q242 Lord Roper: I wonder whether we might move on to questions on public opinion. If we look at the Eurobarometer and so on and so forth, there is now some evidence of a lack of enthusiasm for enlargement in particularly the old Member States. I wonder what you feel lies behind this scepticism.

Mr Duff: If you go further into the Eurobarometer surveys you get a lot of the answers. It is concern about social matters, about standards, about

foreigners, about the immigration question, about asylum and all these are understandable anxieties that I have in very large spades in my own constituency, despite the fact that employers in my own constituency are delighted to be able to employ Poles and Czechs and so on. I have a rather grave anxiety that the political parties in the existing EU are not able to develop an intelligent discourse about the European dimension in everyday life, because they are too tantalised by the domestic and frequently populist press.

Q243 Lord Roper: That is not just true in the United Kingdom but a lot more generally?

Mr Duff: Yes, more generally. Of course, there is also the very prevalent fear about Islam and everything gets confused and mixed up in the public mind, which brings me back to the issue of Turkey. I have experience of mosques in my own constituency of the East of England where a return to the time of the Prophet is preached every week. But that is not my experience of Turkey and, therefore, a reforming modernising European Turkey is of the essence to the future of Europe.

Q244 Baroness Thomas of Walliswood: I am interested to hear you say that because there are some concerns, especially amongst women in Turkey, that there is a growth in the use of veils and long clothes and so on. Do you think that is connected to a growth in fundamentalism there as in other Muslim states?

Mr Duff: Yes, to some degree it is, of course, there is nothing static about Turkey.

Baroness Thomas of Walliswood: No.

Q245 Chairman: We have pretty well come to the end of our time with you, I am afraid, but I have two final questions to put to you. First, is Margot Wallström having an uphill battle trying to get a good programme out to sell the EU and to sell enlargement? That is one question, because I do remember that she has had some tough times with the Commission on this, and presumably also with the Council. Second, it has been put to us that we should not under any circumstance be paranoid about the prospects of the French and the Austrians wielding the referendum card on the grounds that we do not know now what public opinion is going to be like at the time when they might eventually want to use it, presumably not until we get to the Turkey accession, nor will we even know what governments will be in power then. Should we be quite relaxed about this position or is it still a danger?

Mr Duff: Margot Wallström has been very active in the Commission and President Barroso has been the first to insist upon public debate. I am not privy to the internal arguments in the college but I think both the President and the Vice-President agree that it cannot

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be done by the Commission by itself. I think the frustration is that they are not getting the support and proactive engagement of the Member States or the political parties. This brings me on to your second point. This flight to plebiscite is a sign of the weakness of political parties in Europe who are failing to shoulder responsibility for tricky political decisions on behalf of their citizens. These issues of the constitution and enlargement are complex and have broad, profound ramifications. There are arguments for them and respectable arguments on the other side of the debate as well. These are things which I think should be subject properly to considered parliamentary deliberation. To resort to plebiscites is simplistic, it is crude, and in some ways it is an insult to the citizen. It invites a silly answer. I hope that

France in its post-Chirac period will become less presidential and more parliamentarian. If that happens then the requirement to hold and to survive populist trials will be greatly reduced.

Q246 Chairman: Well, with that hope expressed, which I think we probably all share, we must draw this to a close. Thank you very much indeed. As always you have given us some very valuable insights which it will strongly inform our report. Thank you very much indeed.

Mr Duff: I am extremely grateful for the opportunity, thank you.

Chairman: It is very nice to see you here, thank you so much.

Examination of Witness

Witness: DR CHARLES TANNOCK, a Member of the European Parliament, examined.

Q247 Chairman: Dr Tannock, welcome. Thank you very much indeed for finding time in your very busy life to come and spend an hour with us. We are on the record and we will send you a transcript so that you can check and see that we have properly reflected your comments. Let me just tell you where we are in our inquiry, if I may. This is an inquiry basically into the future of enlargement and the experience of enlargement so far to the extent it can be of some guide to us in looking to the future. We are about two-thirds of the way through it. We had a good meeting with Olli Rehn yesterday. It might be of interest to you to know that in the course of our inquiry we have taken evidence from quite a wide variety of people. We had a good session with Paddy Ashdown. We saw Vladimir Drobnjak, who is the Chief Negotiator for Croatia. We have talked to Charles Grant, Alan Dashwood, John Palmer, Quentin Peel, as a good commentator from the media, and to Graham Avery. Amongst your colleagues we saw Richard Howitt yesterday and Andrew Duff earlier this morning. I wonder whether you would like to make an opening statement or go to questions, it is entirely up to you.

Dr Tannock: I could make a very brief opening statement, my Lord. I think the Conservative Party has always been a strong supporter of the enlargement process. Mrs Thatcher made no secret of the fact that she believed in a wider, looser Europe and we believe enlargement is something which is good for both the countries joining the European Union and good for the United Kingdom in terms of the architecture of the European Union which we believe in, which is a European Union which is more flexible, which has variable geometry, which enjoys a single market, enjoys competition law, on a level playing field of course, and co-operates in areas like the fight against international crime, terrorism,

people smuggling, *et cetera*. I think we are now on the fifth and a half wave with the imminent accession of Bulgaria and Romania, which is really just an extension of the previous enlargement. It has been proven to be a great success. Some of the worst fears which were sketched out in the tabloid press have never come to pass in terms of large numbers of unemployed people coming to Britain and landing themselves on the state. The numbers are greater than were predicted but they have all been extremely productive, working hard, paying their taxes by and large, law abiding and so on. I am a great fan of the Polish plumber personally. In London I think it has made a huge difference to the London economy. I represent London. In every way I see a win-win situation. In the European Parliament the debates which we have been having since enlargement have been more spirited, much more in tune in many ways with the kind of vision that I have of the world. Some of my colleagues from Eastern and Central Europe are more Atlanticist, more free market, they all speak English, much to the irritation of my French colleagues. We now have two Commonwealth countries other than Britain, so there are three Commonwealth countries and, in fact, we have founded a thing called the Commonwealth Dining Club in the European Parliament which has been a great success story. We have networked in all sorts of different ways with our new colleagues and I find the European Parliament a more interesting place to be and welcome this enlargement process to date. Obviously there are limits to the enlargement process and we now hear much more about this concept of absorption capacity which was in parenthesis in the Copenhagen Criteria and not much heed was paid to it in the past but now it has become a much bigger issue: how far can Europe go before you stretch it to breaking point, how will we absorb very big

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countries, very different countries with a different cultural background and very poor countries like Turkey. We are seeing some of the problems at the moment in the negotiating process. I am a strong believer in championing the Western Balkans in particular because the enlargement hope and perspective is the glue that binds that part of Europe together in terms of peace, stability and prosperity and if that were taken away it could cause a huge downside effect. I am strongly championing the Western Balkans. We will not have a problem with Croatia, to be honest. Croatia is on a fairly fast track now we have resolved the Gotovina story and what have you. I am fairly bullish about Croatian prospects. As we all know, Turkey is now having huge problems because of the issue of the ratification of the enlargement of the customs union, the Ankara Protocol, and the issue of Cyprus that is not surprisingly becoming a major issue again because they want to couple it into the direct trade with the north. I wear many hats in the Parliament, one of them is I am the Vice-President of the Human Rights Sub-Committee and we have been monitoring carefully the issue of human rights in the candidate countries and Turkey clearly has a lot of areas which still need to be addressed, particularly minority religious, Christian rights, women's rights, Kurdish minority rights, the Armenian genocide denial, Article 301 of the penal code. I can list them, they are pretty extensive, but you are probably familiar with all of these. They are all in the Eurlings report which we are coming up to discuss again and I have a number of amendments on that issue. What is interesting now is there was a bit of a hiccup a few months ago about Romanian and Bulgarian accession and there were concerns particularly regarding organised crime and, interestingly, Bulgaria has become the laggard *vis-à-vis* Romania, Romania motored ahead, partly because of the Basescu government, and that is more or less resolved now, I think there is a consensus. There was an attempt at one point, particularly by my German colleagues, to try and invoke the one year delay safeguard clause but that does not seem to be going anywhere. My anticipation now is that Romania and Bulgaria are on track for 1 January and so we will soon be 27. Beyond that it is hard to say. I would think Croatia is doing well, as I said. Turkey is experiencing some difficulties. Macedonia, although technically a candidate, as far as I know has not even started negotiating yet, but it may be about to do so. I have always been a champion personally, and I am delighted that my party has endorsed this position. I am the rapporteur in the Parliament for what is called the European Neighbourhood Policy, which is the ring of friends. I have always objected to the idea that European countries should have been in it. When I say "European", I mean the Western newly

independent states, particularly Moldova and Ukraine. Belarus is not on the horizon because it is really not a democracy at all. The two democratic newly independent states, Moldova and Ukraine, have been formally excluded from being labelled as potential candidates, which is the status given to the Western Balkan states, including Albania, Serbia, Montenegro, Bosnia-Herzegovina and so on. Ukraine and Moldova have not been granted the status of potential candidates, they are just European neighbours, and I think that is a bit of a misnomer because I believe they are European rather than neighbours to Europe but, nevertheless, that is where we are politically at the moment. I think there is mileage in maintaining at least some kind of opening of the door, some sort of carrot, particularly now that we have seen the difficulties in forming a government in Ukraine because there are forces pulling in different directions and the lack of an option of a European perspective or Euro-Atlantic, but perhaps I am going a bit too far because NATO does seem to be more welcoming to them in the longer term, or even the medium term, than the EU is. I have always championed Ukraine and Moldova and that reflects the view of the Conservative Party. Obviously Her Majesty's Government have a more cautious approach, they do not make it clear where they stand. The official position of the European Union is there is no perspective for EU membership for either Ukraine or Moldova and I think that is a mistake, but we shall see. Obviously the whole of the EU has been going through a bit of a crisis in terms of direction, in terms of leadership, in terms of legitimacy following the no votes in the Dutch and French referenda, and we are in this period of reflection. Further enlargement beyond the official confirmed candidates and potential candidates is probably a little bit too much on the political agenda, but I am sure the matter will come back in the next two or three years for further debate. I think that concludes my opening remarks.

Q248 Chairman: Thank you very much, that is very helpful, Dr Tannock. Andrew Duff advanced to us the view that the integration of the Western Balkans, of which he is obviously in favour, will not properly succeed unless and until the issue of Turkey has been resolved. The reasoning behind this was, at least in part, that he said Turkey regards itself basically as being a Balkan country and it has a much better experience and a greater competence in managing a secular Muslim state, Islamic state, than, say, Bosnia-Herzegovina or even Albania, and he therefore thinks that the Turkey issue needs to be resolved in favour of Turkey before you can count on a successful integration of the Western Balkans. He sees that the process of bringing in the Western Balkans will have to continue but he is quite sceptical

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about the result of it so long as there are still doubts about Turkey. Would you share that view at all?

Dr Tannock: I think Andrew would not deny he is one of the greatest champions of Turkish membership so he has to be very clear that is his main agenda, as it is Her Majesty's Government. The Conservative Party supports Turkish membership but is mindful of the fact that they have to satisfy the Copenhagen Criteria. I do not entirely support that view, the Balkans, of course, are not one country, they are a series of different countries, different policies with different historical pedigrees, and Croatia is very different from Bosnia-Herzegovina, which is also very different from Albania, which will be different in turn from independent Kosovo if and when that happens. It is a very complex geometry and political situation in the Balkans. No, as we have already seen with the accession of Slovenia, which is a former Yugoslav country which was, as it were, peeled off at a much earlier stage for obvious reasons, there will be a bit of a regatta, each country will be joining on its own terms at its own pace. I do not see the Balkans being a link to the Turkish accession. Andrew may think that is a good idea but I would want to decouple the two processes as much as possible.

Q249 Lord Roper: I wonder if I could just ask two supplementaries on what you were saying about the European Neighbourhood Policy. First of all, I was interested that you referred to Ukraine and Moldova but not to Georgia and I wonder whether you have something to add on Georgia. Secondly, do you think it appropriate that the same policy should apply to the CIS countries, other than the Baltic States, as well as to the Mediterranean countries or do you think it would be more appropriate to have different sorts of policies for the two, particularly as presumably there is much less chance of a perspective of membership for the Mediterranean countries?

Dr Tannock: This whole idea was the baby of former Commissioners Patten and Solana in 2002–03. I was initially very sceptical although I did inherit the hat of rapporteur for the European Neighbourhood Policy because the original rapporteur was a German who left the Parliament and I took on the mantle. I was always critical of the one-size-fits-all model to bring in the Euro-Med countries, the Caucasus republics plus the western NIS all under one overarching umbrella, I thought that was stretching it a bit far, but that is where we are politically and that is what we have to work within. Whether it is sustainable remains to be seen. You raise an intriguing question which is the states of Georgia, Armenia and Azerbaijan. You mentioned just Georgia but I presume you meant all three because they tend to be coupled one to the other. Whether that is reasonable is also another question which could also be debated at length. At the moment nobody in the Parliament

or the institutions, even the most avid enlargement fan, such as myself, is really considering the three Caucasus countries as potential candidates. It would raise a whole load of different questions about geography and where are the limits and traditional divide of the Caucasus Mountains themselves which go right through the middle of Azerbaijan, where does Europe end and where does Asia begin. That is one stage even beyond the issue of Ukraine at the moment and it is not a debate that I wish to open at this juncture.

Q250 Baroness Thomas of Walliswood: We hear a lot about the idea of absorption capacity. What do you think that is about and how would you define it? Do you think it is a real concept or is it a kind of theoretical notion to help you in arguments?

Dr Tannock: I think it is more than theoretical. *The Economist* had a thing out last week and they were very scathing. It was originally mooted in the Copenhagen Criteria as an extra criterion or condition, whatever the wording was. It was not a major consideration but it is becoming an issue now over the Turkey debate. Absorption capacity means the will of the public to want to take on board a very large country which would not be a cheap option in terms of the amount of public funds involved in financing their Common Agricultural Policy requirements, their Structural Funds, the potential pressures that could be there in terms of immigration pressures. Certainly some figures suggest as many as four million Turks would leave Turkey within the first five years of joining once there were no restrictions on the free movement of labour. These are considerations. It has never been mentioned before, interestingly, it seems to have come to the fore now with the next round of enlargement and it is an issue of finance, of public perception. One of the issues which has never been raised, and I am happy to go on the record provided I use the right wording, is the fact that Turkey is a full member of the Organisation of Islamic Conference Countries and what does that mean for the future. That is something that I have written a question to the Council and Commission on. I got the standard reply that whatever the Turkish Government signs within the OIC has no bearing if it is incompatible with their secular constitution. Well, that is a very strange attitude to take, is it not, to say one thing in one forum internationally and another in another forum. That is something that ought to be examined more carefully. Albania is a full member of the OIC and Bosnia-Herzegovina, when I met the ambassador or foreign minister, one of their senior officials, said to me when they were considering the option of EU membership they decided that full membership of the OIC would have caused them problems in terms of being a candidate for the European Union, so they

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are observers, as is Russia an observer in the OIC. This is not something that has been examined in detail and that needs to be looked at in terms of the CFSP and other issues in the future. Absorption capacity, going back to the original question, is something which has not been well-defined as far as I can see. I think it reflects concerns about the general view of the public, and we have to carry the public with us on the issue of enlargement, if we do not I think there are going to be problems in future. The public are sceptical about rapid enlargement, particularly if it threatens their jobs in the lesser skilled sectors of the economies, and pressures on public services if there are large movements of people. There is also the issue which remains unresolved that the current Nice formula, which in theory expires now in the imminent wave of enlargement, becomes more and more unwieldy with more and more countries joining and what does that mean in terms of just sitting round the table in the College of Commissioners but also what does it mean in terms of preserving the veto in strategic areas? One of the areas that I have raised repeatedly, although I do not think you will understand where I am coming from but I had a letter published in the *Telegraph* on this, is the issue of what I call the proliferation of mini-states. Particularly now that people are so happy about the independence of Montenegro with 600,000 people and we have an independent Kosovo with two million, these are all potential candidates to join the European Union. If we retain the existing architecture where you have one Commissioner, a minimum number of MEPs, a weighted number of votes even under QMV which is not in line with their size, we are, in theory at least, going to come up with problems of an imbalance between the big states and the small states because traditionally we only had Luxembourg which has a Rolls-Royce type civil service, a very wealthy small country, but we have got much poorer small countries now that do not have the administrative capacity. How is Montenegro going to run the CFSP in the EU Presidencies of the future? The proliferation of mini-states is a problem and we do need to look at the architecture of the future European Union. I think absorption capacity can be interpreted in different ways really. We need to think ahead. Obviously the constitution is off the agenda. Even my party is thinking about some kind of simplified treaty which would perhaps cherry-pick the better aspects of the old document. We do not need an entire constitution and we certainly do not need an EU President or foreign minister, but the idea that we do not need to look at the whole issue of rebalancing the weighting of votes and how we can retain the veto, but at the same time not paralyse the workings of the European Union, because obviously it becomes difficult if one mini-state paralyse the other 30 or 35 that could be the architecture in 10 or

15 years, I cannot see. Do not forget we have also got the European Economic Area countries which have been on the sidelines, they have not been talked about, but sooner or later they will want to join if the European Union remains a success story. I cannot see Norway, Liechtenstein, Iceland, staying out forever and at some point their rather small cosy arrangement will become very expensive to run and they will be absorbing so much legislation with no say in it, and they are small countries as well. Liechtenstein is an ultra mini-state of 40,000, 50,000.

Q251 Chairman: What you are saying is we are going to have to learn to live with mini-states.

Dr Tannock: We will have to learn to live with them but I think—

Q252 Chairman: But alter the architecture to make it feasible.

Dr Tannock: The architecture will have to be redesigned.

Q253 Baroness Thomas of Walliswood: We need some new formulas, in other words.

Dr Tannock: We are going to need new formulas.

Q254 Lord Roper: Quite rightly, I think, you made the point about micro and mini-micro states being able to carry the Presidency, particularly in the CFSP, and then you suggested that the provisions in the Treaty of having an EU Presidency was something which could not be considered.

Dr Tannock: That is the view of the Conservative Party. I mixed some of my personal views and the official views of the Conservative Party, my Lord.

Q255 Lord Roper: I would not want to embarrass you by pursuing it but there is a possible contradiction among those two assertions.

Dr Tannock: No. I think the CFSP is working really quite well with only six month Presidencies. When I said a President, I meant the two and a half to five year President. The case has not been made as to why you need a permanent President necessarily.

Q256 Lord Roper: On the other hand, you might be reluctant about micro-states having the Presidency.

Dr Tannock: I think they might be reluctant in the fact they will not have the administrative capacity to do the job properly.

Q257 Lord Roper: We will see with Slovenia, which is a rather larger state, doing it in eight months' time.

Dr Tannock: They are two million strong. There are orders of magnitude between two million and 30,000 or even 600,000. Slovenia is a relatively wealthy one by the standards of the Balkans.

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Q258 Chairman: They have mobilised part of their private sector to manage the Presidency.

Dr Tannock: Is that what they are doing? That is interesting.

Q259 Chairman: I think you have given us some views on whether or not we should define the borders at this stage of the European Union and you feel that this is not the moment.

Dr Tannock: I do not think you can clearly define them. Ultimately there has to be a political decision because you are going to have an argument between politicians, geographers and all sorts of other interested parties. It is not clear where Europe ends.

Chairman: Could we go on to discuss widening and deepening.

Q269 Lord Marlesford: Is there a conflict between widening and deepening? Are there alternatives to some extent? You mentioned the Conservative Party policy being in favour of something rather looser and traditionally in favour of enlargement. Should we be thinking in those terms that they are alternatives, if only for some of the reasons you have been discussing on the difficulty of fully integrating very small countries?

Dr Tannock: So far the track record has been more or less deepening going on with the widening process, there has not been too much in the way of the opposite of deepening, I am not sure how you put that. There has not been enough subsidiarity or powers being returned to the Member States. At some point that will become an issue. Certainly enhanced co-operation, the variable geometry which my party is quite keen on, is happening in parts: the Schengen Agreement, the eurozone and so on, there are bits of that, but maybe we need to have more of that and inevitably I think there will be some areas, like the single market, which will have to be preserved as a unitary concept across the all the territory of the European Union. There must be other models which can be embraced to bring in such disparate countries as Albania, Ukraine and Iceland. There are huge geographical distances and cultural and political differences and so on. At some point we are going to have to look again at what we all want to do together and what we think we can best do separately in a reasonable fashion. The British Conservatives here are constantly clamouring for more powers to be returned to the Member States, for the Commission to do less but do it better. There is not that much evidence of it. There was this bonfire of directives which was promised by Mr Barroso last year, although I am told by my more euro-sceptic friends that most of them were fairly dead letters anyway or were not going to happen. I am not an expert in that area, I am a foreign policy specialist. We have to wait and

see. I do think there will be limits to the power of centralisation once it gets to the sort of size that we are now reaching. Certainly if we bring in Turkey, a huge country with its own historical links to the Middle East and all the way to China, to Central Asia, the Turkic republics, clearly we will have to look very carefully at how we can be more flexible. The potential is there, enhanced co-operation is there, it just has not been used so far.

Q261 Lord Marlesford: One of the solutions to the problems of very small states is pretty complete economic integration. For example, the Baltic States are mad keen to join the euro as soon as they can, quite rightly so.

Dr Tannock: Montenegro is already in it.

Q262 Lord Roper: De facto.

Dr Tannock: It is not in the eurozone but it uses the euro.

Q263 Lord Marlesford: That is an aspect but, as you say, subsidiarity may become more important in certain other respects rather than trying to harmonise.

Dr Tannock: It strikes me as being inherently obvious that that is going to happen at some point because we are stretching the boundaries further and further and it is going to become a much more disparate club of nations. Inevitably there is going to have to be much more flexibility in the architecture.

Q264 Lord Roper: I wonder if I could go back to one earlier question. We know there are people who are either sceptical or even opposed to enlargement to Turkey within the European, but have you been able to find any Members of the European Parliament who are opposed to any further enlargement, ie even the Western Balkans?

Dr Tannock: I think some of my German colleagues—I will not mention names, that would be invidious—are very nervous about further enlargement generally, including Romania and Bulgaria, to be frank. Clearly there are some French colleagues as well who want this idea of a referendum now to kick in, although I understand for the potential candidates that is not supposed to be the case, it is really reserved for Turkey and beyond.

Q265 Chairman: Is it because of the free movement of labour mainly?

Dr Tannock: I think it is lots of factors. It is the immigration pressures, the cultural heritage which Turkey has which they consider very different from the traditional European Christian heritage.

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Q266 Lord Roper: Perhaps I could come to the question you were expecting me to ask. What do you see as prerequisites for further enlargement? You have already suggested some sorts of institutional change. Do you think that the reform of the European Union budget is probably a prerequisite for further enlargement?

Dr Tannock: One of the problems with a big country like Turkey joining is going to be the costs in the Common Agricultural Policy—they have a very large agricultural sector and they are very poor—and Structural Funds. As a party, the Conservatives for a long time have been asking for a radical reform of the CAP, co-financing or repatriation of elements of it to the Member States. Also, we are sceptical about the need for such generous Structural Funds, particularly to the richer members. Maybe the Structural Funds need to be restricted just to the new countries joining or the ones that are very poor, the Objective 1. Why do you need Objectives 2 and 3? Certainly reforming the budget is going to be essential. We would like to keep the 1 per cent cap, of course, and redirect some of the saved money for essential areas like research and development so we retain our global competitiveness as a region with emerging powers like China, India, Brazil and so on, Russia over the horizon, because America and Japan spend a lot more on research and development per capita than we do.

Q267 Lord Roper: Institutional change? I think you referred earlier to the fact that under the Nice Treaty we are running up against the buffers on the question of the number of Commission. Do you see us moving to a situation in which there might be fewer Commissioners than there are Member States?

Dr Tannock: I think it is absolutely essential, as I said before. This is speaking personally. I cannot speak for the Conservative Party because I do not think we have formulated strict policies in this area yet, we are still looking at all of this. Certainly I think the idea of one Commissioner for Montenegro and one Commissioner for the United Kingdom when there is an order of 100 times the population is a problem. The proposal, as I understood it, was a rotation but why should we rotate *pari passu* with a very tiny country. I am much more in favour of there being a rotation of the Commissioners, say amongst three or four of the Balkan States, and maybe the big countries have a permanent Commissioner. There has to be some equitable arrangement. Or, alternatively, have a more linear arrangement in the European Parliament for the number of MEPs that each country produces. At the moment it is disproportionate, it is a regressive something or other, they have some funny euro jargon. Obviously the smaller countries are disproportionate, they have six as a minimum and Germany has a maximum of

100 and it is skewed in that way. If you had a more linear arrangement in the European Parliament and the European Parliament acquires the powers of initiating legislation that would perhaps address the issue of the power of initiative which is now solely vested in the Commission.

Q268 Chairman: Could I come back just for a moment to the financial issue because it is of interest particularly to me because I and a couple of my colleagues have been working with Alain Lamassoure on this issue in relation to the 2008–09 review. There is a view that a larger GNI resulting from enlargement and a faster growing GNI will mean that the cake as a whole will be adequate and it is a matter of how you then cut the cake up and divide it out after that. So from a public opinion point of view, it is not likely that public opinion would be saying “It is all costing too much”, rather they would be saying “As a whole it is not costing too much but it may be costing us individually too much because we might be losing out on Structural Funds, or less on the CAP”, *et cetera*. Do you see that as a plausible scenario, that there will be enough money but it is how it is divided up that is going to cause the problem?

Dr Tannock: I am sure that Alain Lamassoure as a good Frenchman would be particularly keen to safeguard the CAP for France and enlargement to Turkey would be a huge consumer of unreformed CAP and that would certainly cost countries like the United Kingdom quite a lot. Every politician will argue in their own national interest. I do not entirely follow that argument, I am afraid. I am not sure that members of the public see Europe very much in terms of what it is doing for their agriculture. The farming community even from France in terms of population is only two per cent now, it is a smallish amount of numbers. The vast number of members of the public is more interested in what it does for various aspects of security, improved cheaper travel, the roaming costs on telephones, a thing that they can relate to something the EU is doing. I am not sure that a constituent of mine in London is interested in the Objective 2 funding to the Scilly Islands or whatever it is, they cannot relate to that. Similarly, probably most French people do not relate directly to the CAP going into their agriculture because most of them are not farmers. The concept of Europe is a broader vision of what does it mean, its relevance. I think the euro is an important factor. Those in the eurozone probably see that as a good thing or a bad thing but they are aware of it, it is tangible in their hands. In some countries it has made them more euro-sceptic because they see that the euro has brought in inflation and the “teuro” argument in Italy and Germany in particular.

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Q269 Chairman: I raise the question because you said a little earlier that how to pay for it was one of the elements of absorption capacity.

Dr Tannock: Sure. There is no stomach for direct European taxes.

Q279 Chairman: No, certainly not.

Dr Tannock: Anywhere.

Q271 Chairman: The Austrians would like it but that is about all.

Dr Tannock: I think your average person will either react positively, like I do, or if they feel their jobs are threatened and somebody is coming from an Eastern European country taking their jobs that would cause problems. That has been the issue in France, the Polish plumber is the fictitious threat to their jobs.

Q272 Chairman: Nobody has ever seen a Polish plumber in Paris!

Dr Tannock: There are only half a dozen of them I am told.

Q273 Lord Marlesford: Could I just go back, before we leave it completely, to the problem of the architecture. I think you suggested that one approach would be to cherry-pick the Treaty. Of course, anything that seems to involve the Treaty itself raises a lot of hackles in various places. Do you think there is a case for launching some sort of initiative, either by the Parliament or by the Commission, specifically and narrowly limited to dealing with the actual problems of enlargement as to the architectural changes that are needed coming forward and saying, "This is nothing to do with the original Constitutional Treaty at all, we are merely developing Nice" but it would be to prepare for ratification by an IGC?

Dr Tannock: Speaking entirely personally again, I cannot speak for the Conservative Party who, as you know, are firmly opposed to the Constitutional Treaty, I would support such an initiative.

Q274 Lord Marlesford: You would support it?

Dr Tannock: I am speaking entirely in a personal capacity. A couple of months ago we had some of your colleagues from the House of Lords and David Heathcoat-Amory came over and there was some kind of mini-convention during the Austrian Presidency. It did not have a specific remit as such, just for the enlargement process. I agree, we will need to address these issues and the more transparent they are, the more they are debated in the media and in public, the better. I do not have a problem with that approach at all. Certain issues like giving more powers to the national parliaments, a yellow or a red card, is something I am in favour of, more transparency in the Council of Ministers when they

are legislating, which I gather the Foreign Secretary got cold feet about recently. Those are the kinds of issues which I would be very happy about bringing from the existing constitutional draft proposal, and also the rebalancing of powers between the states according to their size.

Chairman: Thank you very much. Lord Bowness, let us go on to decision-making.

Q275 Lord Bowness: Dr Tannock, I think we have covered quite a lot of this already. You have welcomed some of the changes that you have seen take place in the Parliament following enlargement but have you noticed any changes in the actual decision-making process? Have you any evidence of an effect on the functioning of the other EU institutions post-enlargement?

Dr Tannock: No. Funnily enough that was the one question that taxed me and I have not, to be honest, but then I am not privy to what goes on in the Council of Ministers in terms of their debates and how they manage with an enlarged table of 25 ministers and so on. I can only speak for the Parliament. Certainly in the Parliament nothing has changed other than in my view it has become a slightly more fun place to be, the debates are often more spirited and we have a wider spectrum of views. One of the things I do, just to give you an example and it is an aside, is I am one of the founders of the European Friends of Israel and there has been a lot more interest and support for Israel. Traditionally the Parliament was much more anti-American, anti-Israel, but there has been far more support in the Middle East for the Israelis which was not there in the old Parliament. There has been a shift with the incoming Eastern European countries. In terms of the ability to legislate, nothing much has changed. The committees are still working in the same way, the plenaries are still working. Unfortunately, we still have far too many amendments and perhaps we have even more so now. The new countries are very active for their size. The Poles are very much in evidence everywhere in every debate. The European Parliament is working extremely well in spite of the increased numbers. The interpretation issue is one that I am slightly interested in. There is even more demand now for minority languages. Catalan is making a plug now and Gaelic and so on to be interpreted in the Parliament. I am opposed to that, I think it is a recipe for huge costs and a lot of confusion. What intrigues me is that increasingly you hear people confidently making speeches in English and the interpreters sit there idle. I have yet to hear a Maltese MEP use his native tongue, they always speak in English, in spite of the fact that the Maltese booth must be costing the taxpayer I do not know what a year to maintain.

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Q276 Lord Roper: Without in any way trespassing on any particular problem, something we heard earlier suggested there is less coherence within the various political families in the enlarged Parliament than there was before. Would you say that was a fair assessment?

Dr Tannock: That may be true. I think you have pushed a button there that does ring true when I think about it. I will give you one example which is dear to my heart. I am vice-president of Ukraine delegation, hence my interest in Ukraine, and on Ukraine issues within even the EPPD there is a clear split between the new countries which support Ukraine 100 per cent in its European Union membership perspective and the older Member States, particularly the French and the Germans, who are very much opposed. There are some key foreign policy issues which have divided the Parliament much more so than they used to. I think relations with countries like Ukraine and Russia—I have never heard Russia being debated so often, and it is mainly Russia bashing by some of the new Member States, particularly the Baltic States—has certainly divided all the groups. There was a debate on Palestine last week and you could see the huge division on Israel, and it was not by political group so much as it used to be, it is now certain countries support Israel and others are opposed. Yes, that is probably true. I had not really thought about it but now that you mention it I would agree that there has been more of a grouping around nationality rather than political family that they are affiliated to.

Q277 Lord Roper: Are there any lessons from the past enlargement of the European Union that should be taken into account in this next process of enlargement? In particular, is the development of things like benchmarking and screening of new applicants as they open up and close the chapters something which will deal with some of the mistakes which have occurred in the past?

Dr Tannock: Benchmarking has to be a very good idea. The more benchmarking there is for the candidates and the existing Member States in the way they do all sorts of things, in the way they transpose legislation, enforce legislation, that is all part of the transparency and sharpening up. In terms of lessons from previous enlargements, yes, I think I made a couple of notes here. I mention some of them *en passant*. One was the outstanding border disputes. We discovered that there was not a clear border between Estonia and Russia, for instance. I was not aware of that until after they had joined. I do think that bringing countries into the European Union with outstanding border disputes with their neighbours is a tricky one. Obviously we have also learnt that from the Cyprus question having a Member State with a foreign army occupying a large

chunk of territory. This is causing us enormous problems. I gather Croatia has some outstanding border disputes with Slovenia still and what have you. These things need to be absolutely clearly resolved before they become members because it causes enormous friction. I mentioned this Russia bashing which we see and it is partly because of these unresolved disputes between existing Member States and their neighbours. That is one area where I think that is something we have learnt. I also mentioned Turkey's OIC membership and that is something we ought to look at for the future and see what exactly does that mean. If Turkey becomes a full member and they are saying one thing in the Islamic world and another thing in the European Union then that could cause problems in the future.

Q278 Chairman: You mentioned Russia, and this is not strictly to do with enlargement, but do you have some views on how the EU-Russia relationship is at the moment?

Dr Tannock: It is tense and it is also fragmented because Russia on understandable, it is in its national interests, has been picking off Member States on a bilateral basis and championing various agreements, particularly energy pipeline, oil and gas supply agreements, and that, therefore, sidelines the common position of the European Union particularly over energy policy. Also the Common Foreign and Security Policy and human rights issues in Chechnya and so on. I am very conscious of the fact that the Germans take a totally different view on Russia than our Polish colleagues do. Poland feels particularly aggrieved that they are building this trans-Baltic underwater pipeline which bypasses Poland and goes straight to Germany. Of course, the former Chancellor is the chairman of the company based in Switzerland under Gazprom involved in the construction. This is a tricky one. As a British Conservative we believe in the national veto on foreign policy, security, defence issues and so on. Nevertheless, once you have signed up to a common position I think you should stick to it and you have an obligation to do so. I think that Russia and some of the Member States that have colluded with this are breaking ranks and it is not very helpful, we should show a unified face to Russia. Russia respects strong policies and it is becoming increasingly authoritarian under Putin in the Kremlin and the only language they understand is if we all stand together. If they can divide and rule then I think Russia will come out the better from this.

Q279 Chairman: In the event that Ukraine climbed on to the tracks with our consent and started on the road down towards the EU, would that be a step too far as far as Russia was concerned?

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Dr Tannock: Russia seems to be more preoccupied with Ukraine joining NATO at the moment. I do not think Russia really understands what the EU is totally about yet, they are only beginning to understand. They still see it as some kind of COMECON, some economic thing. They have not really understood the foreign and security policy dimensions to it. They are beginning to understand but they still see NATO as a much more robust organisation. At the moment the official position of Russia is more hostile to Ukraine joining NATO, particularly because this is slightly unclear but there is a school of thought that if you are a NATO member state you cannot have non-NATO forces stationed on your territory and in the Crimea and Sebastopol you have the Russian leases which expire in 2017 with their naval forces. There is a school of thought that if Ukraine joins NATO they will have to close those down beforehand, although some people dispute that. Russia, at least on paper, does not have an objection. The problem is, of course, Russia is pushing Ukraine with Belarus and Kazakhstan into what is called the Yalta Agreement, the single economic space, to develop their own common market. If that becomes a customs union it does shut off any possibility of Ukraine becoming an EU Member State because they cannot negotiate as a customs union as an individual state, it has to be done customs union to customs union. Ukraine is in a bit of a bind over this and, as you may or may not know, the government agreement collapsed last week and we are now in limbo again. There is a chance now there is going to be what is called a blue-orange-red coalition with the Communists, the party of the regions, which are pro-Russian traditionally although they claim to be pro-EU membership as well, so they are hedging their bets with some elements of Yushchenko's national Kraina party as well. Ukraine is a bit of an unknown quantity at the moment as to where they are heading. I think we should have given them stronger signals that provided they carried on the path of reform that EU membership was a possibility because that has inevitably fed into the hands of the more nationalistic, more pro-Russian side of the political spectrum who say, "They do not want us in Western Europe so only Mother Russia is the place we can be in future".

Q280 Chairman: I think we will move on into the last part of our discussion which is to do with how the European Union can gain wider support for the idea of enlargement. I was interested to read in the *European Voice* this week an article by one of The Economist's journalists saying that Germany was becoming more euro-sceptic and more troubled about enlargement, as you mentioned a moment ago. What can the European Union itself do to try and

bolster public opinion in favour of enlargement? What are the real obstacles here?

Dr Tannock: That is a formidable challenge, it is not easy. I think it is an educational process. You need to show some of the advantages that accrue from enlargement, economic ones particularly, or quell the fears that jobs are going to be lost. One of the issues which clearly worry people is organised crime coming from the Balkans, Eastern Europe and what have you. If we can show that bringing these countries into the European Union results in much more co-operation in cracking these gang masters, criminals and what have you, and we can fight it more effectively with these countries in the club rather than outside, that is certainly something which will resonate with the public. In London, I am afraid the amount of organised crime is very high and some of it emanates from the Balkans and Eastern Europe. It would be very helpful if senior police officers could say, "Now these countries are candidates or members of the European Union we work very closely through Europol and so on". If some of the law enforcement agencies claimed that there were advantages in terms of co-operation we could show that does bring in benefits. Certainly with the arrest warrant, which was one that we had our doubts about, it is interesting that the debate in Britain at the moment has been more about the extradition process to the United States and everybody has forgotten about the fact that there was this big controversy about the arrest warrant at EU level and, of course, we did manage to get the return of that chap wanted for the aborted Tube bombings back rather rapidly as a result of that co-operation. Those are the kinds of things that I think the public can resonate to.

Q281 Chairman: That rather chimes with some evidence we had earlier which suggests one cannot lay all the blame on the Commission for not getting the news out about enlargement, it is really that the Member States themselves are not doing enough to get the good news out.

Dr Tannock: They have done very little frankly. In fact, you all read about in the tabloid press is this threat to your jobs from the Polish plumber whereas the reality is that certainly the London economy, which I can relate to, has been thriving as a result of immigration from Eastern Europe and it has also put a huge cap on wage inflation and inflation generally in the country.

Q282 Lord Marlesford: Do you think that on the issue, say in your constituency, of enlargement per se people are saying "Is there any limit to how big Europe is going to get and, if so, is that limit in sight?" or are people not worried on the generality, only on the specifics?

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Dr Tannock: I think that is rather an academic argument that only politicians and journalists and political scientists engage with, I do not think the general public are engaged with where are the limits of Europe because there is not a clear answer anyway. I have never heard that being raised even socially by my friends, "Where does Europe end?" I think people are concerned about the direction and the future and the value-added of the European Union, I think we have to make that case, enlargement is a secondary issue, it is really what the rationale is for the European Union.

Q283 Lord Roper: Have any of your constituents complained to you about the fact that perhaps as a result of enlargement we now only have one British Commissioner rather than two?

Dr Tannock: No, I have never heard that raised by anybody. I should think that is something which most people have not noticed, frankly.

Q284 Chairman: Hopefully.

Dr Tannock: We miss it in the Parliament because we have not got a Conservative Commissioner to relate to, although Commissioner Patten was not appointed by the Conservative Party as it happens.

Q285 Baroness Thomas of Walliswood: I was interested in what you said about organised crime. That ring of client states along Russia's western and southern borders is a kind of buffer perhaps as far as the Russians are concerned as to where our part of Europe ends or begins, or whatever it is, but if you look at it from a different point of view in terms of transparency of frontiers, would we gain as much as we might want to gain in terms of security of frontiers, particularly the transparency on traffickers and all that kind of organised crime, if those frontiers were pushed as far as the Russian frontier? Would the Russians be prepared to collaborate on that kind of issue or do you think it does not really interest them very much?

Dr Tannock: We have already got extensive borders with Russia. We have got them already with the Baltic States, so the borders with Russia are there as it is. I am not sure having borders with Russia per se is a problem. The issue is as of next January we are going to have Romania as a full member of the European Union with a border with Moldova which has got this little enclave called Transnistria which is a hotbed for just the kind of things which are horrendous: organised crime, money laundering, drugs, all sorts of illicit behaviour, even arms and weapons smuggling and so on. It is a client statelet of Russia, protected by Russia, and that is an issue which needs to be addressed. The carrot of EU membership to Moldova and Ukraine, of course, would have meant much tougher action against

Transnistria which is not really happening at the moment.

Q286 Chairman: One final question because you have already been very generous with your time. In earlier evidence we have been advised not to get paranoid about the fact that France has bound itself to have a referendum each time there is an accession after Croatia on the grounds that one cannot foresee what public opinion is going to be like that far into the future or even what sort of government is going to be in power in France. To a certain extent this applies also to Austria, at least as far as Turkey is concerned. Do you share the view that we should not panic about this or is it an albatross that has been hung around necks?

Dr Tannock: I certainly would not panic about it because I think we have to carry public opinion across Europe and if we try to carry on with enlargement, particularly with a country like Turkey, which is a very different country in many respects from the existing Member States, it would be a recipe for disaster for the stability of the European Union in the longer term. We need to carry the public. How we do that requires both Turkey to make a lot of significant changes internally but also we need to look at the arrangements of the European Union. There is one school of thought, whether it is realistic I do not know, that Turkey should join but have very long, if not indefinite, derogations on the freedom of movement of people. Personally I do not think that is realistic but there are those who do. I think Turkey wants to join particularly because it wants to have the freedom of movement of people, that is one of the advantages of being in the EU. It is over the horizon politically as far as I am concerned, I am not going to worry about referenda. I happen to be generally in favour of referenda for major constitutional issues, like significant change in the architecture of either your own state where you live or in a supranational organisation which could have quite major changes in your society. Given the fact that Turkey would have more MEPs than Germany and would be a major force in the European Parliament and, therefore, would have significant powers of legislation in making laws which would affect all of us, I think it is a reasonable issue to be fully debated. I am surprised there has been so little debate about it in the British press, probably because all the parties sign up to Turkish membership whereas it is much more divisive on the continent. I would not panic. We have to carry the public, particularly in the big Member States.

Chairman: Any final questions?

Q287 Lord Roper: I will try an outlier, particularly because you are very much involved as a Friend of Israel. There have been some suggestions in some

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places in the United States that at some stage Israel is a potential candidate for membership of the European Union. Do you have a view on that?

Dr Tannock: I do have a view and, in fact, I upset some of my Israeli friends the other day apparently by saying I do not think Israel should be a member of the European Union. Quite clearly and categorically I think it would be an absolute nonsense to even suggest that is remotely possible. What I am in favour of is a very special status for Israel, particularly if we can have a two-state solution resolved, ie there is a Palestinian state living side-by-side in peace and security with a democratic Israel and democratic Palestine. If that is possible, and obviously that is all our dreams, so there is not the whole issue of the Occupied Territories and the fight against terrorism and so on, if that is resolved I would be in favour of giving Israel something like the Swiss solution of a bilateral treaty which guarantees all the four freedoms: movement of goods, services, capital and so on. In my ENP report, if you ever look at it, I have got some amendments in which give Israel as a member of the ENP access to a number of the agencies of the European Union. They wanted to have observer status on the European Environment

Agency, which they have now got. They have asked to have observer status on some of the Council working groups on the fight against terrorism, which was in my report, and I think that is being looked at very seriously. We need to bring them very, very close into some kind of privileged partnership, not full membership and not part of the institutional arrangements but the things they would welcome most are the freedom of movement of people, goods, services and capital, and that would give them a sense of security.

Q288 Chairman: A series of bilateral treaties like the Swiss?

Dr Tannock: I would be in favour of that for Israel as a solution. It is an imaginative one which falls short of full membership.

Q289 Chairman: On that very interesting note we must end the session. Thank you very much indeed, Dr Tannock, it has been most informative, clear and interesting. We will send you the transcript.

Dr Tannock: I look forward to meeting you all again at some stage.

Chairman: Thank you for your time.

 TUESDAY 10 OCTOBER 2006

Present	Blackwell, L	Neill of Bladen, L
	Bowness, L	Radice, L
	Dubs, L	Roper, L
	Grenfell, L (Chairman)	Thomas of Walliswood, B
	Hannay of Chiswick, L	Woolmer of Leeds, L
	Harrison, L	Wright of Richmond, L
	Marlesford, L	

Examination of Witnesses

Witnesses: HE MR AKIN ALPTUNA, Turkish Ambassador to the UK, Ms SYLVIE GOULARD, Lecturer at the College of Europe, and Ms KIRSTY HUGHES, Associate Fellow of the European Institute, London School of Economics, examined.

Q290 Chairman: Good afternoon. I would like to very warmly welcome you, your Excellency. You are a familiar face to many of us and we are very pleased that you have come to share your thoughts with us. We are also delighted to have Kirsty Hughes and Sylvie Goulard with us to give us their thoughts and opinions too. I should tell you that we are being recorded; in fact, this session is being broadcast. I think we have about one and a quarter hours, although I know that Ms Goulard needs to leave for the Eurostar at a certain hour, so we will aim to run until somewhere between half past five and a quarter to six. You will all receive a transcript of the conversation we are about to have so that you can make sure that what you have said has been properly reflected and you can let us know if you have any problems with the transcript. I would like first to ask you, Ambassador, if you would like to make an opening statement. Then we will go to some questions that we have prepared. I think the best way to handle this is that I will put the questions to the Ambassador and I would like both Kirsty Hughes and Sylvie Goulard to follow-up on each reply, or if there is something different you want to comment on, you are free to do so. Ambassador, I would be happy after you have heard how others have reacted to these questions if you would come back and say something more about it, as it were a right to reply. Ambassador, would you like to make a brief opening statement?
Mr Alptuna: I have a short statement and in order to put it on the record perhaps I can briefly read it out?

Q291 Chairman: I think it would be appropriate for you to read it out so that it will set the scene for the discussion. Of course it will be on the record and it will go into the report.

Mr Alptuna: Turkey has realised comprehensive political, social and economic reforms in recent years. These are hailed as a “silent revolution” by

outside observers. Impressive progress has been made in many areas pertaining to the strengthening of democracy, the rule of law and the protection of human rights and fundamental freedoms. Further to putting into force numerous new pieces of legislation, Turkey has renewed such fundamental laws as the Penal Code and the related basic legislation. Almost one-third of the constitution has been amended, harmonisation packages have been enacted and many legal and administrative measures have been introduced. The opening of accession negotiations has created a positive momentum for further pursuing the reform process in Turkey. Turkey’s goal is to achieve contemporary norms and standards that can satisfy everyone and ensure implementation of the reforms in the best possible manner. The transformation taking place in Turkey must be assessed from a wider perspective. Instead of falling under misperceptions based on individual incidents, outside observers should provide encouragement to Turkish people and the Government of Turkey which is continuing to take historic steps. There is no slowing down in the reform process, as asserted by some circles. The Deputy Prime Minister and the Minister of Foreign Affairs of Turkey, Mr Abdullah Gul, announced new measures within the framework of the reform process, which is also called the ninth reform package of 12 April 2006. Once again, this new initiative revealed Turkey’s determination and political will. Turkey’s efforts of training the people and raising awareness in every field continued in order to realise the effective implementation of the reforms and to guarantee the necessary change of mentality. Before I conclude, My Lord Chairman, let me further underline the following points very briefly. The Turkish Government and authorities are determined to continue with the EU membership process. The reforms are carried out with the understanding that they are primarily for our own

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people. Turkish people will not accept any outcome which falls short of full membership. Turkish membership is a long process which may last up to 10 years. As far as criteria are concerned, we do not see any insuperable problem. Concerning the Cyprus issue, the Turkish side fully supports a comprehensive settlement under the UN. The Annan plan, which was negotiated by the two sides, was rejected by the Greek Cypriots. The EU is not the place to find a settlement for Cyprus's problem. Europe needs a new vision. In the light of new dynamics and challenges to the world, Europe has to be more extrovert, more liberal and more market orientated. In such a Europe, Turkey is going to be an important asset.

Q292 Chairman: Thank you very much indeed for that, that is very helpful. Perhaps I can go to the first question that we want to put to you, Ambassador, and hear the views of our two other interlocutors. As we know, the Commission is due to issue its Progress Report on 8 November. In advance of that, it seems to be there is a perception that the reform programme in Turkey has been slowing down. I think we all accept the fact and we pay tribute to Turkey for the considerable economic and political reforms which have already been carried through, but we are a bit mystified as to why the reform programme seems to be slowing down. How seriously does Turkey take Commissioner Olli Rehn's warning of a possible train crash in the accession process if this slowdown is not reversed and in particular, there will be unresolved problems with the customs union? Can you talk to us a little bit about why you think the reform programme is slowing down? Is that what you think?

Mr Alptuna: As I tried to explain in my opening statement, the reform process has not slowed down. There is a misunderstanding in Europe about that. We have already adopted more than eight packages of reforms over the last four years. They have been most comprehensive. Also, there is now the nine packages before parliament. I have a long list of prepared laws and bylaws, but I do not think I should read them out at the meeting here. Before the report comes out—that is the progress report by the Commission—this package of new reforms is expected to be adopted. We are living in a dynamic situation. Therefore, the reform process will continue in the future. On the other hand, from now on, as we have already achieved the main bulk of the reforms, the focus will be more on implementation. We have to enhance the administrative capabilities and we have to come up with programmes which are more

related to good governance and transparency so that all those various reforms which have been adopted by the Turkish parliament and the government will be transferred into action more and more effectively. There is no slowdown, but the direction of actions is taking a different turn in order to complete the whole picture. I think the train crash which is mentioned by Olli Rehn is more related to the Cyprus problem than the reform process in Turkey. Chairman, I do not know if you want me to talk about the Cyprus problem at this stage?

Q293 Chairman: I think we will come to that later. I take your point, and what you are saying is that the train crash is more related to that issue rather than to the slowdown in the reform programme. Thank you very much indeed. Let us then turn to Kirsty Hughes and then Sylvie Goulard. Would you like to give us your thoughts on this?

Ms Hughes: Yes, a couple of comments. Firstly, on the train crash, it is true that that is more related to the Cyprus issue, which we will come on to, but I think it is worth remembering that the negotiating framework, which is the Bible for negotiations, does allow for a slowdown in the pace of negotiations if reforms do not go fast enough. I think if there is a train crash in November over Cyprus the discussion over what to do in terms of penalties, whether and how to slow down negotiations, will be influenced by the state of the political reforms at that time. I think there is a connection from Cyprus to the reforms to the train crash. I would make a couple of comments on the reform slowdown. I think there probably has been a reform slowdown, more on the political side than on the economic side, and Turkey's economic performance is still remarkable and positive and reflects a lot of the reforms in the previous five to 10 years. Why has the political reform process slowed down? It is true, to some extent, as the Ambassador mentioned, that there is inevitably an implementation issue. As someone said to me in Turkey recently, "You cannot abolish the death penalty twice". Some of the big attention-grabbing reforms certainly have passed. What was very striking in Turkey two years ago in the middle of 2004 was this incredible reform dynamic. You have got a pro-reform consensus across a range of political actors and political groupings in Turkey, actors who, for a variety of reasons, are not always completely trusting of each other, so there are suspicions from some of the secularists or Kemalists of the Erdogan government, which still exist, or human rights and liberal activists versus the military, all sorts of

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different suspicions about what political reform might do to the powers of each group. In my view, the EU had a terribly important positive role two years ago on a ring-holding effect that helped those groups form a consensus and not be too mistrusting of each other. I think that consensus has broken down. It has probably broken down for both external and internal reasons. The EU magic has gone because relative to 2004 we have now got the EU dispute over Cyprus, we have also got quite a lot of high profile politicians in the EU, notably Schuëssel as a head of state, coming out with anti-Turkey comments suggesting there should be a privileged partnership, even though he signed up to membership negotiations. In Turkey you have got both the longer-run dynamics between these different groups, but you have also got a very strong pre-electoral effect, so you have got the opposition social democrats who have always been pro-EU starting to sound more sceptic and more nationalist. All these things impact on the climate. My final point on that would be some of these political reforms where there has been a slowdown or a problem have been very high profile. Many, many freedom of speech cases around Article 301, which prohibits insulting Turkishness—and we have seen people like Pamuk and Shafak prosecuted—have rightly caused a lot of dismay. I have talked to some of the writers who have been prosecuted and they say, “This is a deliberate tactic of a group of nationalist lawyers who are against the EU, who want to stir up this negative image”, so we do not want the EU to push Turkey away because of this, but obviously it is an enormous dilemma because it is not acceptable. It is still possible, even if it is not so likely, that in the next few weeks we could see a reform of 301 but I think Erdogan feels he is in a very tricky position.

Ms Goulard: As long as I take the Eurostar I do not want any train crash! I would really like to stress the fact that Kirsty just said, “Well, the people who are in favour of something else are anti-Turkey”, I do not believe this is the case. There are many, many issues connected to the Turkish accession to the Union and we should be capable of evoking problems without being considered as being anti-Turkey. As far as the political slowdown is concerned, when I read the reports of parliament or from think tanks or NGOs I want to be careful, no more but no less, on freedom of expression, on religious freedom. We are in a parliament which defended the freedom of expression and the religious freedom at times where on the continent it was not something easy to defend. I think we should really be careful—this is my starting point and I will come back later—that whatever you promise, if

you do not have the citizens on your side you give nothing, and that is exactly the point where we are. Of course the heads of state and government have promised a lot to the Turks but within Europe you have a lot of public opinion that is reluctant and for these people at least you need to be very careful when you are evaluating a slowdown.

Q294 Lord Dubs: I hear what you say, but has there not been a lack of political leadership in Europe to make the case for Turkey, the anti-Turkey case is being put all the time. Where is the pro-Turkish case, except in Britain?

Ms Goulard: I agree with you. The problem is that we should have been careful two years ago before making the mistake. Now people say, “Let us go ahead because we have not been able to show leadership in the past”, this is very dangerous.

Q295 Chairman: Ambassador, would you like to come back on that?

Mr Alptuna: I would like to clarify two points that the Chair has already mentioned. These are related to the consensus on reforms and to the EU. I think there is a misunderstanding. The consensus on reforms is still there because the reforms above all are made for the Turkish people; they are not made primarily for the EU. So there is a general support for the reforms by the Turkish people. Then concerning the consensus on the EU, there is a certain pessimism in the air on the part of Turkish people related to negative signals coming from Europe. However, this does not mean that the Turkish people do not support Turkey’s EU membership; they do strongly support it. Concerning Article 301, there have been a number of cases which were taken up by the courts, but they have either been dropped or ended up in acquittal. So at the moment the process of establishing a case law is going on. Most probably, after a number of further cases a certain case law will be there. On the other hand, I do share the views that this Article is sometimes exploited by certain circles, but the Article itself is hardly a problem as it exists in the penal codes of various EU members.

Chairman: Before we go any further could I ask Lord Roper, because I know he is interested in this question of 301; do you think that is a satisfactory answer or would you like to ask a supplementary on that?

Q296 Lord Roper: I wonder whether either the Ambassador or Dr Hughes could just develop one point which she hinted at and, that is it is not necessarily understood outside Turkey that under 301, it is not just the Government which prosecutes; it is possible for any lawyer to bring a charge

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independently, and quite a number of these charges have not been brought by the Turkish Government in the courts but have been brought by lawyers who I think Dr Hughes suggested were people who were doing it in particular because they were not very keen on EU membership anyhow and felt that it would therefore have a double effect. I wonder whether that point could be elaborated on?

Mr Alptuna: This is more related to the prosecutors because if a group of lawyers applies to the prosecutor to take the matter up in the courts he is obliged to do so, so it leaves it to the court to decide at the end.

Q297 Lord Roper: But this is independent lawyers who can therefore make a submission to the prosecutors and request that a prosecution be introduced under 301?

Mr Alptuna: That is right.

Ms Hughes: I understand that it is more than that. It is an actual group of lawyers that are organised, or at least informally organised, and they go to more than one prosecutor, so if a prosecutor says, "No, there is no case here," they go shopping until they find one that will take it, so I think that is a very serious problem. I think the other problem about lack of leadership comes through on both sides, as certainly a lack of leadership voice on the EU side making the case for Turkey. There is also a lack of leadership voice in Turkey making the case for the EU at the moment, so the nationalist voices, including these lawyers, are making a lot of headway at the moment, just as some of the anti voices are on the EU side, so a vicious circle has become a vicious circle.

Q298 Lord Hannay of Chiswick: I just wanted to ask the Ambassador, I entirely understand and sympathise with the position as explained. It is quite clear to me that it is not the Turkish Government which is moving in this matter but, Ambassador, do you not think that this explanation in itself basically strengthens the case for changing or removing Article 301, because you are being tortured by Article 301, as it were, by people over whom you have no control, and the problem about handling the issue within the rest of the European Union is that people simply do not understand how this provision comes to be in law in the first place because, of course, it has no similar provision in any, I think, of the Member States. I just would ask you whether you do not think that in the long run grasping the nettle of some change for 301 may be better than simply waiting hopefully for the court to dismiss case after case after case?

Mr Alptuna: Of course, the Government has been on the record saying that if the need arises in the future depending on its further implementation, it could be taken into consideration. But at the

moment the people are waiting for the case law to be developed and see its impact on the implementation. If the problem is still there, of course the Parliament would study the matter. At the moment it seems a little too early.

Chairman: The Ambassador in the course of his remarks said that he would describe public opinion in Turkey as being in a rather depressed state; I think that was the way in which he describes it. This is something that is of interest to us and therefore I think I might go straight to Lord Woolmer who may wish to follow up on what can be done and whether the EU should be doing something about this.

Q299 Lord Woolmer of Leeds: Our perception, Ambassador, was that public support for EU accession had fallen within Turkey. What lies behind this and what do you think in Turkey the Government can do and what, if anything, do you think within the EU we should be doing?

Mr Alptuna: I think first of all we have to identify the problems which are creating such an impact on the public. Cyprus is one of the problems. There have been too many double standards as far as this issue is concerned. The Cyprus question has been before the public in Turkey for many years. It has been widely discussed and watched by the media, for instance the rejection of the Annan plan by the Greek Cypriots created great disappointment in the Turkish side. Because the plan was negotiated and prepared by the two sides in the island. Then Turkey and Greece had come into the picture at a certain stage to give their approval. The Secretary-General of the UN was involved with the process all the time. Moreover, the EU had promised that if the plan was rejected by the Greek Cypriot side the restrictions on the Turkish Cypriot side would be lifted. In fact, this proposal was also put into the report prepared by the Secretary-General when his plan was rejected. Moreover, the General Affairs Council, the foreign ministers of the EU, decided to lift the restrictions on the Turkish Cypriots. We also have to keep in mind Protocol 10 related to Cyprus's acceding to the Union and its Article 3 which states that Greek Cypriot Administration should not impede the economic development of Turkish Cypriots. So far, over the last three years, what we have witnessed is just the opposite of what was promised to the Turkish Cypriots. The restrictions are still there. This has a tremendous impact on the Turkish public opinion. People say the EU comes up with many promises but they are rarely kept. This is the understanding on the part of people, and this is where we are at the moment related to Cyprus problems. Of course, there are various other issues but Cyprus is a very good example.

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Chairman: Before we go further on the Cyprus question, I feel we just want to clear up about domestic reforms. One last go at that, Lord Radice.

Q300 Lord Radice: You said in your opening statement, Mr Ambassador, that impressive progress had been made in domestic reforms. What are the main domestic reforms that still need to be taken and which are the most politically controversial of those, in your view?

Mr Alptuna: You see, as I tried to mention, the main bulk of reforms have already been achieved. There are remaining issues such as those mentioned by Lord Hannay. However issues are more related to implementation. That is why I mentioned that from now on we have to focus more on implementation and enforcement and we have to come up with measures relating to that aspect.

Q301 Lord Radice: And there are no economic issues in your view?

Mr Alptuna: Concerning economic issues, of course it has been kind of a success story, I must say. For instance, what we have achieved over the last three years has been quite remarkable. Maybe I can underline some figures for your information. For instance, the trade volume of Turkey has reached 200 billion US dollars last year. The year before it was around 160 billion but when we entered into the Customs Union it was somewhere around 40 billion. You can see the increase from 40–50 billion to 200 billion and projections indicate that in the next 10 to 15 years it will be over 500 billion. Let us take foreign direct investment: in the past they were never more than one billion on a yearly basis. Last year it reached 9.6 billion. Then the inflation rate have always has been above 60, 70 or 80 per cent; and last year it came down to 7.7 per cent and is still going down. The budget deficit ratio to GNP came down from 16.3 per cent to 3 per cent. The net debt ratio to GNP came down from 90 per cent to 57 per cent. On the other hand, there has been quite an increase in the number of tourists. Last year, for instance, 21 million people visited Turkey. Foreigners buying land in Turkey increased tremendously. For instance, it increased last year 40 per cent, but in the case of British citizens buying land in Turkey it increased 243 per cent. So in the economic field progress has been quite remarkable. This has been largely related to the confidence created by Turkey's prospective membership. Membership means Turkey becoming part of a stable area where there is less of a risk factor, so in a way it encourages foreign businessmen to invest in Turkey and to do business with their counterparts. Progress has been in the right direction but this does not mean that all reforms in the legal area have been fulfilled. The process is still going on.

Q302 Chairman: Thank you very much. Madame Goulard, would you like to come in on this one? No? I am sure you will come in on a later one. It would be interesting to go on about the economy and also your tremendous dependence on foreign capital to finance your current account deficit and, of course, Turkey is very vulnerable to changes in the international investors' risk aversion. Do you think that this is going to be turned around because at the moment there seems to be quite a drop off in foreign direct investment in Turkey compared to what it was before?

Mr Alptuna: You mean this year?

Q303 Chairman: Yes.

Mr Alptuna: This year it is on the rise.

Q304 Chairman: It is on the rise?

Mr Alptuna: It is 9.6 billion. Of course it is also related to the privatisation which is going on. The privatisation has been quite comprehensive and it is still to continue in the coming years. There is no decline as far as the financial flows are concerned.

Ms Hughes: Just on that, it seems to me that what is happening in Turkey is exactly what happened with some of the East European countries like Poland and Hungary, that once there was a EU prospect in sight you started to get foreign direct investment coming in considerably in advance of accession. Turkey in the last two years has seen very sharp rises in foreign direct investment and certainly people I talk to in Turkey are very concerned that if the train crash is big this autumn that certainly there will at least be a short-run economic crisis and capital falling off again in foreign direct investment.

Q305 Lord Tomlinson: Ambassador, I just want to pursue one or two of the things about the economic reform. The statistics that you gave us are inevitably quite impressive, but I had the pleasure of being in Gaziantep for a few days this year during the summer recess and thinking about, for example, the Copenhagen Criteria and this competitive market economy, I found it almost impossible to buy anything using a credit or debit card and that struck me as being a great disappointment to my wife, who did not get the jewellery that I tried to buy her, and of great personal benefit to me who found I had got the money still in my account when I got back! That is a worry to somebody like me, that being there in the sixth largest city in Turkey I could not actually participate in this market economy because I insisted on using credit or debit cards and not cash. The other question that I would raise with you about this is not so much that Copenhagen Criteria aspect of economic performance, but the capacity that you have and the degree to which you are talking with the EU in terms of monitoring your

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external borders, which in what I think is your optimistic maybe up to 10 years but however long it takes are going to be our external borders. Are you satisfied that you have the capacity, even with technical help from the European Union, to get the sort of border protection, not in the military sense as a member of NATO but in the economic sense of being able to stop the level of economic fraud to which Europe is as a whole vulnerable within the transit system with goods coming in and crossing borders?

Mr Alptuna: Of course, it has been a main problem for all of us, I must say, but Turkey might seem more vulnerable as far as that question is concerned. All the relevant measures are now in the process of being taken but, as you rightly stated, we are also co-operating with the European Commission, with the Member States who come up with the relevant capacity to cope with this problem. In fact, we have presented a number of projects to be financed by the European Union, but there are some financial shortcomings as far as I know. Definitely most of those measures have to be taken before we become a member. As we get closer to becoming a member, I am sure measures will intensify and people will get more serious and the problems will be addressed accordingly. Concerning credit cards, I must say I experienced a similar problem but the issue was more related to the bank in London because they were not sure if somebody was using my credit card. In fact, I sorted it out when I came back to London. They were concerned that somebody might have been using my credit card and they did not let me use it. Sometimes such problems could happen. As you know, HSBC is almost everywhere in Turkey. It has been a success story.

Q306 Lord Tomlinson: The only problem, I can say, is that drinking Nescafé and mint tea had become a test of endurance on which I had to give up in the end because after an hour of trying to perform it they had not made contact with Visa; it was the incapacity to contact Visa.

Ms Goulard: If I may say just a word on the borders and tackle a very important issue. As you know, and I do not want to comment on this, our beloved President in France changed the constitution in order to make a referendum compulsory in the future for any accession after Romania, Bulgaria and Croatia. After having experienced one referendum I would not like to be in the “Yes” camp next time. I want to stress that one of the main questions we had in the referendum on the Constitutional Treaty was, “Are the borders of the European Union the borders of Turkey, Iran and Iraq?” I just want to stress this point because you can wait 15 years, you can have all the reforms you want in Turkey, and personally I wish that Turkey

will go in this direction, but I do not know how I can answer someone in Clermont-Ferrand asking me, “Why do you put the borders of the European Union at the Iranian border?”

Q307 Chairman: Thank you. I think others may have something to say about that in the course of time but I want to get back to Cyprus because there are some things we need to clear up on that.

Ms Hughes: On borders I just wanted to say that there is already a lot of EU-Turkish co-operation on issues of drugs trafficking, illegal immigration and so on and so forth, that is happening very much in the context of the fact that an EU accession process is going on. I have talked to Turkish specialists in these matters who say that they have seen extraordinary changes in the mindset of Turkish officials, that they are ready to change old and perhaps implicitly more corrupt methods for professional and up-to-date methods for genuine co-operation but this is driven by the understanding that the EU offer of membership is a genuine one and that is now becoming doubted by many of these officials. One point I would make to any member of the public is those borders are there irrespective of whether Turkey joins or not. Turkey is there, the Middle East is there, what is the most secure way for Europe to deal with the fact, is it in co-operation with Turkey or separate?

Chairman: Thank you very much. That is an interesting point. Lord Hannay and Lord Dubs want to raise issues on Cyprus.

Q308 Lord Hannay of Chiswick: Ambassador, you started by referring to Cyprus as being a very sensitive issue for Turkey and I wonder whether you might comment on the possibility that it is sometimes disproportionately so and that it risks developing into a situation in which Turkey’s great sensitivity on Cyprus becomes a really serious impediment to its becoming a member of the European Union. There does have to be a sense of proportion about this. The question of trade between North Cyprus and the European Union is one on which the European Union is politically committed to try to facilitate this and has not been so far able to do so. Is the Turkish government working discreetly and quietly with the Finnish Presidency and the Commission to find ways in which the problems that have arisen so far can be overcome? That seems to me to be a rather important point between now and 8 November because—I do not know what you think about this—if on 8 November the Commission and Finnish Presidency report that they have got nowhere on this then the risk is that the other side of the problem, which is the Ankara Protocol, which as you know everybody in the European Union

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regards as a legal obligation which is undertaken by Turkey, will become very difficult to handle indeed. I wonder if you could comment on that.

Mr Alptuna: All the elements of a settlement to the Cyprus problem are there. This issue has been under the UN for the last 40 years. Both sides in the island have been negotiating this issue and they have not left a single stone unturned. If there is a political will on the part of the Greek Cypriots the problem could be easily settled. The problem is definitely related to the Greek Cypriots. If there is goodwill to sort out the problem what would they do, the Greek Cypriots would come up with certain amendments to the plan and they would ask for further negotiations and the problem could be sorted out, but they do not want to proceed on that basis, in fact they do not want to proceed under the UN Secretary-General's auspices. They are trying, to take the matter to the EU for settlement by establishing a link between Turkey's EU negotiations and the Cyprus problem. This is not the way to realise a viable and lasting settlement in Cyprus. We have to make the diagnoses of the problem correctly from the very beginning. Second, concerning the additional protocol, of course it is related to the Customs Union and the Customs Union is related to the free circulation of industrial goods. We have committed ourselves in terms of the additional protocol. When it comes to parliament for ratification there is a serious risk there. Parliamentarians are not happy at the way the EU treated the Turkish Cypriots. On the other hand, according to our statistics, the Greek Cypriot goods are already entering the Turkish market. However the goods originating in Turkey do not go through the port of Famagusta to the Greek Cypriot part of the island. There is no international or UN decision to close the port of Famagusta. It is an arbitrary act on the part of the Greek Cypriots. That is why our foreign minister suggested that all parties lift the restrictions on the port so that the free circulation of goods can be realised and given real meaning. This is where we are. Concerning the Finnish Presidency, of course the Turkish side is open to discussions with the Presidency and with other Member States as well. What they proposed will be seriously studied. They need a number of clarifications. On the other hand, proposals should be discussed not only between the Turkish government and the Finnish Presidency but between the Turkish Cypriots and the Greek Cypriots and the Finnish Presidency and the Greek authorities and the Finnish Presidency. This is our understanding.

Q309 Lord Dubs: May I be clear, Ambassador, that I am following this clearly. Are you saying that the EU should open up trade between northern Cyprus

and the EU before the Customs Union point is dealt with or are you saying that they can both be dealt with simultaneously?

Mr Alptuna: Simultaneously, of course. We are prepared to lift all the restrictions, providing that the restrictions on the Turkish Cypriots are lifted as well.

Q310 Lord Dubs: So what is stopping that from happening?

Mr Alptuna: It is the Greek Cypriots.

Lord Dubs: I want to be clear, okay, thank you.

Q311 Chairman: Okay, thank you. Would Kirsty Hughes and Sylvie Goulard like to address that issue?

Ms Hughes: Yes, just a couple of comments. First of all, there is no point in crying over spilt milk, but I think it is worth noting that frequently enlargement has been deemed to be the EU's most successful foreign policy and 2004 was the historic enlargement and reunification of Europe after the Cold War and so forth I would not hesitate personally to say that bringing in a divided Cyprus was a failure of the enlargement process. It had been an EU goal for two years pre the accession process to reunite Cyprus and that failed and so that has brought the Cyprus problem inside the EU. What has not been recognised enough is that Cyprus is inside the EU, even if Turkey walks away tomorrow, you have still got a problem with what you do about a divided Cyprus, an isolated Northern Cyprus, and lack of political rights for the Turkish Cypriots. That would be one point. My second point in response to Lord Hannay's question, I would add one or two points. I was actually in Brussels yesterday and Mehmet Ali Talat was there as the leader of the Northern Cypriots to talk to Barroso, Barrot and Olli Rehn but also I interviewed him on the record and he rated the chances of a deal with the Finns as rather low. He felt that the Turkish Cypriots were being asked to give up too much. Given that the EU had promised to end their isolation, he did not see why he had to start bargaining for the EU to keep their promise. I think in both the Turkish Cypriot and the Turkish media and public opinion, it is all very well that at high level there are these meetings to say the Ankara Protocol is a legal commitment and the Turkish Cypriot ports are a political commitment, but it is a very easy point to get over to the Turkish public to say the EU wants us to open our ports to the Greek Cypriots but they will not ensure that the Turkish Cypriot ports are open to the EU. So there is a sense of real unfairness I think on this issue. I think there is still a chance of the Finns pulling off a deal in the next couple of weeks but it has to be a rather low chance. The Turkish press is suggesting Erdogan go to Finland next week; we will have to

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see. I would make one final point which is coming from a rather different angle which is the Ambassador talked about the Parliament in Turkey not being in the mood to ratify the Ankara Protocol, but of course it is the case that Turkish ports are already open to the other nine new Member States even without the ratification of the Additional Protocol, so I think to some extent there are also excuses being used.

Ms Goulard: Two very short comments, the first one on Cyprus and the failure that was mentioned. The interesting thing would be to reflect on the reasons why we have this failure. It is interesting to see that we always stress the virtuous circle and the fact that enlargement had positive effects, which is true, but we have made some mistakes and we should at least recognise that. This one is not a small one and it has something to do with the sentiment in public opinion that something at least went wrong with enlargement. The second point is I disagree fully with the fact that enlargement is foreign policy. The reason why we are in the current situation is because we have considered enlargement as a foreign policy without taking into account the legitimate demands of the populations within Europe, and if you look at Turkey and some other accessions—the Balkans or the Ukraine or whatever—only from a strategic point of view, then you can miss a big part of the debate in the Member States.

Q312 *Chairman:* Madame Goulard, could you give us an idea of how you think they will vote in France if there were to be a referendum on this? Of course it will be a very, very long way ahead so I suppose it is impossible to tell; there might be a change of mood.

Ms Goulard: It is impossible to tell. When the decision was taken in December 2004 to give a green light for the opening of negotiations, more than 70–80 per cent of the French population was against and, as far as I know, we are around 60 or 70 per cent now the issue is not a hot one, so it is impossible to say. Above all, there is a risk because, as you know, with referenda very often people do not answer the question. We might in 10 years be fed up with Ségolène Royal being President and the people will vote against, and it has nothing to do with Turkey and this would be something very dangerous if the people of Europe say no to a people outside the borders of the European Union after these persons have made efforts. That is the reason why I think we should try to reach another agreement before we reach such a point because then we might have a clash of civilisations, even if religion would not be in my opinion point number one on the agenda.

Chairman: Thank you very much indeed. I think we can move on now because we do not have too much time left and I would like to get to some other issues, on which we await your views with great interest. Lord Wright?

Q313 *Lord Wright of Richmond:* Ambassador, can we move from French public opinion to Turkish public opinion. Turkey is widely seen, in my view rightly seen, as a vital bridge between Europe and the Islamic world, and I think that both the progress or lack of progress in accession negotiations will be extremely relevant to Europe's relations with the Islamic world and indeed possibly with our own Islamic communities. To what extent is Europe seen by Turkish public opinion as a "Christian club" reluctant to accept a predominantly Muslim country?

Mr Alptuna: First of all, I must say it is not seen as a Christian club. There are certain groups of people who would like to see it as such, but when you go for the general public it is not the understanding. There are already about 20 million Muslims living in Europe and most of those people are EU citizens; they are French citizens, German citizens, Dutch citizens, they are citizens, so we cannot say that Europe or the EU is a Christian club.

Q314 *Lord Wright of Richmond:* I would just like to emphasise that I was not referring to it as a Christian club.

Mr Alptuna: In our view it is not a Christian club, but religion is becoming an issue in Europe. They relate this issue more to cultural issues and then they try to come up with a certain definition and understanding. To our thinking what is at stake here is the common values such as human rights which we have been discussing today like more democracy, more liberal economic policies. In fact, these are the common values which the member states and Turkey consider. If we approach the matter with a certain understanding then I presume it will be easier for us to overcome to the problems in this area.

Lord Wright of Richmond: Thank you very much.

Q315 *Chairman:* Thank you very much indeed. Would you like to comment? Yes, Kirsty Hughes?

Ms Hughes: I have certainly not picked up people in Turkey either talking about Europe as a Christian club, but I have certainly picked up plenty of people (and not only Turks but Muslims from other countries) who see European hesitations on Turkey as having an Islamophobic element. It certainly used to be said a couple of years ago that most of the problems that the opponents of Turkish membership have with Turkey joining is that it is too big, too poor and Muslim, so I think that is

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certainly there. I think in a way Turkish public opinion was summarised for me very succinctly in the summer in Istanbul when I was talking to a taxi driver—a classic taxi driver quote—about Europe and he said, “Well, Europe smiles at us but it does not mean it, and so Europe will remain only a dream.” That is really what I then heard from academics and officials and politicians as well, that they are very concerned with comments of people like Schußel, like Sarkozy, and many others and if they could only believe it then you would see enormous progress. Despite falls in opinion polls the dream is still there but there is just simply a lack of confidence in it happening. I was talking to someone who was involved in Brussels in the eastward enlargement process and he said to me recently that the difference between Turkey and the East European enlargement is that in the 1990s we said to Poland and the Czechs, “The question is when, not whether”, but with Turkey it is becoming whether, not when, and that is producing a very contested enlargement and it is creating very negative dynamics on both sides.

Ms Goulard: I share the views expressed by the Ambassador on the fact that we are not a Christian club. I believe that all the moderates should do everything they can to keep the religious question as one aspect of all the issues we have to deal with but not as the only issue. That is my first point. The second point is the interesting question is not if we are Christian or not, the question is what does Christianity mean for the history of our countries and, for example, for the political structures we have in Europe. Even if it sounds a little bit strange, the fact that we have separate fields for spiritual and temporal areas, that the power is organised and separate between the church and the king, or now between the church and the authorities, has something to do with Christianity. One of the questions on equality between women and men also has something to do with religion. I do not know whether I am clear, it is difficult to express it in a foreign language. My concern is not should we exclude people because they are Muslim, of course the answer is no and even if we are Christian we should answer no. The difficulties that we are meeting now and the fact that religious freedom in Turkey or equality between women and men is more difficult to achieve has something to do with different histories and different perceptions of how society is organised. If we want to find common ground we have to meet much more with civil society and show more leadership. The fact that different presidents and ministers only mention the risk of a clash of civilisations is not enough in my opinion. I wish all the moderates would take very seriously the question of Islamophobia because I am not proud that we had Le Penn four years ago in

the presidential election and we make him a beautiful gift if we consider Islamophobia is not nice, we do not have to deal with it. It is an issue for the moderate parties because if we do not find a good solution then these people are going to benefit from it.

Q316 Lord Marlesford: The fact is a lot of people in Europe see Turkey as an Islamic country. We know that it is a secular country, certainly since 1928 or whenever it was. A Muslim country yes, but Islamic not. There is an impression that the religious dimension in Turkey, the Islamic dimension if you like, is gaining some additional political influence. The question one would like to ask, particularly of the Ambassador, is whether that is true, how far it is likely to go and also if there were to be a rejection of Turkey by the EU of membership whether it would have an impact on that particular aspect?

Mr Alptuna: First, concerning the growing size of Islam in Turkish society, I do not think it is related more to religion, or religious requirements. Look at what is going on in the Middle East, in Iraq, Lebanon and the Palestinian question, etcetera. Those people in the region are mainly Muslim. They have come to the conclusion that there is no fair play there. They are not treated equally. They have come to an understanding that this unequal treatment is more related to their religion. In the case of Turkey this understanding has a certain impact on people. But it does not mean that the country is becoming more religious, more Muslim. Not only in Turkey but in Europe as well. People are not immune to the impact news and incidents happening in the Middle East. Concerning the religious differences, secularism is not different for Christians and for Muslims. Same when we talk about equality for women. I do not think appearance is very significant, what is important is the way people are treated on an equal footing. If we have differentiations in terms of rights belonging to different religions that would lead to problems. We have to come up with a common understanding when we talk about rights, the rule of law, liberal policies and democracy. I do not think there should be double standards relating to religions when we talk of the rights. Concerning the other question, in the EU the borders are not final, the constitution is not there, we know that a referendum is going to take place on Turkish membership in France and there are also difficulties stemming from other Member States. But what is crucial at this point in time is not to prejudge the process of enlargement on Turkish membership. We are in the process of negotiating and I do not see any use in prejudging it from the very beginning. We should carry on with this process and see the growing dynamics and their impacts on European societies. Today some groups

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of countries may not be for enlargement, due to some problems, such as migration et cetera, but at a later stage the situation might be quite different. Just to give a very brief example, in the case of Turkey the free circulation of labour seems to be the main problem for some members today. In the case of Turkey the negotiations are likely to last 10 years, followed by transitional periods in some sectors. The free circulation of labour will not happen before the next 20 or 25 years. After that period if you look at the demographic trends and the other dynamics in other sectors inevitably the problem will disappear. We should let the dynamics play their part and have an impact on the formation of policies in the coming years. It is too early to prejudge the process from the very beginning.

Chairman: Thank you very much, Ambassador. We have got a maximum of 10 minutes left and I have got two other questions we really want to put to our witnesses.

Q317 Lord Harrison: I would like to invite our witnesses, including the Ambassador, to tackle what is possibly another road block to the accession of Turkey into the European Union, and that is this vexed phrase of “absorptive capacity” by which I suppose we mean the ability of the European Union to absorb more countries, different cultures and so on and so forth. Ambassador, do you see this as an expression of legitimate concerns about the accession of Turkey by other countries which have to be responded to in a positive way or do you see it as a smokescreen for those who wish to hide behind something, a real desire to keep Turkey out of the European Union?

Mr Alptuna: Of course, when a country joins the European Union the intention is not to make that union or organisation dysfunctional, so it tends to function effectively. That principle, to my mind, is quite significant. On the other hand, when it applies to Turkey, is it going to create insuperable problems. For instance, how the Union functions, there is the Parliament, the Council, the Commission. When Turkey joins, the EU organs will continue to function effectively. I think we will have the same number of MPs as France or Britain or Germany, we are not going to be beyond those numbers, and we are not going to impress our policies, there is no way. Again, in the Council it is one vote but, on the other hand, as a large country maybe the decisions might be more balanced because our interests might differ to a certain extent from other larger countries but be closer to the medium and smaller-sized countries, which could really help make a more democratic decision-making system. So it may even come up with a more balanced decision-making system, but I do not think it will change the whole structure. Again in the

Commission, the number of Commissioners has been decreased and that will apply to us. So when I look into the functioning of the Union in terms of institutions I do not see really any insurmountable problems. You can say a Muslim country is entering and what impact will that have on Europe. However, already in France more than 6 per cent of the population are of Muslim origin and when Turkey enters our percentage will still be less than what France has today as a Muslim population, so it is not going to make much difference, it is not going to make Europe, even in proportional terms, Muslim.

Q318 Lord Harrison: So your argument is that it is a possible concern which has to be responded to but in the case of Turkey you do not think that to absorb Turkey would wreck the Union or make it so dysfunctional?

Mr Alptuna: I think it is manageable and not an insurmountable problem.

Q319 Chairman: Brief comments from our other two witnesses.

Ms Hughes: I think the point about the absorption debate is that this is not a new debate. It just used to go under the heading of “impact” and it is in the Copenhagen Criteria. Of course, it is legitimate to look at the impact of that on Member States whether financially, politically or institutionally and so forth. Of course, it raises deep suspicions when it is Austria that has been driving the attempt to raise this as a new criteria and as a new issue. I do not think it is a new issue. It is one where Austria, both in its political leadership and in its public, is the most opposed to Turkish membership, and that again goes down extremely badly in Turkey and gets highlighted very strongly in the press and in the media. We do not have time to go into all the detailed issues of how big or how small the impact is. At one level going from 27 to 28 or 28 to 29, whether it is a big country or small country is obviously nothing as big as jumping from 15 to 27, which is effectively what has happened in the last few years. I actually think that the most difficult issue around the impact of Turkey is not all the issues that will be looked at, the budget, agriculture, structural funds, voting patterns; it is that Turkey is going to be as big as Germany and then will grow bigger than Germany, so in terms of the political power dynamics of the EU that is very important. Whatever the varying motivations for French concern, for instance, about Turkey, it seems to me that one of those concerns for the political classes is what that does to France’s relative power in the EU. We saw that in concern over enlargement to the

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east as well. I do not think you make that into a criterion but you certainly factor that into your understanding of the political dynamics around Turkish accession.

Q320 Chairman: Thank you very much. Sylvie Goulard?

Ms Goulard: First of all, it was in the Copenhagen Criteria in 1993. Do not bash the Austrians. I do have my small responsibility because in my book I stress—and this book was published two years ago—the fact that on the website for the Commission 2004 this sentence had disappeared. The reason why the people believe it is new is because it was, probably for good reasons, put aside because it was not politically correct to say during the time of the accession of the Eastern part of Europe that they might create some troubles. The second point, and this is not fair—and I recognise that—is I recognise that Turkey is arriving after 10 and, whatever the Turkish situation is, we pay the price for the fact that in the last 10 or 15 years we have heard permanently politicians saying, “Well, we will do deepening and enlarging at least at the same time.” At the beginning it was deepening before enlarging and then it became deepening and enlarging and then we had enlarging without deepening. That is the reason why many people are reluctant. I do not say it is impossible but I have never seen a complete comprehensive blueprint saying how the Union with Turkey might work in terms of the institutions, and, frankly speaking, I am very often in German (at least for the German campaign for my book) and I have never met one German politician who is ready to go in front of citizens and say Turkey is going to be bigger, to have a bigger population than Germany and still get more money because the fact that you are the biggest in the short or in the middle term—and I fully appreciate that and I have no problem—means that you will get more votes and more seats in the Parliament. I do not believe that in the long run it is something feasible to have one country with more population and less seats even if you say today one day it is going to change, and the fact that one of these countries that was not at the beginning of the story of European integration and has still a lot of reasons to get money, at least if there is still a structural funds policy, makes the thing a little bit difficult.

Chairman: Very quickly Lord Hannay?

Q321 Lord Hannay of Chiswick: Can I ask you whether you think the discussion on this question of absorption capacity is very simple; it is either a problem to be overcome or it is a veto?

Ms Hughes: Yes.

Chairman: The question remains unanswered but sometimes the best questions are not answered anyway. I saw a quote from the Spanish Commissioner Mr Almunia a couple of days ago in which he said the only absorptive capacity problem we had was a mental one. We shall wait to see whether that is true or not. We have just time, we have got about two minutes, and I do want to get this last question in because I think it is an important one. You did refer to it a little earlier in your evidence but let us have a further go at it. Lord Bowness?

Q322 Lord Bowness: Chancellor Merkel has talked about a “privileged partnership” as an alternative to full membership and other people have advocated that. I do not want to put any words into the Ambassador’s mouth and I am sure if I asked is that acceptable now, today, this afternoon, the answer would be no, but can any of you foresee circumstances in the future in which Turkey itself might find it more acceptable than full membership of the European Union?

Mr Alptuna: I doubt it very much, frankly speaking. First of all, it is the public opinion that there is no way to go down that road and also it has already a privileged position anyway. There is the Customs Union and I have mentioned the trade volume which has been building immensely. We have a number of concessions given to Turkey. It is really quite privileged. What more can it have beyond that than also more importantly to be part of the decision-making system? If you are not a full member you are never part of the decision-making system.

Q323 Lord Bowness: Forgive me, but privilege could include perhaps involvement in a common foreign and security policy or something like that.

Mr Alptuna: Not only that but, for instance, the trade policy which is quite important and we do not participate in the trade committee, for instance. In a way the decisions taken by them are imposed on you. It is a large country we are talking about and the public expects decisions that are made in Brussels are then imposed on Turkey.

Ms Hughes: Two brief points. It is unacceptable to Turkey in the short and the long run for the same reasons that with whatever difficulties in the last 30 years the UK joined the EU. EFTA was not enough; EFTA did not give us the appropriate voice at the table. The second point I would make, and it has been made to me by a number of Commission officials, is that accession negotiations are not the same as negotiations for a privileged partnership. If you were negotiating for the latter

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in many ways it would be much more equal negotiation because you would be hammering out a deal, you would not be demanding Turkey adopted the EU's *acquis*. You cannot suddenly switch these negotiations half way through.

Ms Goulard: It would require a shift. Second, I believe that as long as we are negotiating full accession I see no reason for the Turks to accept anything else. The real question is, are we in a situation where the negotiations are interrupted for any reason or not. If we are in another situation then everything is acceptable. I would say we should all refrain from saying that something is impossible because if for any reason something is

happening on the road the most important thing is the relationship between the EU Members and Turkey remains a good one.

Chairman: I am afraid we have to close it off now. On behalf of all my colleagues on the Committee may I warmly thank you, Ambassador, and Kirsty Hughes and Sylvie Goulard. This conversation has been very interesting and will be extraordinarily valuable to us in the preparation of our report on our inquiry and the conclusions we come to. I do thank all three of you extremely warmly for the time you have given very generously, for your frank responses and the great interest you have shown in answering our questions. Thank you so much.

TUESDAY 17 OCTOBER 2006

Present	Bowness, L Dubs, L Grenfell, L (Chairman) Hannay of Chiswick, L	Harrison, L Marlesford, L Roper, L Thomas of Walliswood, B
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Examination of Witness

Witness: DR NIKOLAUS MEYER-LANDRUT, Head of EU Bilateral Relations, Kanzleramt, examined.

Q324 Chairman: I would like to begin by saying how greatly we appreciate the fact that Dr Meyer-Landrut has given us this opportunity to meet with him in pursuit of our inquiry into future enlargement. I would like to say that we are most grateful to him for giving us time in his very busy schedule. Dr Meyer-Landrut and I have agreed the rules of engagement, so to speak, in this very friendly encounter, and that is we will be on the record except where Dr Meyer-Landrut would like to give us a little bit of background he will indicate and at that point Sue's pencil will drop and we will listen to what Dr Meyer-Landrut has to say to get it into our heads but it will not be quoted in this report. That is all I need to say about the way in which we will proceed. Dr Meyer-Landrut, you have met the Members of the Committee but the Committee is, in fact, 19 Members, of which we have eight here today. We will have another eight or nine going to Paris next week where we are awaiting confirmation that we will be seeing a gentleman with whom you have quite a long and important association, Mr Giscard d'Estaing. We will be seeing Édouard Balladur as well. We started this inquiry in June and we will finish our evidence on it when we have been to Paris next week and we expect to publish this report in about the third week of November. That is where we stand at the moment. I would like to invite you to make an opening statement to us before we come to some questions.

Dr Meyer-Landrut: Thank you very much. I am happy to receive you here in Berlin and in this building so that we have an opportunity to talk on this issue of enlargement. I would prefer not to give too long an introduction but leave it to the questions. What I would like to say by way of an introductory statement is that we are in a situation in which we have behind us probably the biggest enlargement that the European Union ever had to digest. It was something like a 12 course meal and not the usual three course meal which we have digested in previous enlargements, so we are still digesting. We need to make sure that the enlargement that is behind us will become a success for the Union, as we are convinced it will become, as all previous enlargements have been, but it might take a little longer and it might be a little bit more complicated. You all follow very

closely how the political situation is evolving in some of the new countries, in Middle and Eastern Europe, and they need to get accustomed to their new role in the European Union, put it that way, before they will be fully part of our system as we have now been for 30, 40 or 50 years. There is this element which is important and in public discussions is underestimated once in a while. People talk about enlargement in terms of future enlargement but we still have a big role to play in making the last enlargement work. That is my first point. My second point is the European Union has undertaken engagements in terms of further enlargement perspectives, two specific engagements, one on Turkey and one on the Western Balkans. This government is not putting these engagements into question. This has been said by the Chancellor and the government and is part of the coalition agreement. We think that we will not be able to digest and operate the next enlargements in the way that we did the last one. There will be no more big bang but future enlargements will have to be one-by-one and on their merits and in the way that each of these candidate countries in the Western Balkans, or Turkey for that matter, do fulfil their obligations and their commitments. Regarding the Western Balkans, this will be a long process to which the roads for Croatia and Albania cannot be compared. They cannot be compared. It is not sensible to talk about the Western Balkans as if they will join together at once or something like that. Every one of these countries will have to go through the different steps before they reach the final stage. The perspective as such is important for the prospect of stabilising that region, of giving those countries that perspective and so on. We are not talking about withdrawing this perspective; we are saying this perspective is something that will need to come to realisation step by step for each of the individual countries. Then we have the third area, countries to our east, and most particularly it is Ukraine that most people talk about and here the Chancellor has been quite clear in her recent statement to the Bertelsmann Foundation in Berlin. She believes profoundly that the European Union at this stage—I do not know what will happen in ten, 15 or 20 years—is not able to make further enlargement promises for the foreseeable future. This

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entails that we need to work with these countries and try to help them find their orientation and reform and be oriented towards the West but at a level of commitment from the side of the European Union which is below opening a new enlargement perspective. That is what we call the new Neighbourhood Policy and where we think that the European Union can do more and can do better compared to what we have been doing in the Neighbourhood Policy over the last two or three years. These are my starting remarks.

Q325 Chairman: Thank you very much indeed, Dr Meyer-Landrut. You mentioned Croatia and we had a very interesting meeting with the chief negotiator, Vladimir Drobnyak, and he expressed to us his concerns that there was a possibility that institutional questions that would make it possible for Croatia to come in would not be addressed quickly enough and, therefore, their ambitions to come in by the end of the decade might be lost unless the necessary changes are made to what we got out of the Nice Treaty to enable the European Union to go beyond 27. Does your government foresee trying to ensure that Croatia does not become the victim of any foot dragging on the institutional changes necessary to bring them in?

Dr Meyer-Landrut: My reply would be that we are not dragging our feet on the institutional reforms. We have ratified by a large majority the Constitutional Treaty which makes the necessary arrangements for Croatia joining the Union when it is ready. I will say a word on the date of 2009. We think profoundly that under the German Presidency on the question of the constitutional process we want to make a serious effort to see how the European Union can get out of the deadlock in which it finds itself on this question. The hope would be, and you know where we stand on substance, that the result would be in place by 2009. You can say that this is very optimistic but we think that we have not made a serious attempt before on how to come out of the dead end in which we found ourselves after the referenda in France and the Netherlands and we would not wish to look at individual items and separate them from the bigger picture. The first effort next year will be to try to find a way out of this dead end. If we can find a way then this will solve the problem for Croatia. At this juncture Croatia is a subset of a bigger question and we will not deal with the subset before we are sure where we can go with the bigger question. On dates, we have not yet ratified the Treaties on Bulgaria and Romania in the German Parliament. You will talk to colleagues in Parliament on this. The biggest problem which the government had in explaining the enlargement Treaties on Bulgaria and Romania was the fact that there was an artificial date from the point of view of our parliamentarians where we said they would join on 1 January 2007 or 1 January 2008. If

they are not ready in 2007 they will join in 2008 anyhow. What is the purpose of such a clause if they are promised the year afterwards? They will not make any additional effort in the two years. It is as if you have a boy in school who is told, "You will not graduate this year if you fail your courses, but you will certainly graduate next year. Will you work?" No, he will clearly not work. We have the impression that setting dates at this stage for these countries creates the opposite of what we want. It gives them false assurance and it does not make them work on their homework. We are very reluctant at this state in setting a date for Croatia. Croatia is talking about 2009 and that is fine if they are engaged and want to make the necessary things happen, but we would strongly recommend against the European Council at this stage giving a date for Croatia. Not because of the institutional issue but because of the effect date setting has produced in the case of Bulgaria and Romania.

Q326 Chairman: I think they understand that.

Dr Meyer-Landrut: They did not ask us for a date when they were here.

Q327 Lord Roper: Just as a footnote, my Lord Chairman, what is the timing now for the Bundestag's consideration of the Bulgarian and Romanian Treaties?

Dr Meyer-Landrut: The Bundestag will have its first reading this week, the second and third reading next week, and the final vote at the end of next week. Then we will have the final vote in the Bundesrat on 24 November probably which will leave a decent time for the President of the Republic to sign the documents before Christmas and have them sent to Rome. We are confident, as much as a government can be confident, that the parliamentary procedures will be over by the end of November.

Q328 Lord Hannay of Chiswick: I wonder if I could ask you two questions arising out of what you said, starting with this question of not setting a date. I think what you said makes very good sense about the dangers of setting a date prematurely and there have been some bad examples in the past of this. Do you not think that there is a real problem, as someone who is familiar with the techniques of accession negotiations in Brussels? It is almost impossible, surely, to envisage a situation in which you do not set a date at some stage of the drafting of an Accession Treaty. Can you really imagine an Accession Treaty that does not say when the country concerned is going to join? Since there is then a year's gap between that and actually joining one has to be slightly careful. I do think you are right in saying that we were wrong to give Bulgaria and Romania a date so far in advance as we did but you have to be a little careful

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about saying they should not get a date in advance at all because I think it is pretty impractical to do that. The second question is on the new Neighbourhood Policy. It will be very interesting to hear the ideas that the German Presidency has for beefing up the Neighbourhood Policy, and I think it is a very interesting approach, but what I am not clear about is, is this newly furnished room going to have a door out of which you can pass into the European Union at some stage in the future or is it merely going to have a row of windows from which you can look at the European Union?

Dr Meyer-Landrut: I agree that the Accession Agreement in the end will have to have a date and normally between the time when we have signed an Accession Agreement and when it enters into a force is about a year which we need for national ratification. The point at which we decide on the date has to be much further down the road than now. We have, in the case of Croatia, closed one or two chapters, the easiest ones, but we have not even started to negotiate on the complicated issues. Once we are much further down the road we know from the techniques and the timing that we will need to put a date into the Accession Agreement but this should come toward the end of the negotiation process rather than at the start. We are still at the start of this negotiation process. The Commission has started developing a Neighbourhood Policy in preparing different action plans for different countries which do contain a lot of interesting things which one can do bilaterally with these countries. Unfortunately, these programmes have never reached a stage where these countries found them attractive, albeit they were not able to implement what was in them because very often they were not as advanced as they would have to be to implement these policies. I do not think we have a problem with delivery from the European side but there are many things we can do with them under the Neighbourhood Policy from co-operation on specific programmes, thinking about sectoral agreements on transport, energy or other issues, and there is lots of financial assistance now under the new Financial Perspective which can be used for these countries. There are a lot of instruments. The problem with the Neighbourhood Policy today is that it is not sufficiently directed towards the individual countries and they feel that they are dealt with as a group but they do not feel like a group. Many of the countries, like Ukraine, still believe that the nice Mercedes, which is called enlargement negotiations, will come around the corner in the next five minutes so they are not very interested in the small Volkswagen which is around the corner although we can offer it with many options: we can put on an open roof, we can do it in red, blue or whatever. As long as they believe five minutes later the big Mercedes is going to come, they are not going

to buy the small car. There is a problem on the side of the countries for whom we are preparing this policy. It is only once we have had the discussion on enlargement in the broader sense as the European Council in December that perhaps such a policy will become more attractive for these countries. Regarding the door, I do not think I would like to take a decision today on whether there is or is not a door. We would not want to say this is something which prepares them for accession or does not prepare them for accession, but it has to be constructed in a way that within 10 or 15 years, or whenever the situation evolves, a different evolution remains possible. It is not to close things off but to establish something which is sensible for these countries which helps them get along without overburdening either them or the European Union.

Q329 Lord Roper: I wonder if I could just go back to one of the points that you made in your opening remarks. That was the one-by-one approach as far as the Western Balkans are concerned. Having heard a little bit from Prime Minister Ahtisaari about his negotiations dealing with Kosovo it does seem, at least as far as Kosovo and Serbia are concerned, there is a relationship between their coming into the European Union and a final settlement of the status of Kosovo. I wonder, therefore, whether in those pairs, although they may negotiate separately, you would not accept that there might be some relationship between the two candidacies.

Dr Meyer-Landrut: There might be countries over time which are ready at the same time, of course, I would not exclude that, but I would not like to create artificial groupings just for the merit of having a bigger group. If countries are ready at the same time we will not say they have to come in one-by-one. It is the state of preparation which is important. Regarding Kosovo, we have all the difficulties we have with Cyprus, and you know about these more than I do, and we should be very careful before we envisage giving an entity like Kosovo status in the European Union which is comparable to that of a Member State. Do we really want to have entities being part of this European Union with full rights and obligations which are still, let us say in a friendly way, in a situation where they are not fully consolidated as an international actor where questions relating to their neighbouring countries are not solved? Do we want to have a country which has open territorial claims on its neighbours? The Serbia-Kosovo relationship is very complicated and needs to be resolved. I am sure that the general European perspective is important but we are still miles away from being able to imagine under which conditions Kosovo could at one stage join the European Union.

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Q330 Lord Bowness: May we go back to the Neighbourhood Policy and your description of it, which personally I thought was interesting. Part of this Committee frequently looks at the action plans for different countries and there is very little priority in any of them.

Dr Meyer-Landrut: Yes.

Q331 Lord Bowness: It is always very difficult to see what is actually going to be achieved. There is nothing in them that you could actually oppose but you wonder what you will actually get out of them. Do you see the Presidency coming forward with some positive proposals for a revised European Neighbourhood Policy that although there are action plans for each country is rather more tailor made for individual states than I feel they are at the present time? Do you see a change perhaps in the definition because we say now if you are subject to the Neighbourhood Policy it is not a guarantee of membership but it does not preclude membership? Do you see some changes being put forward in that sort of regard?

Dr Meyer-Landrut: I do not think that we will change the broad definition as you have described it. We understand from the Commission that they want to make a communication on renewed Neighbourhood Policy before the end of the year so our expectation would be if that has any sufficient substance the European Commission, in the context of its enlargement debate in December, could perhaps ask the Council during the first semester of 2007 to look into the possibilities of improving Neighbourhood Policy and perhaps come to some conclusions by June 2007. We would see that as a second step and at this stage I do not expect big national initiatives by Germany. We would encourage the Commission to go on with this process and we will make an input, say what we think is interesting, but this needs to be a collective effort which we would need to go through over the spring. Yes, I would very much agree with you that we have to get away from the shopping lists and action plans and come to some concrete action and co-operation with these countries where we can clearly demonstrate to them, to us and to public opinion that it is worthwhile for both sides. We are still far away from that.

Q332 Chairman: Before calling on Lord Marlesford and Lord Dubs there is one question I want to put to you if I may, Dr Meyer-Landrut, because I do not want this issue to disappear through the cracks before we have to finish our session, and that is the German experience with enlargement. We have noted that according to at least one opinion poll as few as 28 per cent of Germans are enthusiastic about enlargement. The question I would add to that is, to what extent is German public opinion aware of the

benefits that have accrued to Germany from enlargement? Do you think that regulating the flow of workers from new Member States for three years is popular in Germany? Despite the fact that you have that, enlargement is still unpopular. You would have thought that the German public would have said, "There is a brake on workers from new Member States coming in" and that is a good thing from the point of view of the working German public? Why then is support for enlargement so low?

Dr Meyer-Landrut: The problem with enlargement, and around May 2004 when enlargement happened, is that it is very easy to portray the negative effects of individual situations in the case of enlargement in the media. We had big media reporting on an individual person who was a roofer, a German worker, and this is a very restricted little area, and often the cause of illegal action from Polish, Hungarian or whatever workers, who felt pushed out of his job. This gives a very negative portrait. We had that in *der Spiegel* on the first page and there were big pictures and so on. It is very easy to portray the individual negative effect of such things on individual German workers or individual situations in the media. It is much more complicated to describe to the people where the benefits are because the benefits are global at a different level. If you explained to this poor man who had lost his job because of illegal activity that the export of German machinery to these countries has increased by x per cent and that so many jobs have been created in that sector, he would say, "This is very good but it does not help me". At the time of enlargement we had almost a public campaign by certain of the media who portrayed these negative effects. We tried to explain that overall the global benefits of enlargement are positive for the German economy and the figures for industry, but there are two effects. First of all, you have industry who does not want to say too loudly that things are positive because then they cannot complain to the government that they need benefits somewhere else. That is the way it happens, so they are not saying that.

Q333 Baroness Thomas of Walliswood: That is entirely an understandable thing.

Dr Meyer-Landrut: They are not making public the benefits they have from enlargement and we are confronted with individual stories about people who have lost under this. There is an asymmetric approach. I hope, and from the government's side we will continue over the next few years, the balance will shift, that over time people will better understand why there is an advantage and on balance it is very positive for Germany, but we have not yet reached that point of balance. This is one of the reasons why we say we should be careful with new enlargement promises because in this state of public opinion it

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would have negative effects. Regarding the labour market, we have used the possibilities which the Enlargement Treaty allows, and this is perfectly legal and this is not something that is directed against these countries, we have negotiated that with them. They knew that we would apply these rules, we said that very publicly from the beginning. The German labour market is not as closed off to workers from Eastern Europe as it seems by this rule because we have a huge amount of contractual workers coming from Eastern Europe. The number of Poles who legally work in Germany is very high, probably the highest number throughout the European Union. It is not the fact that the labour market is entirely closed off but the fact is we have regulations which allow us to regulate the flow somehow. This is something which the government thought necessary from the beginning with all this discussion in Germany on unemployment as an important factor, particularly regarding East Germany. I think that new Member States understood that and also they understood it was better to say that in advance. I hear about discussions in Great Britain relating to Bulgaria and Romania.

Q334 Chairman: There will be some regulation.

Dr Meyer-Landrut: If you look at enlargement, this big enlargement, which is a process of huge magnitude, what is seven years? One needs to keep the overall perspective and then the German market will be open, and we have accepted that and it will happen. Transitional periods were important to make enlargement acceptable at that point.

Q335 Lord Marlesford: With the signs that Putin's Russia is thinking of ways in which it can perhaps restore a certain degree of hegemony over some parts of the former Soviet Union, do you think this should be a factor in the new Neighbourhood Policy, particularly when it comes to Ukraine?

Dr Meyer-Landrut: Yes. Clearly we need to demonstrate to Ukraine and other countries that we care about them and have the means to help them, that there are instruments which we can put at their disposal to help them reform their countries and improve their economic and social situations. How far this will be enough to counter Russia's influence in that region is something which historians will tell later. The only thing we are saying at this stage is we cannot try to counter this by another enlargement promise because that would overburden the European Union, but there is much we can do below that level.

Q336 Lord Dubs: I have two quick questions, if I may. First, going back to the Neighbourhood Policy, under the German Presidency do you envisage the Neighbourhood Policy going further east or are there

certain countries at which it is going to stop, in other words Georgia, Ukraine, Moldova and so on? My other question is quite a different one. We have talked about German public opinion but do you think that an upturn in the German economy and a reduction in unemployment would make German public opinion more favourably disposed towards enlargement or does it not work as clearly as that?

Dr Meyer-Landrut: If I could take the second question first. When you look at European integration over the last 30 or 40 years people have always been more enthusiastic and more optimistic about European integration when there is an economic upswing. The attitude towards Europe is always more sceptical when the situation is more difficult in terms of employment, economic prospects and so on. Whether this relates directly to being more open to enlargement I would not make such a clear link but I would say that if the economic situation improves, and the signs here are better than expected in Germany, then confidence in European integration and its benefits will increase. If that is coupled with development by which people start to understand the long-term effects and mid-term effects of past enlargements are positive globally I would not exclude the fact that in five, 10 years or the medium term German public opinion will shift again regarding enlargement, but that is not something which will happen within six or 12 months, this is a medium and long-term evolution. On the further east, we think the Neighbourhood Policy should be addressed to the countries that we have been talking about in the east but also the Mediterranean countries. We have all the difficulties with illegal immigration from the south, so one should not say this is something that is only directed towards the east. In parallel, but not under the heading of the Neighbourhood Policy, we are wondering whether the European Union should not develop some kind of strategy to the countries in Central Asia where we do not have something like a co-ordinated or orientated policy. It is not very easy for these countries, they are very difficult and they have different difficulties, but we think it is worthwhile thinking about it and seeing what we can do.

Chairman: Thank you. I think this probably has to be the last question.

Q337 Baroness Thomas of Walliswood: I am sorry to raise this huge question, it is the so-called elephant in the room really. We have not yet mentioned Turkey. Would you like to give us some kind of overview of how the idea of great collaboration and final membership of Turkey is operating in the German political world?

Dr Meyer-Landrut: Turkey was the only European issue which was a subject in the electoral campaign last year where between the CDU and SPD there are

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differences of view. We now have the coalition agreement in which we say that we stand by the commitments which have been made. Clearly I would say this government is less enthusiastic about driving the process forward than the previous government but it is not withdrawing from the commitments which we have accepted and by which we stand. Personally, I find it somewhat unfortunate that the question about Turkey comes to us over a little island in the eastern Mediterranean and that the Cyprus issue will dominate our relationship with Turkey for the next weeks and months with probably negative consequences, but we also think that the reform process in Turkey since 3 October last year has not been as dynamic as we had hoped or expected it to be and Turkey will have to understand that joining the European Union will still require a huge effort from them in terms of internal reforms and progress which, unfortunately, right now is not at the centre of the debate. On the other hand, if I may say a word on Cyprus, we know how difficult the situation inside Cyprus is but Turkey has made a promise and they told us last year—this was part of a complicated deal—that they would open the harbours and airports to implement the Ankara Agreement and we think they have to fulfil their obligation. We have been asked to fulfil our obligations and now it is their turn to fulfil an obligation independent of what happens with the Cyprus question as such. If this does not happen then the European Union will have to think about how to react. There needs to be an impact on the negotiations otherwise we will never have Turkey abiding by any conditions we set them because they will always feel that in the end we will cave in and we will let it pass. It is very important for the kind of success which we want to have relating to Turkish internal reforms that we stick by the engagement which we had last year on this question. This will be a big issue over the next weeks and months.

Q338 Lord Hannay of Chiswick: And also by the commitments that we entered into with respect to the north of Cyprus.

Dr Meyer-Landrut: We stand by that. The problem is not individual Member States, the problem is the European Union as such with Cyprus blocking it has not been able to implement the Direct Trade Agreement. At this stage what the Finnish Presidency is doing, and what we hear about it, is that both sides, the Turkish and Greek-Cypriot sides, are adding conditions and the thing is growing apart rather than narrowing, but let us see where this ends.

Chairman: Lord Harrison has not asked a question and I know he is anxious to ask a very quick one but then we have to move on and let Dr Meyer-Landrut go.

Q339 Lord Harrison: My Lord Chairman, I am very conscious that Dr Meyer-Landrut has not gone off the record in this session but I have been trying to divine what he has been saying to us and many of the explanations for why Germany has perhaps gone slower are understandable. I will now foreshorten my question. I wonder if he were to go off the record if what he is really saying to us is it is such a difficult time politically that we cannot advance matters perhaps in the way that we would like and some of the roadblocks that we foresee are removable and there is a future ahead, or does he believe that the roadblocks that have been described of one sort or another are indeed real issues which have got to be tackled in time? I am really asking for any sense of optimism that these matters can be handled in time or are there some real difficulties that might not be capable of resolution?

Dr Meyer-Landrut: (The answer was given off the record)

Chairman: Thank you very much indeed. We have to let you go now but on behalf of the Committee I would like to thank you very, very much indeed for your very clear answers to questions both on the record and off, you have been very interesting. We will send you the transcript of the on the record part of it and please feel free to correct it if you feel that you have not been properly reflected at all. We will send you a copy of our report when it comes out in late November. Thank you again very much indeed for giving so generously of your time and your thoughts.

TUESDAY 17 OCTOBER 2006

Present	Bowness, L Dubs, L Grenfell, L (Chairman) Hannay of Chiswick, L	Harrison, L Marlesford, L Roper, L Thomas of Walliswood, B
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Examination of Witnesses

Witnesses: DR JOCHEN BETHKENHAGEN, Representative of the State of Brandenburg, DR MANFRED FRÜHAUF, Representative of the State of Bavaria, and KARL-THEODOR FREIHERR ZU GUTTENBERG, Foreign Affairs Committee Member, Bundestag, examined.

Q340 Chairman: I think Freiherr von Guttenberg is going to be a little bit late so I think we should start because I know you have other things to do. I would like very much to welcome you both, Dr Bethkenhagen from the State of Brandenburg, and Dr Frūhauf from Bavaria. If you would like to speak in German we will get some assistance from Stephen. May I begin by introducing the Committee to you very briefly. There are eight Members here but we are a Committee of 19 in London. At the moment we are engaged in an inquiry into the future enlargement of the European Union which we began in June. We have taken evidence from a wide variety of people. We have spoken to Olli Rehn and talked to Members of the European Parliament. We had an interesting session with the chief negotiator for Croatia. We have spoken with academics. We are going to Paris next Monday to talk to one or two politicians and officials there. We complete our evidence in Paris and then publish our report towards the end of November. We will send you copies of our report. With your permission we would like this to be on the record, if we may. We will send you a copy of the transcript very shortly after this session. You should feel free to ensure that what you said has been properly reflected. The evidence that you give us will be published as an annex to the report. That is how we are operating and I hope that is satisfactory to you. What we would like to know very much from you, being the representatives of *Länder*, and two very important *Länder*, is to hear something about what your particular *Länder* feel about further enlargement, what is public opinion feeling about it, what has been your experience of the previous enlargements and have they created employment problems. Those are the sorts of issues that we want to get to. Having just come from the Kanzleramt we have an idea of the overall attitudes in Germany and we have heard some very interesting remarks made by Dr Meyer-Landrut. Now we come to the *Länder* level, and you might also be able to tell us a little bit about what the Bundesrat's role in this will be, particularly as we understand that they will be discussing the Bulgaria and Romania Accession Treaties on 24 November. What role does the

Bundesrat play constitutionally in the accession process? We also have one or two more general questions to ask you about the future of enlargement. Perhaps each of you might like to start by giving us a brief opening statement, and then we can invite Members of the Committee to put some questions to you, if that is all right. Should we start with Dr Bethkenhagen? Would you like to make an opening statement to us?

Dr Bethkenhagen: Thank you very much for this honourable invitation. First of all I have to apologise that I have to leave at 12 because I have another appointment. I would like to be very brief. May I start by giving you some impressions concerning the past situation, the experiences of the State of Brandenburg, which is a state which surrounds Berlin and has a long border with Poland, a 250km long border with Poland, so Brandenburg was very much affected by the enlargement process. I think it is very important that you have in mind that this was a process and it was not a big bang as at 1 May 2004. As far as the position of Brandenburg is concerned, one has to distinguish between the government on the one hand and the population on the other. The government of the State of Brandenburg was very much in favour of enlargement because our position was that enlargement would contribute to improving indirectly the situation of the new *Länder* in general and of Brandenburg in particular because within the enlargement process a lot of structural reforms had been started in Poland. Enlargement was the most important impetus for Poland to reform not only its system but to restructure its economy because Poland had to become competitive within the European Union. Poland received a lot of financial means from EU before it became a member of the European Union. Already before enlargement there was a reduction of the customs tariffs between the old and the new Member States a free trade zone was already in existence. Poland has become Brandenburg's most important trading partner. Ten per cent of all exports from Brandenburg currently go to Poland and for Germany as a whole the respective figure is about 2.5 per cent. You can see that due to high exports a lot of jobs are secured in Brandenburg. Despite these facts

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there were a lot of fears amongst the population. The majority of the people in Brandenburg were against enlargement. I think this was mainly because there were some historical prejudices in East Germany and the GDR towards Poland. One has also to have in mind the specific situation of the East German/Polish border. This border is a very specific one because people living in the border region in Poland, and also in Brandenburg, in most cases have no historical roots because the Polish people came from the current Ukraine. This border is also a very sharp language border. There are a lot of prejudices because the GDR government argued Poland is a reform country and they do not work, they only demonstrate. This is something that some people in East Germany still have not forgotten. We have a very high unemployment rate in East Germany, particularly in the border region. In Brandenburg as a whole the unemployment rate is about 17 per cent and in the border region it is about 25 per cent. You can imagine the people on the borders feared that a lot of workers from Poland would compete for their jobs. This was unfounded because we still have transitional regulations concerning the free movement of labour. People from Poland in general still are not allowed to work in Germany unless they get special permission and they can get this special permission if a specific job cannot be filled by a German worker. The fear was that enlargement would reduce jobs in East Germany and Brandenburg but the contrary was the case, the exports to Poland increased and we still have the transitional regulations concerning the free movement of the labour force. Another fear concerned crime. A lot of people feared that people from Poland and Central and Eastern Europe would flood our country, our state, with organised crime, car theft and so on, but the statistics have not justified this fear. After the enlargement, crime in the border region where foreigners from Eastern Europe were participating, went down. This was because co-operation between the police and prosecutors improved under the framework of the European Union. In the meantime, for the people in East Brandenburg, and Brandenburg as a whole, the picture has changed and they recognise that some of their fears were unfounded, there were not the queues on the autobahns and highways, it has become easier to go to Poland. There is a more neutral opinion in Brandenburg but as far as the accession of Bulgaria and Romania is concerned there are still by enlarge the same fears and objections.

Q341 Chairman: Thank you very much. Before we ask questions it would be interesting to hear from the Free State of Bavaria what their views are on the enlargement now because they have concerns and,

although they are near neighbours, they are different from yours. Dr Frühauf, would you like to say something to us about this?

Dr Frühauf: (Through an interpreter) We have a couple of hundred kilometres of common border with the Czech Republic and the decision of the European Union following enlargement was something we welcomed. The concerns of the people were of an economic nature because there is a huge gap between the standard of living of the East Bavarians between Hof and Passau. We did get funds from Chancellor Merkel at the end of last year, about €70 million, and I would suggest I give you a written report about the use of these funds. Our concerns have not materialised however; on the contrary, relations have improved economically and this is mainly because there are old trading paths between Prague and the Bavarian city of Nurnberg. There are strong historical ties in the region between Austria, Slovenia and Hungary, and if you look back to the time of the monarchy, the Hapsburg monarchy, with the ridge of Bavaria as well. Just a few days ago we opened up a new highway between Bavaria and the Czech Republic which will improve trade in our region. The security problems were met by close co-operation between the security staffs of both countries, the Czech Republic and Bavaria. I would like to go on to some more general remarks. There was a fear of overburdening the development because of the GNP of the Member States. This is history now and this week we have important debates on the EU's progress report on Romania and Bulgaria for their accession which the Bundestag will speak about on Thursday. Amongst these new parliamentarians there is a belief that the protection clause within this Treaty should be enforced.

Mr Guttenberg: I have to apologise for being late.

Q342 Chairman: Take a seat and you will be next in line.

Mr Guttenberg: I will do it in English. I will try my best. I was in London last week for a wonderful three days where we met, Lord Roper. I had a rough discussion in accent free German before! Thank you very much for coming over here and giving us the chance to have this discussion. It is at the top of our agenda at the moment because we are debating Romania and Bulgaria tomorrow in the Bundestag. It is a quite delicate issue, as you certainly know. First of all, I am sorry that you have to have an ordinary Bavarian Baron amongst you here but I will try my very best to keep up.

Q343 Lord Dubs: We can handle that!

Mr Guttenberg: You can handle it, yes. I am sure you can. Just ahead of our double presidency, the G8 and the EU Presidencies, the enlargement question is part

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of the ongoing discussion. We are in a situation now where the decision on Romania and Bulgaria has stirred up some emotions again, not only in certain parts of Germany but more or less all over Germany. What are the reasons? There is some feeling of de facto overstretch and also in the minds of the people here in respect of further enlargement of Europe. Everybody is convinced that Romania and Bulgaria are definitely part of Europe and should be part of the European Union. The only question was when and why was it necessary to give them such an early date. That brings us to the question which follows. At this moment there is the new Prime Minister of Macedonia and his Foreign Minister in town and the first thing they asked us was, "When do we get our date for accession?" Our answer at the moment is we cannot give them a clear date now because of the experiences we have had so far, especially with the last two. Many think, and I am among those who think this way, that we have not been strict enough and clear enough with those criteria that we have phrased for the accession process. We have had the experience now with the last 10 at 1 May 2004 and we see there is a certain amount of concern that in some of those countries the amount of enthusiasm towards the European Union is in decline. That is the best euphemism I can find at the moment for that. Those are not all coherent developments, they are very different developments, but looking at Hungary at the moment, at the Czech Republic, at Poland, especially the domestic problems we see there, many of those are somehow related to the European Union and to some expectations which have not been fulfilled to a certain extent. There is a good amount of sensitivity seen over here as neighbours but for us with political responsibility there are those who do think the enlargement process has not ended so far and we do have to think about the framework and how we will shape it in the future. The first and most simple argument is to say we need a pause, we need to take a deep breath now. I think that is one of the things that does not work properly because the world does not wait for a pause, it just keeps moving. That is a simple answer and it is as banal as my first sentence was but we have to confront it in that way. Nevertheless, we take those decisions that have been made so far as decisions that stand firm. That means Croatia and it also means that accession talks have started with Turkey, although you know especially from the CSU that happiness at full Turkish accession is rather limited. That is why we keep talking about later levels and other options. That is why we still keep talking. I am not too happy about the model of a privileged partnership. It is not that I am unhappy with the model because I wrote it, but I am rather unhappy with the phrasing because as soon as we have the two pieces in our mouth the reactions

in Turkey are not the softest ones. They are not soft at all anyway but especially not in that regard. We need to connect the most pressing European questions we have at the moment and the questions we have with our friends in the UK, and I debated them last week: where do we go with the European Constitution, because it is somehow related to the next steps of enlargement, yes or no, and how far do we go with enlargement. Those are two very simple questions and that is where we are right now. I am more than happy to answer any questions.

Q344 Chairman: Thank you very much. That is a good point at which to—using this not very popular word—pause. We have just been with Nikolaus Meyer-Landrut and he certainly would agree with quite a lot of what you have said. He particularly made the point to us that enlargement is a moving process and it is difficult to say there is now going to be a pause because, in fact, things do continue to happen. I know that Dr Bethkenhagen has to leave at 12, so at this stage I would like to ask you if you can address a couple of issues for us. One is, of course, what is the feeling in Brandenburg about Turkey and, secondly, do you have some thoughts on progress on the Constitution or what we do with the Constitution? Are there some express thoughts specific to Brandenburg on that?

Dr Bethkenhagen: I think the deepening and widening of the European Union has to be in parallel and currently this is not the case. We have made a lot of progress on enlargement in the last five years but, as we all know, there is a stagnation as far as the deepening of the European Union is concerned and the Constitution is the most famous example. People in Brandenburg feel a certain resistance concerning the European institutions. Brussels is very far away, people do not love the European Union, the EU is not very sexy, so there is a lot of resistance against enlargement, against the Constitution, but nobody is very specific against enlargement. People are against the EU to a certain extent, they are not very interested in the EU. As far as the elections to the European Parliament were concerned, the participation of the population in Brandenburg was very, very low, less than 30 per cent participated in those elections. If there was a referendum in Brandenburg on the Constitution I do not know whether the majority would vote for the Constitution, I am not sure of that. As far as Turkey is concerned, this is a problem that is far away for the people of Brandenburg but when I said that the majority of the population was against the accession of Romania and Bulgaria, this is the case also for the accession of Turkey. I mentioned in my opening remarks that the majority of the population was also against the accession of Poland but now the situation

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is quite different. I think people fear changes in Europe but if they experience this then these negative consequences they fear will not materialise and they will change their opinion.

Q345 Chairman: Before calling on Lord Roper there is one point I want to make and that is I have noticed in inter-parliamentary meetings that the Poles have been great champions of bringing Ukraine in. I assume that in Brandenburg, since there is a certain fear about Poland coming in, or there was, that the idea of Ukraine coming in would not go down very well?

Dr Bethkenhagen: What happened with Ukraine is a problem which is not so much in the minds of the ordinary people. Traditionally there is also a certain mistrust as far as the population is concerned. May I add some remarks because you mentioned the visit of the Prime Minister of Macedonia and I have just come from a meeting of Prime Minister Platzek with the Prime Minister. Prime Minister Platzek said to the Macedonian Prime Minister that it is currently not a good time to ask for a schedule for the accession of Macedonia because we have the problems that we all know of in the European Union and in one or two years maybe the situation will change and then they could ask for a special date for accession.

Chairman: Dr Meyer-Landrut was very firm on that point about the dangers of setting dates and the disadvantages of doing so.

Q346 Lord Hannay of Chiswick: Could I ask a couple of questions of all three of you if possible. Firstly, on this question of dates my own experience would be that the most important date for an applicant country is the date when you open negotiations and that is a much more legitimate demand than a request to be told when they will join the European Union. It seems to me, and I would like to hear your comments, that whereas the European Union should rightly be more cautious about fixing dates for accession in advance it is really much more damaging if you refuse to set a date for the opening of accession negotiations because that really is a kind of camouflage veto, or anyway a temporal veto. I would be interested to hear your comments on that. The second thing is particularly from the experience you have had in Brandenburg, but also from what we heard about East Bavaria, there does seem to be a paradox emerging which is that if you ask the people whether they are in favour of enlargement, ie if you have a referendum, you will get a negative answer but that if you proceed on what I suppose its critics would call an elitist or top-down approach you will actually be able to persuade them that the balance of advantage is in favour of enlargement. This is a very uncomfortable paradox, it would seem to me, in

modern times, particularly when France has said that it will subject every EU enlargement to a referendum. I certainly would not dream of contradicting your experience which seems to me very interesting.

Dr Bethkenhagen: I agree that this is a paradox but we have to strengthen our efforts to persuade people. We have to argue more and be more active in explaining the advantages of enlargement. There is a great problem in this regarding the media, the newspapers, the television. You will always get negative reports on enlargement. We had a lot of discussions with journalists when we tried to explain to them the positive trade effects of enlargement—10 per cent of the exports from Brandenburg go to Poland—but the journalists said, “Our readers are not interested in this information, they are interested in hearing that one factory closed and opened in Poland. This is what people want to hear”. Bad news is good news. This is our problem.

Mr Guttenberg: That is absolutely unknown in the UK, is it not!

Q347 Baroness Thomas of Walliswood: It is universal, I am afraid.

Dr Bethkenhagen: The European Commission has to be more active in trying to convince people in their information policy. To a certain extent they have learned the lessons but it is difficult still to get financial support from the European Union for special seminars, for information policy, for more active information policy. We have to start in the schools. We have to convince the young people and have a lot more projects with journalists. If we do not want to start negotiating the treaty I agree with you that Turkey is a very good example. We have decided to start the negotiation talks but we all know that the end will not be within the next 10 years. It can be part of a game to start but the negotiation period will take a long time.

Q348 Chairman: Thank you very much indeed.

Mr Guttenberg: Maybe if I could just add a couple of thoughts. I agree with almost everything that has been said. There are parallel aspects that we face in Bavaria. On the first question, on the dates, I could not agree more on the necessity of the distinction you have made. It is more than just a difference to talk about the start of the negotiations and accession as such. Nevertheless, it remains important for us that accession is not the only driving force for internal reforms in those countries. Whatever date we set, it pushes that thought forward even more. Those are arguments we got from our Macedonian friends when they came over here. They said, “This is our driving force” and our answer was, “Give not only to us who are willing to embrace you at the end of the day but to those who are openly sceptical a signal that

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even without such a prospect you will move on with such reforms as you have started". That is one point. The other one is clearly linked to the constitutional process we are in at the moment. I do not think that the current framework we have, and as a footnote I do not think the construct of the Constitutional Treaty we are debating at the moment, will fit into the wider concept of enlargement that we need especially for the rest of the Western Balkans, for instance. This is a discussion that could go on all night and this is an ongoing internal debate we are having here, nevertheless this is always a question we are asked as well as the CDU/CSU. We stand by the Thessaloniki goals and for us in the future the Western Balkans should be part of the European Union but the future is widely defined here and not set by dates. The second point is on the paradox of the different parts of the population. From a Bavarian perspective, in the eastern part of Bavaria I do not see that much of a paradox. If you start at the top level there are many who are sceptical at the moment. If you go to the business level there are many who profit from enlargement but there are many, especially in those areas of Bavaria which are in the strongest competition now, who do not see it too positively. It is tightly intertwined with the question of the second paradox, the sub-level paradox we have, and that is deepening and widening, and this paradox remains unsolved. It remains unsolved by any arguments I have heard so far on the future of Europe, whether they come from the UK, France or our country. Maybe we have to get used to the thought that we will not solve it. The Constitutional Treaty does not solve it either, at least it does not do it properly. You might think I am somebody who is more than sceptical to the Constitutional Treaty, and to parts of it I am but not to the concept as such. In Bavaria if we had a referendum on the Constitutional Treaty under the circumstances we have seen in France it probably would not be a referendum on the Constitutional Treaty but on enlargement as well and the outcome at this moment would probably also be negative. There is only so much open-heartedness we can allow ourselves at the moment. Some of us are quite happy that the French have decided to have a referendum.

Chairman: There are one or two people in Britain who feel the same way. Thank you very much indeed

Q349 Lord Roper: My question was primarily for Brandenburg but I can ask it in a different way as far as Bavaria is concerned. We heard earlier that there are of course quite a number of workers from Eastern Europe who are in Germany as contract workers and even though there is not a free movement of labour there is the possibility to come and work as contract workers, but as well as that there are, are there not, a fair number of illegal workers from new Member

States working in the various *Länders* of the Federal Republic. Is this a serious problem in Bavaria?

Mr Guttenberg: I come from a region which is just in the former triangle of Eastern Germany and Czechoslovakia. It is 40km to the Czech Republic and about 30 or 40km to Saxony or Thuringia. There was an enormous amount of concern after 2004 but also before really. (*The answer was continued off the record*)

Q350 Chairman: Have other colleagues got questions at this point? If not, what I would like to ask you, if I may, is a little bit about the Neighbourhood Policy because you have been very much concerned with this. Could you tell us how you see it being applied, to whom and in particular should there be major changes to it? There have been some criticisms of the way in which the Neighbourhood Policy has worked so far. Have you come forward with something new?

Mr Guttenberg: I do feel there is a willingness in the Chancellery to sufficiently address it during the German Presidencies, at least to offer a bit more of a working concept than the one we have. The working title at the moment is ENP-plus which should offer a bit more flexibility in the respect that you can react more openly to the differences and distinctions you see in the countries which could be involved in such a process. You mentioned Ukraine before and the developments in Ukraine, which are not too comforting at the moment, played a certain role and the necessity has been realised here as well that we have to work on that Neighbourhood Policy, programme, whatever we call it. There is also a certain amount of willingness to intertwine it with those elements we have phrased for a privileged partnership and not to combine it but to take elements out of both parts because one has certain elements, for instance the European Security and Defence Policy, and others are related more to the economic prospects. You know much better than I do about the details now. If you see it from a regional aspect, it is not only focused on Ukraine, it contains a context which goes as wide as those former Soviet states who seek accession to NATO and play a certain role. I could say as a footnote that Georgia is one of the most promising examples at the moment. This brings up other questions also in relation to our relations to the US and Russia. Moldova is another one we are thinking about. Belarus we see as being outside because of the developments that we still need to see there. We are still trying to find sub-levels or later levels for those who are part of the Thessaloniki goals at the moment, but who see themselves in another perspective of accession and there we are back to the Western Balkans. It is an ongoing process at the moment. The Chancellor is acting quite wisely.

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She lets the discussion flow but keeps the coming results held tightly to her chest. I expect that she will probably offer a framework, not at the first summit in March but probably at the 50th anniversary of the Treaty of Rome, so she can overlap a lack of further steps on the constitutional question with any ENP-plus or ENP proposal. This is being discussed at the moment and details are still more than open to any proposal from the other side. We are more than happy to hear any comments from your side. We know that it is not always that easy. I have just one last point on Poland and Ukraine. I see it a bit differently. I still have the impression, maybe not the Kaczynski parts of it because they are not too easy to measure, that the current government in Poland puts more than just emphasis on the fact that they would like to have Ukraine within the EU in the foreseeable future.

Q351 Chairman: That is what we have noticed at a parliamentary level still.

Mr Guttenberg: That is what I have noticed at a governmental level still. We have to keep that in mind, although they are not one of the easiest partners for all of us at the moment.

Dr Frühauf: We have had a big problem in German European policy since the so-called European identity on all questions of enlargement from the political class and our inhabitants. What is this European identity? Is it cultural, economic or social? We have discussions but we have no answers.

Mr Guttenberg: That is a clear problem. It plays a role whenever we talk about the concept of absorption capacity, for instance, and the points which have to fit in there and one is definitely identity. It is not much more than just a word yet.

Q352 Chairman: Absorption capacity is being used as a kind of euphemism for keeping people out. It is a nice phrase which gives you a pillar to lean on, so to speak.

Mr Guttenberg: It keeps the Commission working as well because we asked them to formulate the concept.

Chairman: We will see what they come up with.

Q353 Lord Harrison: May I ask you a specific question about Bavaria that I surmise may be entirely wide of the mark and have no relevance at all. Given the very independence of Bavaria which has always been treasured and in many ways a different system from the rest of Germany, with the enlargement of the European Union, both that which has already happened where we have some smaller states come in but also where we look forward to others coming in who again may be smaller, less strong, independent if you like, economically, socially and culturally than Bavaria already is within Germany, does that

intensify the feeling within Bavaria specifically against enlargement of the European Union and the sense that there are others who are much smaller than Bavaria if you were to count it as an independent land?

Mr Guttenberg: That is an excellent question. I am happy you did not ask whether it raises our temptation for a separatist movement. It does not. Some still have a certain nostalgia for that but it does not. That is a good argument and it is frequently used, not looking at those smaller countries which have been part of the European Union for many decades. Nobody would argue whether Luxembourg should be part of the European Union, and it is definitely not one of the bigger countries. The Baltic States are seen as a complex model, not a single Baltic State. If you talk to the people in Bavaria they do not see the Baltic States as tiny little states, they see the Baltics as one. In my opinion this is accepted. It becomes quite interesting when you talk about Montenegro, for instance, or Kosovo. We are awaiting a decision within the coming months now, and it will be a decision—this is my expectation—that will bring a certain amount of independence, so how do we treat those. That is a fact which raises emotions. People say we have 10 million and if you see us and our little bit of Austria next to us in the middle of Europe, we are very prosperous, very successful and we do not even have one Commissioner in Brussels. We do not count as much as we could in comparison with others. It is part of the discussion but you can keep the discussion very low profile.

Dr Frühauf: I remember in the history of the CSU one Commissioner in Brussels, Peter Schmidhuber.

Q354 Chairman: Do you play an active part in the Committee of the Regions? You can go off the record if you want.

Mr Guttenberg: I keep asking my Scottish friends the same question. Have I answered correctly?

Chairman: Yes, you have.

Q355 Lord Marlesford: In some circles in Britain, perhaps in Germany, there is growing concern at the way in which Putin's Russia is developing and in particular at their apparent desire to re-establish hegemony over some parts of the former Soviet Union. Do you think that this will become, or should become, a factor in the timetable for possible accession of places such as Ukraine?

Mr Guttenberg: It is a factor already. I am going back to the Western Balkans again. The influence of the Russians there is still tremendous. That is probably the wrong adjective. The current debate on Kosovo and the way the Russians treat the matter shows us how they always say it is a prejudice for any questions

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in the Caucasus and in other places. It is an easy argument and it is also an argument which plays into other spheres as well. Russia is probably one of the most complex scenarios we are following at the moment in our foreign affairs debates in Germany. The policy has changed fundamentally. After the last Chancellor we are seeing that there is a much more open approach, especially towards Vladimir Putin. It is not only eye-to-eye talks and then telling the rest of the political spectrum in Berlin that of course we have talked about the fields of friction, of course we have talked about the differences, when of course they probably did not and even if they did it was never part of the open discussion. This has changed because Angela Merkel has clearly addressed those issues whenever she meets him.

Q356 Chairman: In public and at press conferences.
Mr Guttenberg: In public and with witnesses around her. That does not resolve it. One of the things we have to see in Central Europe, but also in the UK, is we do have ties of dependence towards Russia which are not too comforting. One is energy. We are working out strategies which could help us out of these and the alternatives are somehow limited. Just looking at gas fields, the second biggest gas field in the world is in Iran, or we have to cross to the Central Asian states which were former Soviet Union states. The Russian policy becomes very interesting because they have a firm grip on many of those states, or at least they seek a firm grip. Georgia is the latest example but you never know what happens in Afghanistan, you never know what happens in Uzbekistan or Kazakhstan. Those are the ones we need for pipelines and those are the ones we need to resolve our dependency on. The next question will be could we resolve our dependency on nuclear power. I wish we could but that is not only a German debate if I recall correctly. That is where we are right now. That makes it unbelievably difficult to formulate a proper policy towards Russia at the moment. It is quite a strain that we have to resolve these trembling legs. The last seven years have not been too helpful in that regard. It was good to have a relationship, to talk about partnerships, but to talk about strategic partnerships is a bit far gone maybe.

Q357 Chairman: Do you feel comfortable that he is going to the Lahti informal summit or is that going to make things difficult there?

Mr Guttenberg: It depends on the willingness of those who are involved in the summit to speak out openly and not to have a vice versa phenomenon at the end of the day. I do think there is a good chance for our Chancellor to find a balance and, on the other hand, to clearly address the European interests towards Russia and single nation states which might be

involved. One big change we have seen so far is that the last summit of the three—that means Putin, Chirac and Angela Merkel in Compiègne, which was historically quite an interesting place to meet—was more or less the last of such meetings. There may be one more on specific topics but she has tried to break up this very axis that Jacques Chirac has fleshed out and Gerhard Schroeder used to play with. She informed the Baltic States before, she consulted Poland before, she consulted all of those who could feel overwhelmed by such developments. There are good parts but there are many, many paradoxes still open. That is a long answer to a very short question but it shows you how difficult it is for us at the moment.

Q358 Lord Dubs: From what you have been saying I would characterise German public opinion as unenthusiastic about enlargement. Do you think anything is going to change or are we looking at the long-term future when there are certain countries in the pipeline but beyond that the answer is going to be no?

Mr Guttenberg: Unenthusiastic is the mildest word I would use.

Q359 Lord Dubs: I was trying to be diplomatic.

Mr Guttenberg: There is more than just acceptance. To give you just one example of a further enlargement step which is absolutely accepted by a broad majority in Germany, that is Croatia. This is widely accepted. The problem is that the topic of Turkey serves as a stigma for many, many other things which are not that tightly connected to the issue of Turkey as such but it is being used in that way. That is what I see as a problem whenever we talk about the rest of the Western Balkan States because they are somehow mingled with the Turkey problem in the public perception in Germany and we all have to be very careful because it is easy to play a demagogue here on a populist tune. We have a chance to address—I would say within the next 10 to 20 years—the necessity to have the whole Western Balkans within the European Union and to find instruments that work well for the neighbouring countries which leave open at the end of many, many, many days a step in a fundamentally changed European Union, but then we are talking about 20 or 30 years from now. It is much easier to formulate a proper alternative instrument like the privileged partnership if we have more distinct and clear approval of the accession of the other countries we are talking about. This is what I keep telling those who argue with foam in their mouth against accession. I say, “Please accept the differences and approach the single countries as such and not as

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regions". This is what we have to see. (*The answer was continued off the record*)

Q360 Lord Bowness: Just pursuing this European Neighbourhood Policy—plus as I think you described it, which seems to make a good deal of sense, if I may say so, in terms of the countries you are talking about, how successful do you think you would be in getting that past the other Member States who are very keen on their North African connections and seem to me not to want to make the kind of distinction you are talking about? One might look at Italy, France and Spain and say, "They will cause problems". I think possibly many of them caused problems in the UK when the idea that if there were any resources involved they were going to be put into those countries that were not the poorest, and you know it is one of our mantras that we always put money into the poorest countries.

Mr Guttenberg: As I understand it at the moment the discussion is also still open for the Maghreb states. We do have our instruments already and we have had a decision on Morocco, for instance, and other decisions made there. We have our Mediterranean dialogue and so on. There are already levels established but, nevertheless, it is part of the discussion. I was in Paris two weeks ago and they kept pressing their more than obvious interest towards certain countries over there, but not all of them. I do think—this is a personal expectation I have—there would be a certain hierarchy within ENP, ENP-plus or whatever you call it, and the first hierarchy probably fits better to those states eastwards from here than to those in the south because we are back to the cultural level. As soon as the cultural debate begins, giving Turkey as an example, we are discussing it on another level. The French are very cautious there because they see the outcome of their referendum and they see that they should not overstretch the patience of the people in France as an open distraction towards north of Africa. It is easy for them to explain but it is still hard to bind them too tightly. Of course they will reach the voters in their country, that is for sure, but we have seen in Germany how limited this approach was in reaching voters in the context of Turkey and it was not enough to survive.

Q361 Lord Hannay of Chiswick: I was very interested in your quite complex response to the question of relations with Russia. Do you not think that the objective that seems to be being set by the incoming German Presidency of trying to establish a new relationship with Russia and a strategic partnership during the first half of next year is going to be singularly difficult to achieve and very odd timing in a way given the doubts that so many people have about the direction in which Putin's Russia is going?

I am not questioning the fact that we have a lot of mutual interests with Russia but is this going to be an easy moment to define a strategic partnership with a country that appears to be going in the wrong direction? The second question, which you have partly answered but perhaps you could just address it slightly more, is this question of a Neighbourhood Policy or a privileged partnership an alternative to membership or is it what you might call membership neutral, because I think that is a fairly important point which it will not be possible to obscure totally in any discussions? Surely the Neighbourhood Policy is greatly strengthened if it is not put forward as an alternative to membership but as a possibility further down the line of membership. With the Turks the problem seems to me to be really quite severe over the privileged partnership. I do not know what you hear, and I would like to hear your comments, but in my view the Turks will not ever accept privileged partnership. If we reject them they would probably rather the Customs Union plus a bad relationship with the European Union than have the privileged partnership, so I think it may be dead on arrival.

Q362 Chairman: If you wish to go off the record you can, but otherwise you are on the record.

Mr Guttenberg: (*The first part of the answer was given off the record*) The third point, which is important for me and is on the record because I have said it openly, is I do think we have to rethink the wording of privileged partnership because our Turkish friends usually react to the wording. Whenever I describe to them the concept without mentioning the two words "privileged partnership" I see many who say that is at least better than nothing at the end and it is something to debate and discuss. Then I come to the initial part of your question, should the concept be membership neutral yes or no. My party says it is an alternative and it should stay as an alternative, and I do think they have good reasons for that. (*The answer was continued off the record*)

Q363 Baroness Thomas of Walliswood: Continuing your theme.

Mr Guttenberg: (*The answer was stated off the record*) On Russia and the strategic partnership, the strategic partnership was defined by our last government and it will not be at the top of the agenda of the two Presidencies. Of course energy policy will be high up and those who are related to a certain policy towards Russia, but I see the development of a free trade zone with the US as much more pressing for our current government than a free trade zone with Russia or a broadening or widening of a strategic partnership. I know there are other opinions but what is of utmost importance is to re-establish our transatlantic partnership which will not be easy for all of us after 7

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November. I do think that we are getting into a very unhealthy situation there because the populist elements will be remarkable after that. Defining a partnership with Russia is part of the Presidency nevertheless and it is part of our policy, but we will be very, very cautious and careful not to give the impression that Russia is our first priority.

Q364 Chairman: A privileged partnership.

Mr Guttenberg: Our privileged partner, and it is certainly not. It is a partner but not a privileged partner.

Dr Frühauf: We have no special partnership with Russia but we have special instruments to the partnership. In 1978 as a young man I was with the former leader of the CSU, Dr Strauss, in a meeting

with President Brezhnev and Brezhnev said when Germany and Russia have good relations their relations with all the states in the world are good. This is very simple.

Mr Guttenberg: We absolutely agree, we need good relations with Russia, of course we do, but we also see how they are developing right now and they are redefining their foreign policy, they are redefining their place in the world and we have to be critical as well, and that is what we are.

Chairman: I think we should halt there because we are past our deadline. I do want to thank you both very, very warmly for coming and answering our questions so frankly. Thank you both very, very much indeed for being with us, it has been a great privilege to hear your views. We look forward to seeing you again in London. Thank you.

TUESDAY 17 OCTOBER 2006

Present	Bowness, L Dubs, L Grenfell, L (Chairman) Hannay of Chiswick, L	Harrison, L Marlesford, L Roper, L Thomas of Walliswood, B
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Examination of Witnesses

Witnesses: Ms CANAN ATILGAN, Political Consultant for European Affairs, Konrad Adenauer Akademie, Ms BARBARA LIPPERT, Deputy Director of the Institute for European Politics, MR THOMAS SCHILLER, Europe AG of the CDU/CSU Fraktion, (*evidence given in a personal capacity*), MR OLAV GÖHS, Advisor of the CDU on European Affairs, and Ms SABINA WÖLKNER, Desk Officer, (Western Europe/USA), examined.

Q365 Chairman: Good afternoon.

Ms Atilgan: Could I offer a warm welcome to the Konrad Adenauer Foundation. We are honoured that you have chosen to come to us for this conversation and that you are visiting Berlin during a week in which the enlargement question is high on the political agenda. On Thursday we will have the first reading of the ratification law for the EU accession of Romania and Bulgaria. You know especially in the CDU/CSU parliamentary group there are still considerable reservations. Then we have the Turkish question which is likely to dominate the debate in the coming weeks. Before we get deeper into the subject I would like to introduce my German guests who I have invited to this discussion so that you get a broader impression of the German perspective on enlargement and also the mood in the Christian Democratic environment. We have Mrs Barbara Lippert, she is the Deputy Director of the Institute for European Politics. We have my colleague, Sabrina Wölkner, she joined us only a month ago and supervises the Foundation's programme in Western Europe and the US. We have Mr Thomas Schiller who is the voice of the CDU/CSU parliamentary group since he is the advisor to the Sub-Committee for European Affairs. Mr Olav Göhs is representing the CDU and he is in charge of European affairs at the CDU Party. I have been the Co-ordinator for European Policy at the Foundation for almost two years. I would like to give you the floor so that you may address questions which are of particular interest so that we can have a productive discussion. I suggest keeping the discussion as informal as possible so that we have a frank conversation.

Q366 Chairman: Thank you very much indeed. We are delighted to be here to visit you in this very impressive building. I should start by introducing my team and even before that maybe I should say that we would very much like this to be on the record because we are in the process of completing our inquiry which will result in a very substantial report in which we would like to publish as much of the evidence as

possible of the people we meet who give us very valuable views and information. If at any stage anybody from your side feels that they would like to say something that they would prefer to be off the record, if you would indicate that we will be able to make sure that it does not appear in the annex to our report. On the whole we would prefer if everybody could speak on the record so that we can quote you in our report. We are eight Members of the Committee here today. We have a Committee of 19 Members of the House of Lords. In what we call the constellation of European Union Committees in the Lords, that is the Select Committee of which we are Members and the seven sub-committees which deal with separate areas of interest, about 70 Members of the House of Lords are engaged in scrutinising European Union legislation and holding the government to account on how it handles that legislation. That is our constitutional responsibility, but at the same time we also look at the bigger, broader issues such as we are now doing by looking at the future of enlargement and the lessons that we have learned from the past enlargements. As I say, we will publish this report in late November. This is our last but one evidence session. We are going to Paris next Monday where we will meet with a number of people whose views we particularly want to hear, such as former President Giscard d'Estaing and former Prime Minister Édouard Balladur and a number of other people. Then we will complete our report and we will send it to you. We will also send to you not too long after this meeting the transcript of this meeting which is being very ably taken down by Sue on your right. I agree with you that we should try to keep the conversation as informal as possible and give everybody a chance to get their views across. We do have some questions that we would like to put to you all and we have got some specific areas that we would like to try and cover in the course of our meeting with you relating to the big question of future enlargement. Might I start with a question to get the ball rolling? We have had very interesting discussions this morning both at the Kanzleramt and with representatives from Bayern and Brandenburg

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and we had lunch with two senior officials from the Auswaertiges Amt, and therefore we have already got some interesting views. Quite clearly the focus on enlargement during the German Presidency is going to be very considerable. There are some important issues to be faced, not least the whole question of Turkey, which is a burning issue here in Germany, and also we would like to touch on what you feel the Croatians can expect. Is their membership going to be delayed by lack of institutional arrangements that would permit them to come in if they are ready by the end of the decade which most people, including Olli Rehn, seem to think they will be, and certainly the Croatians hope they will be. We have had good conversations with Mr Drobnjak their chief negotiator.. Could you start by telling us two things. First, in your view why is support for enlargement so relatively low in Germany, about 28 per cent according to some opinion polls? Have they not learned something of the advantages and benefits of the previous enlargement? What are their real concerns? Then maybe we could move on to talk about the specific problem of Turkey.

Ms Atilgan: As for public support in Germany, let me just start with the economic concerns because these are the concerns which are of the biggest weight in favour of opposing future enlargement. The economic situation in Germany in the last few years has had, and still has, some difficulties. Together with the competition from the labour force coming from the neighbourhood, the perception of the people is there is a link to enlargement, people come from European neighbouring countries and are competing for jobs. The second one is we have many views on companies moving especially to new Member States in the European Union so that is another loss of, let us say, working opportunities for the German public. Thirdly, I think the opinion of the German public on enlargement is more against Turkish accession than against enlargement in general. Of course there are fears but if you look at the Eurobarometers you will see there is a clear "yes" to Croatia and a clear "yes" to the Balkan States, maybe with the exception of Albania, but when it comes to Turkey we have a big "no" to enlargement. There are other polls indicating if the European Union decides to slow the enlargement process down then the German population would support it. I think we have a number of 70-something per cent saying they would be in favour of enlargement if the process slows down and strict conditionality is kept. We have a discussion still on Romania and Bulgaria where people feel that the accession was decided before both countries fulfilled the criteria. These are the main points for being sceptical.

Mr Schiller: Let me add two more political points. The first one is from parliament's point of view, what people think on the streets and what our

parliamentarians also think in the Bundestag, is we want a greater say on the starting of the process. For example, as Ms Atilgan has said, this week we will have the first reading of the Accession Treaties of Romania and Bulgaria. Parliament can only get involved in enlargement when everything is already negotiated and signed by the governments. People and parliaments think that they are not part of the process from the very beginning and that is something which is seen as being very, very critical. That is why in the German Bundestag we decided to change the procedures of how we control the government on European policy. We have a new agreement with the government concerning the role of the German Parliament in EU affairs. This might be very interesting to you. If you wish, the Foundation or myself can give you information about the new agreements on how the parliament and government deal with European affairs concerning information to be given to the parliament by government and, secondly, how the parliament can control the government effectively in Brussels. That is why we changed it, because there was a feeling that especially linked to enlargement the public and public opinion had the same thinking, that at the very beginning we are not as involved as we would like to be. The second thing is in Germany in general it is very much the economic issue but in Germany, as a founding member of the European Community, inside the population and inside the political parties there is a feeling that we do not want the European Union to have a problem internally because of ever continuing enlargement. We want an institutionally stable European Union. When I talk to the average citizen or people who come to visit the parliament people think that is a critical point, that the actual European Union might be in danger by future enlargements concerning the functioning, procedures, et cetera, so that it will not be effective. It needs to be reformed anyway but if you continue to have further Member States then the process of reforming the European Union will become much more difficult than it is already. That is often a criticism vis-à-vis a very fast enlargement or what is perceived as a fast enlargement.

Q367 Chairman: Without anticipating what we are going to hear from Matthias Wissmann, whom we are about to meet, I am assuming those new powers have gone to his committee?

Mr Schiller: Yes. I am an advisor for the CDU/CSU to the committee. He will explain to you from a member of parliament's point of view and you should ask him and the others on that subject because it will be interesting for you to hear the actual developments in that field.

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Q368 Chairman: Yes, it will be very interesting.

Ms Lippert: I would like to take up Mr Schiller's point on the risk of overstretch. At the level of public opinion this is very much associated with the anticipated Turkish membership in the nearer future, nearer than many politicians tell the people, at least that is the perception. The overstretch view relates more to the very modest "we" feeling which people have towards Turkey. In some respects this is also relevant when we look at other potential candidates. The collective identity, the "we" feeling at the level of the citizens, is not as strong as it was in the 2004 round of enlargement. When you look at the political elite, to some extent they share it but they would also add some sort of disappointment about the most recent enlargement which did not fulfil the expectation that what we call deepening will go hand-in-hand with enlargement. There are some lessons that are going to be taken in the near future and maybe Croatia will be the first victim of this new thinking and this goes along the lines Mr Schiller has mentioned, that there is a claim to have better control over the whole process. The recent enlargement round was perceived as some sort of more or less bureaucratic exercise where Brussels is in the driver's seat and where, in particular, the parliaments can only ratify and not alter what has already been set. There are some initiatives to increase the public awareness of all the implications of enlargement and to my mind that was missing in the past. In a way, the challenge of Turkish membership very much overshadows the whole debate about enlargement and maybe in Germany it is felt deeper that the ratification process could also be a turning point for the whole direction of European integration, so the view that there should be a slowing down of the whole pace of enlargement is widely shared and there is a consensus across political parties in Germany.

Q369 Lord Roper: Does that mean that this ratification in the coming weeks is possibly at risk?

Mr Schiller: Romania and Bulgaria?

Q370 Lord Roper: Yes.

Mr Schiller: No. We have nearly all-party consensus in the German Parliament that ratification will be done. We have the first reading this week and the second reading next week. It will be done very rapidly. You know about all the discussions on 2007 or 2008 and we cannot change the date and this is very disappointing for parliament to be told "take it or leave it" and if you say "no" you have a European policy crisis and if you say "yes" it is some sort of—

Q371 Chairman: Rubber stamp.

Mr Schiller: It is not very good for a parliamentarian to be told "You have to sign it. You cannot change a comma in the text".

Q372 Chairman: Does this go for the Bundesrat as well? They meet on 24 November.

Mr Schiller: The Bundesrat has larger powers concerning interaction with the government at the European policy level because, as you know, we are a federal state and the federal states have more say in policy areas, so the federal government is obliged to interact with the Bundesrat much more strongly—

Q373 Chairman: And earlier.

Mr Schiller: And earlier, yes. Concerning the information that is being given by the government, since the Maastricht Treaty the Bundesrat have had an agreement with the federal government which is far-reaching concerning the information that is given to the *Bundes Länders* by the federal government.

Ms Atilgan: I have another two people to speak, Mrs Wölkner and Olav Göhs.

Ms Wölkner: I just want to add something because there has always been a very sharply drawn line between Germany on the one hand and the new Member States, as one of the biggest supporters of enlargement, on the other hand. Generally speaking, most of the new Member States are in favour of the enlargement process but I do not think it is based on knowledge and interest or a real debate about enlargement consequences. When it comes to the Turkish membership, as far as I know from my research, the debate on the Turkish membership does not play any role in the political debate. When it comes to enlargement policy Ukraine is the most important country and the Poles and also the Hungarians would rather stick to the Ukrainian case than to the Turkish membership. Due to the populist regime we face in Poland, Slovakia and other countries, the moment for an open and intensive enlargement debate there is weakening. These populist governments focus their efforts in tackling negative modernisation effects but are not interested very much in international relations. When we are talking about enlargement policy we have to take this into account.

Q374 Chairman: Thank you very much.

Mr Göhs: If I can add some points. First we see the popularity of the enlargement process having something to do with the economy. The economy is doing much better right now but people have not yet realised that. If the economy is doing better, it translates to more popularity of the government. This mechanism does not work because we have very difficult problems in many fields. For example, we have very big integration problems in Germany, not

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only of foreigners but also of poor badly educated people, who cannot get out of their social benefit situation, of which there is a new discussion right now. The grand coalition is concentrating on improving the economy and also supporting the EU policy of having European projects, to make Europe more popular. Secondly, one of the arguments especially among politicians and of the Christian Democratic Party, is that in the last few years confidence and reliability has weakened because the European Union did not strictly adhere to their own rules, for example to the Stability Pact. Also that the dates, namely 2007 or 2008 with Bulgaria and Romania, were given before the criteria were fully accomplished by the two candidates. Also regarding Turkey, the European Commission said for the first time that the political criteria were sufficiently fulfilled, not fully. We want to re-establish the confidence of the public by making sure in that future the old rules of the European Union are strictly adhered to. This is one of the reasons why we put emphasis on the fact that the grand coalition fully adheres to the Stability Pact, which is not too popular here in Germany. On Croatia and Turkey, we will have a party conference at the end of November and there will be a resolution on the European Union and on foreign policy and there will be one paragraph on enlargement. Croatia is hotly debated because we say generally speaking we want to have a political union and we want to keep that and we do not want to have a second OECD or a second Council of Europe but real political union with the European Union. Therefore, it is very important that the Constitutional Treaty, or at least its constitutional arrangements, is implemented before further enlargement is accepted with the exception of Croatia. On Turkey it will be said in this resolution that we, as the Christian Democrats, think the right solution is to have a kind of privileged partnership but as a government we adhere to the decisions taken by the predecessor government. What we think is critical is that we have a nil solution either, no admittance as a member to the European Union, or a 100 per cent solution, that is full membership. You are going to France next week and they have a new clause in their constitution that there will be a referendum in France on new members so that maybe Turkish membership is unlikely anyway. It may be better to have an interim solution for the next five or 10 years and then to look at the matter again. Until now this has not been acceptable to Turkey.

Ms Atilgan: If there are not any other comments, shall we move deeper into the Turkish issue?

Chairman: Can I just ask if any of my colleagues want to ask questions on what we have heard so far.

Q375 Lord Dubs: I have one question. I think you said that the most recent enlargement had been disappointing, or was regarded as disappointing, and

I think you added the reason was that there had not been any deepening. I wonder if you could just elaborate on that because the enlargement itself could not have been a deepening unless it was a deepening process in parallel with it. I am not quite clear what your criticism is.

Ms Lippert: It is not my criticism.

Q376 Lord Dubs: The one you are quoting.

Ms Lippert: There was the expectation that enlargement would be a vehicle for more deeper reforms. Contrary to that what we now see is a big bang in enlargement since the early 1990s with a near doubling of the Membership of the European Union but we see stagnation, more or less as far as institutional reform or the whole quarrel around the financial framework for the EU to set the right priorities are concerned. Thus we are confronted with a dominance of path dependency while all the rest is changing very radically. That puts on the table the question how can we give new momentum to political union which is, from the German perception if I may say so, still unfinished. If this momentum, this driving force, does not come from the outside, from the challenges all around, where should the source be? We have this notion of Europe of projects, but nobody really believes that there is a mega project in it which could ignite the dynamics, which we had, let us say, around the euro or the single market. This adds to what I would call the strategic deficit in planning for the future which is now the hallmark of the European Union. This is very much linked to enlargement. I see here a disappointment that this did not really work out. Maybe if the ratification process had gone more smoothly then in Germany we would now talk about the next inter-governmental conference to improve the constitution. That is the traditional way of improving things, hoping that the process will go on. The emphasis is very much that the process is far too slow, that it is not deep enough as far as reforms are concerned and that it is out of step with the pace of enlargement too.

Mr Schiller: Let me just add two sentences on that. One could be still more precise. There is, as Mrs Lippert said, the feeling that the enlargement was a disappointment, not as such but there was a lack of deepening and you could say it was because of the failure of the Constitutional Treaty. In Germany, and this is also inter-party consensus, SPD, CDU/CSU, Greens, we all voted for the Constitutional Treaty in the German Bundestag. We had a very broad majority for the Constitutional Treaty but there were the two referenda in France and in the Netherlands and there were Member States, like the United Kingdom, who stopped the ratification process. In Germany that was perceived as we now have an enlarged European Union but the reform

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process is blocked. That is why there is a link between the two. You can name it precisely, the failure of the Constitutional Treaty.

Q377 Lord Roper: On something that Barbara Lippert said talking about the enlargement procedure and in Germany there was a perception that Brussels was in the driving seat, it would appear that there was rather bad explanation about the process of negotiation, and any enlargement is, in fact, a negotiation between the Member States and the candidate, although the Commission has a role. It is not only in Germany this has occurred, it occurred in almost all 15 Member States that most of us failed to explain to our people what was happening and, as somebody said at lunch, they got the impression that it all happened very quickly when in fact it took rather a long time, and if you were a candidate it took a very long time. This perception that Brussels is in the driving seat is, in fact, a mistake and is a result of our failure to explain to our publics what took place. Perhaps it is not, I see Mr Schiller is disagreeing.

Mr Schiller: Not Brussels as equals the Commission but Brussels as equals the civil servants were in the driving seat, civil servants from the Member States and civil servants from Brussels. That was why it was mentioned that one could not communicate the political advantages and political benefits behind enlargement because it was a rather bureaucratic exercise. That is the whole thing.

Q378 Lord Roper: The difficulty is that if you think about the *acquis*, this is the product of years and years of work by civil servants, and it is very difficult to make this very sexy going through it step-by-step. However you do it, even if you say there must be a report to the national parliaments after every particular item has been considered in the negotiations, it is not going to suddenly make it very much more exciting. There is something rather wider that we need to do in order to explain this to our publics, is there not?

Mr Schiller: Let me give you one example. The CDU's view was we initially wanted parliament to have the right, the federal government must come to the parliament before agreeing to the opening of accession negotiations. We do not have that right but that would be a very, very important step towards more politicisation of any enlargement process. Why? Because then as the federal government you have to argue politically and make the case for enlargement and are not only saying afterwards, "We are going to the parliament with the ratification treaty", so, as you rightly said, after 10 years' of negotiations you keep the parliament more or less informed but you are never obliged to look for

political support, only at the end when you give the treaty to the parliament and no parliament can really say no. That is the problem with the referenda in France and The Netherlands afterwards concerning enlargement because people in referenda can say no, but parliament is very much under pressure to ratify any treaty.

Q379 Lord Marlesford: Is it just the CDU who have that position?

Mr Schiller: I have to say this off the record. (The answer was given off the record)

Lord Harrison: I wanted to jump in there because I have wanted to push it one step further. It has been mooted in certain quarters that because of the problems you have described, namely of having the whole process before a parliamentary vote is taken is unfair on those who want to come into the European Union, that there should be an indicative vote or referendum before the process has even begun, but it is also thought to be a method of actually killing dead the applications of certain countries. What view is taken, does it have any currency or is it one that is not going to succeed?

Q380 Chairman: Who has got an answer to that?

Mr Schiller: We are not against enlargement.

Mr Göhs: Generally speaking we are not. I think the most important point was Turkey in that respect. It is no longer possible that the parliament wants to have this clause because of Turkey because killing the Turkish accession negotiations is no longer possible, they are already decided. Maybe with Ukraine there are some considerations but I do not think this is really uppermost in the minds of members of parliament.

Lord Hannay of Chiswick: Listening to your very eloquent explanation of why parliament should have more say at the different stages of the European process, does it not occur to you that if 27 parliaments have that right it will be more difficult to make progress in Europe, not less difficult, than it has been hitherto? You are, in my view quite correctly, complaining that the deepening process is not moving forward. I have a strong feeling, speaking for my own country, that the sort of processes you are proposing would ensure that it would not move forward at all if you were not rather careful. I think one has to balance a little bit the best and the good. If the most important thing is that the European Union should move forward then I think one should be careful because, as you pointed out, and I would like your comment on this, is what the French have done by introducing a referendum process into their constitution is to create an astonishing institutional nonsense whereby 27 countries represented by their democratically elected government and the applicant country have negotiated terms of accession and

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signed a treaty and then the whole process would be stopped because one country's referendum would return a negative result.

Q381 Chairman: Probably on the Constitutional Treaty.

Mr Schiller: The same argument.

Q382 Lord Hannay of Chiswick: Consider what the effects of that would be on the European Union. I cannot help feeling that they would be extremely negative. My own view is that it does not help at all, it is actually a pretty disastrous move because its constitutional implications are very peculiar.

Mr Schiller: First of all, you are right, you can take the same argument for the Constitutional Treaty, and we do. We criticised a lot that one country can stop by referendum a constitutional process which has been agreed upon in a more transparent manner than any other treaty before. It was done by a Convention with representatives from the national parliaments, the European Parliament, the governments, et cetera. This argument is also valuable for the constitution, and I agree. You are right that there is a problem when you ask for more rights on European policy for national parliaments and that is why I said we still need the flexibility of the federal government, or all governments, in Brussels to get compromises between the 27. It is clear that you have to find a balance. Nevertheless, what we need is more political support for European integration. As you said, in Germany we need support for the deepening and continuation of integration in Europe. That is why we think that parliamentarisation of European policy could help to get more transparency into the process, to show citizens that we understand that negotiations behind closed doors is not what people want, they want transparency, especially on very important issues like enlargement. They want these discussions before and not when we ratify the Accession Treaties of Romania and Bulgaria, they want them before. More parliamentarisation there could help to do that in a manner not with referenda where you have the problem that one party can make a campaign, who would gain no seat in the parliament ever, but on a specific topic, for example in France it was seen with the Constitutional Treaty, they would be capable of getting more than 50 per cent of the vote because they do not have to offer, as political parties have to, a package, they can concentrate on one issue. In France it was Turkey, it was globalisation, de-localisation, et cetera, and you can gain in a referendum but not in a parliamentary way. That is why we want to bring the citizens back into the process by parliamentarisation, not by a referendum. We as a party, and I think Mr Göhs will agree,

representing the group in the parliament, and Mr Göhs at the party headquarters, were always against a referendum for this reason. We have no referenda in Germany at a federal level for exactly that reason, because we do not want campaigns on one issue where people can profile themselves with rather simplistic ideas and parties who act for four or five years in parliament who have to deal on compromises and it is always very difficult to argue against those populist campaigners. The result has been seen in France where there was broad consent on the Constitutional Treaty but, nevertheless, it was a "no".

Q383 Chairman: Talking with national parliamentarians, which I do a lot through the medium of COSAC, I find that when they are thinking about getting involved at an earlier stage in the enlargement process they are not thinking so much about wanting to have the right to kill off an accession before it starts, they want to be guaranteed the chance at least to join in the discussion.

Mr Schiller: Exactly.

Q384 Chairman: I very much agree with what you say, that it is through that that you can then at least make an effort, and probably succeed, in making the general public more aware of what is going on. I agree, I am very much in favour of parliaments being involved in early discussions provided that they are not presented with a bill that they are going to vote up or down. They just want to debate the issue at parliamentary level.

Ms Atilgan: We need this not only on the issue of enlargement but any European decision. The politicisation of European affairs is very much needed in order to get more support from the public. We have hardly any debates on European issues in the Bundestag.

Q385 Chairman: The amount of European business that you can debate at parliamentary level would be dictated not so much by the concerns of democracy but by the business managers in the chambers allocating the time for it. The knowledge that they have the right to discuss something is very important to have embedded in the process.

Mr Schiller: In Germany before we believed that reinforcing the European Parliament would bring that parliamentarisation but now we recognise that, for example, most of the debates are still national. That is why the debate should not only be at the European Parliament level. It is there already and it is well done, and the European Parliament has more rights than ever, but people look at Westminster or the Bundestag. It is a problem of the European Parliament that we want to strengthen it and that is

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why we think it is important at the national level that this question comes to debates.

Q386 Lord Roper: Do you really want 27 Danish Market Committees? I know we now have two because the Finns have virtually got a committee like the Danish Market Committee, but 27? If you are not going to have 27 Danish Market Committees it is quite difficult to work out what it is we are talking about. We talk about it too and I do not think we always know exactly how we are going to do it, but it is very difficult to find a way to debate things and “control” things without getting into the situation of 27 Danish Market Committees, and if you have that then the opportunity for compromises to be found in the Council of Ministers is virtually nil. I am sorry to be so brutal.

Mr Schiller: Even our fiercest partisans on more parliamentarisation do not want to follow the Danish example because, as you rightly say, the problem for the Danish negotiator in Brussels is that he can only read one declaration because he is linked to the decision by the Danish Parliament. We do not want that. We want to ensure flexibility for our government in Brussels.

Mr Göhs: The CDU is very much against over-regulation by the European Union and we think that is one of the reasons why Europe is quite unpopular with many people. For the German media this is one of the things by which they can campaign against Europe. We are in favour in the negotiations on the Constitutional Treaty that we have the early warning system to prevent over-regulation. We want to have a new distribution of competences in the European Union. It was seen as one of the weaknesses of the Constitutional Treaty that this was only discussed a few weeks in the Convention and not much was achieved in that respect. According to the principle of subsidiarity we think it would be much better to avoid too many competences at the European level and, excessive degree of regulation, and on the other hand we want European institutions being more effective. This is what we want to achieve: the early warning system, especially for the national parliaments, and also for the Bundesrat, the second chamber.

Q387 Lord Bowness: Would the early warning system have done anything for over-regulation? I thought that was about subsidiarity. If it did not offend against subsidiarity we would not have a locus, would we?

Mr Göhs: In the Constitutional Treaty there is one clause on both subsidiarity and proportionality. We will see how it works in practice but at least it is in the text.

Q388 Chairman: Could I come back to Turkey for one moment. We understand from the Turks, and I think everybody has heard this coming from the Turks, that to them the idea of a privileged partnership is simply anathema, they are not going to buy that. Could you tell us the extent to which Chancellor Merkel is still wedded to the idea of a privileged partnership or is it more nuanced than that?

Ms Atilgan: Since Mrs Merkel has been the Chancellor she has not been talking about the privileged partnership to give the message that she is sticking to the decisions which were taken before. We should not stick to this term of privileged partnership but the idea of having something in-between, which means between association or Neighbourhood Policy and full membership, is still there. This is due to two or three developments. In Europe we do not have a really clear “yes” to Turkish accession. There are diverging opinions among the Member States and a very critical public opinion. The European public in general is very critical of that question and certainly they have problems in Turkey. The pace of reform has slowed down and we know the problems on the Ankara Agreement, et cetera. In this context the idea of having progressive integration or any new integration model is still there without it being discussed publicly.

Q389 Lord Hannay of Chiswick: Is what you are saying that the privileged partnership is both losing its title and morphing into something which is a step along the road to member rather than an alternative to it?

Ms Atilgan: I cannot answer officially on this point but my feeling from the discussion and debate and how it is going on in Germany, especially in the CDU environment, is that they understand that the Turkish are very resistant to this privileged partnership, although there are Turks who would consider discussing it. It seems that the negotiations are about to hit the wall and it could happen that the negotiations will be suspended next year, so the question is what is going to happen then. The CDU pleads for a middle path, so to speak, without sticking to this term of privileged partnership. It could be developed further because the privileged partnership was not a model which had fundamental new incentives for the Turkish side. I think Mr Wissmann has prepared such a model, which is not called privileged partnership anymore, but progressive integration.

Q390 Chairman: Graduated accession.

Ms Atilgan: Yes, exactly. This could be a solution.

Mr Göhs: At the next party conference the CDU will stick to this term but generally speaking you are right. The government has only an agreement for the

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coalition for the next three years and it is obvious that the decision on Turkish membership will not be taken until 2009. Therefore this is a kind of ceasefire, so to speak, and we will see what happens afterwards. We have difficulties in Turkey itself and it will be very, very difficult for Turkey to fulfil their criteria and develop in the right direction. It may be that after the elections in Turkey there will be improvements, but we will see. It is difficult to predict the future. Our argument is to have an interim solution because the European Union has difficulties absorbing such a big country and Turkey will have difficulties in fulfilling all the criteria 100 per cent. If you look at the rights of the minorities or the last speech of the new chief of the army, it is hard to see how it will go on and it would be better to have interim solutions.

Q391 Chairman: Am I right in saying, and please correct me if I am wrong, that if Olli Rehn's famous "train crash" takes place—you said hitting the wall—which it looks as though it well could, is it not fair to say that what he is not saying but that Turkey has no chance later on of picking up the process of accession again, that the wreckage is cleared from the rails and then some new coaches are put on, a new engine, and Turkey takes off again? What in fact happens during that interim period? Are you saying that the middle way would simply keep the prospect alive but that if you offer them an alternative to accession, that is a pretty definitive act because it means that you have abandoned accession and are now thinking of a permanent alternative?

Ms Atilgan: I think an alternative cannot be offered when the Turks do not agree. This can only be taken up if both sides are ready to do that. Hitting the wall, the "train crash", there are already some thoughts on how to deal with it in that case and that means getting the meetings running, to elaborate on how to continue without saying the perspective of accession is completely dead. It means keeping the prospect of accession.

Mr Schiller: Mr Göhs is completely right. First of all you have to look at the interior developments in Turkey and I am very doubtful that they will ever, or at least in 10 or 15 years, reach a stage where we can think about the conclusion of the negotiations. Secondly, look at the European Council decision on accession negotiations with Turkey. When you look at it, the provisions in that, the permanent safeguard, et cetera, this is privileged partnership and nothing else. It is there already. Even if we did drop the notion of privileged partnership they would say, "Okay, the European Union already agreed on a privileged partnership. It was always our idea to have an accession with some exceptions, let us say. We named it privileged partnership because we wanted

something different from full membership, and that is in the European Council decision already".

Q392 Lord Hannay of Chiswick: No, because it has not been decided.

Mr Schiller: Exactly.

Ms Atilgan: Being part of the decision-making process or not is the case.

Mr Schiller: Of course it is not one-to-one because there is another thing. I know a lot of people who are openly in favour of Turkish membership inside the room but all will tell you "never, never, never". From my personal point of view, Turkey is something in the European Union like having an elephant in the room: "Do you see the elephant?" "No", but when they leave the room they say, "Did you see the elephant?" Nobody wants to say it openly and that is why we have had a lot of criticism. The Chancellor, Angela Merkel, said in Ankara as party president she still believes that privileged partnership would be the better alternative for Turkey and the European Union. She added that as the Chancellor she has to stick to what has been agreed under the European Council, and of course she will, but nevertheless I feel that the debate about Turkey is not very honest in a lot of Member States.

Ms Lippert: I cannot speak from a Christian Democrat's point of view, but as an observer I would say that what the Union agreed upon is perhaps a second class membership but it is not a privileged partnership. We do not really know what privileged partnership in substance would really mean. One of the problems is that Turkey already has an interim situation and to offer a more upgraded interim situation is not what they are really looking for. They are looking for a new status, that is the problem. They want membership which translates into equal rights in the decision-making process. I think one should be very honest and say that even under the very complicated conditions of the terms offered to Turkey they will have the right to play their full role and the Court of Justice will never accept permanent discrimination in institutional terms towards a member. To my mind what is underestimated is that Turkish membership, whatever the voting system might be in the Council at that point, will change or put an end to what I would call the triangular leadership inside the European Union.

Q393 Lord Marlesford: Which triangular leadership?

Ms Lippert: UK, France and Germany. With Turkish membership it would be a totally new ball game. We do not have an idea of how decisions would then be pre-cooked and so on. This is something which has to be discussed far more, also in Germany. Integrating Turkey is a special case and challenge and it cannot

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follow the lines and rules as we integrated Poland, maybe. This should be taken into consideration more explicitly.

Ms Wölkner: I wanted to pick up what Mr Schiller said about the not very honest way in which we are dealing with Turkey. I have problems with the double standards of ambivalent notions when it comes to the concept of the European Union. When we are talking about Neighbourhood Policy we are talking about Ukraine but behind the scenes some officials are talking about offering Ukraine in 10 or 15 years some kind of membership but officially the European Neighbourhood Policy is not about membership. If we look at Turkey nobody in France or Germany is thinking about integrating Turkey. Maybe some British believe but here—this is my opinion—nobody really thinks that Turkey will ever be a member of the European Union. We should talk about how important it is for Turkey to know what we want from that country. If not we may be backing anti-reform orientated forces in Turkey itself. , we are then giving an explanation to the anti-reform orientated forces to explain that “The European Union is not honest with us. We said from the beginning it is better not to stick to this idea”.

Chairman: Would you accept the possibility that if Turkey does not become a member of the European Union it could be because in the end they decide that they do not want to become a member of the European Union?

Q394 Lord Dubs: Turkish public opinion might turn so much against it that the Turkish government could not proceed anyway.

Ms Wölkner: We should talk about the issue and how we should prevent that anti-reform orientated force in Turkey which could deteriorate the whole process because they would take it as a reason to block it anyway.

Q395 Lord Hannay of Chiswick: I have to say the more you talk about privileged partnership the more you are feeding the anti-European forces in Turkey, it is quite simple. Every single time a French or German politician opens their mouth on the subject of Turkey it is banner headlines on the front of every Turkish newspaper. It is used by the Nationalist Party, NHP, and other Turkish parties as a reason for attacking the government’s attempt to get into the European Union. You may well be right, and I would not disagree with you, that there is much double talk within the European Union about Turkey’s accession but I am afraid there is a great deal of double talk around this table this afternoon even about what the effect of going down the road you are suggesting

would be on Turkey. When it was said earlier on that perhaps the Turks will not be able to accept all the criteria of membership, remove the residual powers of the general staff and various other difficult issues, you illustrated precisely why keeping accession on the table for Turkey is absolutely crucial. That is the only way we will get them to conduct these reforms which we all wish they would conduct. If we go for something less then of course we are abandoning most of the main objectives of reform in Turkey which we ought to be championing. It has a real cost if you do this. Basically we are cutting them loose and saying, “Because of our own hesitations we are quite happy for you to go and continue in the way you have gone on before and that is fine by us”.

Mr Göhs: You cannot have both. You have to speak truthfully and can not say, “We want to have full membership”. We think that the best solution from the point of view of the CDU is that it would be better to have a privileged partnership. This was said by our Chancellor and even when she was the opposition leader she was the first to say so. You cannot say that we have double standards here. We say we are very interested that Turkey continues these reforms and if you look at the visit of Mrs Merkel to Turkey only a few weeks ago she made a very strong point on economic reforms and she met together with Mr Erdogan, the Prime Minister, religious leaders. She put emphasis on the fact that the reform process must go on. Until 2009 there will not be any decisions taken anyway and afterwards we will see. We should not focus only on Turkey. We have two interests, to have real political integration of the European Union on the one hand and, on the other hand, the stabilisation effects on those countries that are not members of the European Union yet, countries like the Ukraine or the Balkan countries and Eastern European countries beyond Moldova that may become democratic. We should find a solution after the ratification of the Constitutional Treaty, or what follows from it, that we look at those countries that are not able to ratify such a treaty in the long run and for those countries that cannot join the European Union for ten, 15 or 20 years. They may e.g. have a kind of membership without voting rights. This is in my personal opinion of what I am speaking now. We have to look at how we can achieve the stabilisation of those countries that cannot join the European Union for the foreseeable future and, on the other hand, keep the European Union workable.

Q396 Chairman: I am afraid we have come to the end of our time. Would you like to have the last word?

Ms Atilgan: Thank you very much. I have just one sentence on Turkey. If one knows the dynamics in the

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internal Turkish policy then one can understand that it is very, very important to the Turkish reform process to have orientation towards Europe. Europe has a big interest in keeping the door open for maybe 20 or 40 or 100 years, but the door has to be kept open in Europe's interests. This is the mood in Germany now, not to say "no" and not to say a clear "yes". I would like to close at this point. Thank you very much.

Chairman: Thank you on behalf of my Committee. I thank you most warmly for your excellent contributions to this discussion, which have been very helpful and very interesting. We will pay full respect to those remarks you made which you wish to be off the record but you will have a chance to look at the transcript anyway. Thank you so much indeed for your hospitality and for our very interesting discussion. Thank you.

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Present Bowness, L
 Grenfell, L (Chairman)
 Hannay of Chiswick, L
 Harrison, L

Roper, L
 Thomas of Walliswood, B
 Wright of Richmond, L

Examination of Witness

Witness: MR VALÉRY GISCARD D'ESTAING, former President of France, examined.

Q416 Chairman: Mr President, will you permit me to speak in English. Although I would be happy to speak in French, I think I will speak in English for the benefit of some of my colleagues. We are very honoured to see you here. It is very kind of you indeed to take the time to come and meet with this Committee. As I mentioned to you briefly, we are in the process of completing an inquiry into the lessons learned from previous enlargements and the future of enlargement. This we will be publishing in the House of Lords towards the end of November. We began our inquiry in June and we have had extensive discussions with people whose views we needed to seek in order to be able to produce a meaningful report. Naturally we thought of you, Mr President, because of your long and distinguished history, particularly in the field of European affairs. We would be very interested to have some views from you on the state of the enlarged Europe and the future, if any, of further enlargement. We would like as much as possible of this to be on the record because we would like to be able to incorporate your views into the text of our report, but if at any stage you feel that you would like to say something that you would prefer not to be on record, naturally we would be very happy to make sure those views do not appear in print. We will, of course, send you a transcript of the conversation that we will have shortly after this meeting. I wonder whether, Mr President, you would like to begin by making an opening statement before we start a question and answer session.

Mr Giscard d'Estaing: (Through an interpreter) I am not sure how I should address you as a body, should I say my Lords! You have given me the choice of speaking French or English but then you added a remark which means that I now have to speak French. If everything I say is on the record I would not want my English mistakes to be on the record and in the archives of the House! Let me say how delighted I am to meet you all and have this opportunity to meet with you this morning. I think enlargement is an issue which you are reviewing both for the past and for the future, if I am not mistaken, that you are examining past enlargements as well as prospective ones. We have experienced a number of enlargements. There were six of us initially and we were quite happy together and now we have moved

to a situation where there are 25/27 members. I think all of these enlargements were not quite similar. The first few, including, of course, the first one, the one in which there were the UK, Ireland and Denmark, meant there were changes in the policies of your country. I think Ireland, Britain and Denmark could have become maybe founding members, maybe members earlier on, but had not been able to or had they not wanted to. I would say these enlargements were ordinary and fairly easy to manage. Then there were enlargements due to changes in political circumstances in countries that had lived under dictatorships: Greece, Spain and Portugal. These were quite clearly European countries, neighbouring countries, and their political situations precluded them from becoming members earlier. I suppose the special or more specific issue was Greece. It was a bit more of a problem because it did not have a land border with the previous members. It was far away, it was not exactly contiguous. I suppose what was most influential here, and it might surprise you, was the cultural contribution of Greece for the entirety of Europe, after all we always say that Greece is the cradle of our philosophy, of our culture. It would not have been normal for Greece not to be part of it. It is true that a number of our partners were fairly reluctant. Greece was, in fact, an unlikely candidate seen from a German point of view, for instance, in those days. Therefore with Greece, Spain and Portugal we made a grouping of 12 countries. It worked quite well. It could have worked for quite some time but we started to think about institutions because the rules which had been established for six members were already being strained with 12 members. The Commission was becoming a bit too unwieldy, the rotating presidency made it even lengthier between two national presidencies, and as early as those days, the early to mid-eighties, a question on the institutions was raised and there was a first report. Then another two events occurred. First of all, the negotiation with three countries that were members of EFTA who felt they would be better off being inside the EU but they were not terribly excited about becoming members. It was what the Belgians called "the merchant or trading negotiations", I suppose, and that was Finland, Sweden and Austria. Those were quite clearly

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European countries. There was maybe no clear-cut political determination but they had felt that it would make more sense to be inside than out, and that brought us to 15 members. Then we started thinking, of course, of those states that had been under the Soviet yoke that had by that time become independent once again and were probably in sensitive, delicate positions from a political point of view. In those days they were being told that from a political and security point of view they should become EU members and NATO members. These countries were being led by a number of somewhat unsavoury characters, some of them had been Communist leaders and had become democratically elected leaders, and we decided that these countries should be included pretty swiftly. Then there was a sort of race to integrate them because the French and the British upped the ante constantly and said that we should make sure they came in very fast. I must say that was quite strange, after all it had taken about 30 years for all of us countries that got on together, that were fairly similar, to get the European Union running, and here we were telling these poor former Communist countries that within 10 years they would be in. The French and the Germans agreed, and therefore we offered and guaranteed that they would become members. The negotiation was pretty fast, sometimes superficial and not entirely negative. There were reforms conducted and at the same time we had the Maastricht Treaty we were undergoing monetary union and its establishment. This all led a year and a half ago to these countries becoming full members of the EU. We then realised that they were not quite up to scratch, not quite ready, that it was very costly and nobody wanted to foot the bill. Also, the people who wanted to become members were suddenly asking questions of a political nature, there was some kind of a malaise. That was the case in Poland, the Czech Republic and, to a certain extent, it was also true in Hungary, but it was too late. There were two other countries for which we had decided that they would become members but we clearly could not take them on immediately and that was Bulgaria and Romania. It was true that they had a calling to become EU members but clearly were not ready. The European machinery is bizarre. It does not do much but it cannot say no. The Romanians and the Bulgarians should be in. The Romanians speak French, they have something of a Latin tradition, but clearly they are not ready and yet they want to become members. The fact is all these countries are quite clearly European countries. There has been no enlargement beyond European borders. The second point is that it was impossible, we were not in a position to enlarge the EU and at the same time improve our institutions, which means that we are now faced with a great task. The British position is unusual, after all maybe you think it does not really

matter if Europe does not operate quite as well, it just means that integration has stalled, and I suppose the British are less melancholy about it or more sanguine about it than others would be. The Germans will have the Presidency in January and their next Presidency will only be 13 and a half years later, and yet they are amongst the largest countries in the EU. We will have three Baltic commissioners in a very large Commission and only one British commissioner. The intergovernmental negotiation has not managed to deliver this reform of institutions. You may have heard that there were recent talks last week between the EU and Russia. I met with Mr Juncker, the Prime Minister of Luxembourg, and he said this was ridiculous. On the one side there was Putin and there were 25 state representatives on the other side of the table, and each of them said something or wanted to say something, but most of them said pointless, useless or provocative things about Russia, and at the end of the meeting Putin said, "What was the point of this? For as long as Europe is not in a position to develop a common position there is not much point?" If you look at the past, I would probably say that we could not do it very differently, but we probably could and should have done it better. The final result is that we have institutions that are not adapted to what we need. That is my first comment vis-à-vis the past.

Q417 Chairman: Mr President, thank you very much for that very clear exposé of your views on this. President Barroso has said that now is the time for a pause, and that seems to be a view which he shares with a large number of other people, but the question is how are we going to get the institutional changes necessary in order to be able to decide when that pause will end and when maybe we could continue with an accession process for some of the Western Balkan countries? What can be done now to get those institutional changes in place?

Mr Giscard d'Estaing: (Through an interpreter) I am not absolutely certain I understand your question. This pause that Barroso now recommends, and remember that a year ago he was recommending fast enlargement, in October 2005 at the European Council he was very active in pressing for opening negotiations with Turkey, but now he is saying there should be a pause. These are political positions, not institutional ones. The accession process is a negotiation, you may open it or not, but there are no institutional rules why it should be undertaken. I suppose the difficulty is we already have negotiations that have started, negotiations that have started with Croatia and something of a negotiation with Turkey. If I understand what Mr Barroso is saying, after all it is the Commission that is negotiating and therefore I should understand what he is saying, it is that the negotiations will drag on. There might not be a

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formal decision to suspend them but some kind of informal decision to make them drag on.

Chairman: Thank you. Would any of my colleagues like to come in at this point?

Q418 Lord Wright of Richmond: Mr President, can I ask about the free movement of workers. Is this a problem in connection with the latest enlargement? Is it a serious problem in political terms in France?

Mr Giscard d'Estaing: (Through an interpreter) I think this issue clearly shows how paradoxical our attitudes can be in countries favourable to enlargement. Enlargement, for example, accession to the Union, means that you get the basic freedoms: the freedom of circulation; the freedom of trade; the freedom of establishment of companies, and that is all we are talking about. We cannot turn to someone and say, "Yes, we will let you in but you are not getting all these freedoms" and yet that is what a number of countries are doing, Germany for instance. Germany has been introducing fairly stringent clauses restricting workers' movement into Germany. In fact, it is true that these are knee-jerk reactions to the public. In some countries, the Netherlands, Britain or Ireland, there was little unemployment and therefore the attitude was, "We have not got much unemployment, why not let these people come in and it should help and support our economic growth". Then they came in in numbers that were higher than expected. There are those who have lots of unemployment, the Germans and us in France, for instance, with nine or 10% unemployment figures, and therefore we wanted to oppose their entry and yet signed Accession Treaties. I think all that will sort itself out, but, again, the basic rule will be freedom of access to the labour market. The fact is that once you have acceded to the EU there is no reason why you could not develop rules to stifle the freedom of movement. The problem is also that most of our countries have extra European immigration that comes from African countries, Muslim countries, and we have probably reached such figures and such levels that our public has become averse to it, and adding these two forms of immigration, that from Europe and that from outside Europe, will lead to political constraints and difficulties which mean that, indeed, there is opposition to immigration across Europe. Again, to answer your question, I think the basic rule is the freedom of circulation of movement, and I am sure that will be implemented even here in France.

Q419 Chairman: To what extent did fear of further enlargement of the European Union amongst the public play an important part in the "no" vote in the referendum here in France?

Mr Giscard d'Estaing: (Through an interpreter) A significant part. It is true that there are a number of factors which can explain the French "no" in the referendum. Remember that we, in fact, had 54 per cent "no" and 46 per cent "yes", so it is not that big a margin. The "no" came up at a point when the government was very low in the popularity ratings in France. If you ask a question of any voters when the government is unpopular, of course the people will vote against the government. Then there was also this diffuse feeling that Europe was going down the wrong road, that it was initially meant to bring together people who were similar, who looked and felt like each other, did things together and defended the common interest. People seem to understand that it is becoming this massive thing in which there is more diversity than similarity, in which people do not really know what the purpose is, if it is just economic, if there is political determination and if so which it is. Also, there will be, and there was, clear opposition to Turkish accession. That is very strongly felt in France. Striking the balance between these explanatory factors is difficult. If the government had been popular, and if it had taken a clear position vis-à-vis the accession of Turkey, then the referendum result would probably have been positive. It is difficult to express it in terms of figures and relative weight.

Q420 Lord Hannay of Chiswick: Can I ask about the single market. Would your analysis of the successive enlargements, taken together with the Single European Act and the creation of the single market have broadly been positive for all concerned, both the earlier Member States and those coming in? To what extent in France is the debate about the direction of Europe confused with the debate about globalisation?

Mr Giscard d'Estaing: (Through an interpreter) I think no-one in their right mind would challenge the fact that the single market should have been established. No-one is saying we should come back; no-one says that. The latest enlargement was felt by part of our public as establishing a new threat in terms of outsourcing and relocations and jobs. It is true that, when you think about relocating businesses, people think about South East Asia and China but, in fact, all sorts of these companies have been relocating to the Czech Republic or Poland, for instance, and other Eastern European countries because the wages are lower and also because it is fairly easy to access and it is close by. Enlargement is seen as a domestic threat but, in fact, it opens up new possibilities for relocating businesses to the east of Europe. As you rightly point out, there is something of a confusion between this issue and globalisation. If you look at Germany, I think the fairly significant drop in the ratings of the coalition is interesting. I was

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on the plane yesterday and was reading the *Frankfurter Allgemeine Zeitung* and the headline was, “70,000 jobs go in Deutsche Telekom”. When the people see that there are 70,000 job losses people wonder what is going on. You read the article and jobs are relocating to Bulgaria or Romania and other places, so the people understand enlargement as being a threat to their jobs. Because they feel the job market and the labour market is directly influenced by globalisation they confuse both issues. It is not very clear but that is how it goes.

Q421 Chairman: Can we come to the big question of Turkey? Your views on this are certainly very well known and probably very widely shared in this country with the possible exception of the President of the Republic. Can you talk to us a little bit about your concerns about possible Turkish accession in however many decades or whatever it might be, if at all?

Mr Giscard d'Estaing: (Through an interpreter) I would be most interested in hearing your views about this also. For a number of years now I have been trying to draw attention to the absurdity of such a project. I have worked with a number of British leaders, with Tony Blair and with the former Foreign Secretaries, and I must say I was not successful. I also worked with a number of the leaders of the Diplomatic Service in Britain, those who had served here or even with your Permanent Under-Secretary and I felt that even the British diplomats were in favour of this absurd measure. Germany views the issue quite differently. The Germans are opposed to the entry of Turkey but, in fact, they have quite a few Turkish voters. Whenever you have a close election, as was recently the case, one or other of the parties tries to draw Turkish voters to their side and says all sorts of weird and wonderful things to secure that. We have a few Turks here in France but not that many. Most of them are not integrated, most of them come from Germany and are usually in eastern France. They work a lot, they stay in a close-knit community, they do not learn French, and it is a very close-knit and close community. Some people say that Turkey should come and join the EU, but what is this all about? Those who really favour that idea are, in fact, the Americans. In the 1980s American ambassadors across Europe had formal instructions to establish contacts and proceed with *démarches* to government representatives across the EU to convince them that Turkey should accede. Some colleagues from maybe smaller countries were saying that this was unacceptable and that they were being given orders from Washington through their ambassadors. What is the reasoning behind all this? What are the issues at hand? The EU is all about bringing together similar countries that are, in fact, individually too small in today's world to give them

the possibility to put forward their culture, their identity, their interests and their ideas, so it is a very European project bringing together similar European countries. It is true that most European countries, although they are diverse in their languages and their religious expressions, have some very real commonalities, but these commonalities do not go beyond Europe. On the one hand, we have the Maghreb—Morocco, Algeria, Tunisia—on the other hand, we have the Ottoman Empire, or what is left of it—Turkey in the Middle East and then we have the former Russian Empire to the east. Having one country that would be the most populous country in the EU, a country that has almost no territory in Europe, sort of the leftovers of the Balkan borders of the 19th Century, they have about 300 kilometres or whatever of borders with Europe, they have also relocated their capital from Constantinople to Ankara and also they are Muslim. Clearly they are our neighbours, important and close neighbours, like the USA and Russia, and we have to establish decent relations with them, but to say that they should become EU members, that they will, in fact, have more weight in the decision-making process than Britain, for example, that they would also get the rotated presidency, that they will help shape common policies, would mean also that Europe would get a border with Syria, Iraq and Iran and we would have to enforce the security of these borders. Honestly, what is this extravagant idea all about? It is true that the European public did not really look into this issue, apart from France maybe. It may be because we also have a strong Muslim community. I think 10 per cent of our population are Muslims. I think, if I am not mistaken, that is more than you in Britain. Maybe that issue and that fact got people thinking about the possibility of Turkey coming into the EU and thinking how preposterous that was. This line of reasoning is being conducted across Europe and people realise how important this issue is. Even Barroso, for example, was in favour and now he says he is opposed to it in a way. I think we have to be realistic and admit that Turkey will not become a member, but we have to be decent about it. We cannot say, “No, you will not come in”. I think in the meantime, before we get to that point, there will be a number of events. First of all, Turkey will go on leading its life and developing and they will have elections. In the most recent elections we had Muslim parties or Islamist parties, and in each of the elections they have been scoring better than in the previous ones. In our countries immigration issues will become more difficult to handle and more important from a political point of view and the public will become more and more reluctant. Of course we have to make sure that they do not conduct unacceptable excessive behaviour. We have to calm all this down and try and refocus the negotiations on something simple and try

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and define the relationship between the EU and its larger neighbours. I think you will see three easy things emerge. First of all, a free trade area, secondly, the possibility of financial support for development and, thirdly, establishing some kind of political consultation mechanism on the major issues. I think if we do succeed then we will have established mutually satisfactory relations between the EU and Turkey. That is my view. I honestly do not understand why Turkey should become a member.

Q422 Lord Roper: Mr President, you made the point about Turkey being predominantly a Muslim country, so are Albania, Bosnia and possibly Kosovo if it ever becomes an independent state. Do your objections to Muslim countries apply to their membership of the European Union as well?

Mr Giscard d'Estaing: (Through an interpreter) No. These are European countries. The objection against these countries is that they are in a political/military situation or civil war, which is difficult. They are not entirely at peace in the diplomatic area at the moment but there are no objections in principle to their accession. However, you say yourself that if there is no institutional reform there would be seven Yugoslav Commissioners, one who would be British and seven who would be Yugoslav to manage the European Union. That is something which is hardly acceptable or reasonable. For present or future enlargement we need additional reform, that is absolutely key.

Q423 Lord Hannay of Chiswick: I will not cross swords with you on Turkey except, if you will permit me, to make the observation that they may be profoundly Muslim but they are about as profoundly Muslim as our countries are profoundly Christian, they are profoundly secular for which they have followed the excellent example of your country and have a very secular constitution. Leaving that on one side, the alternative that you suggest seems to be unacceptable for the Turks themselves, just as it would have been unacceptable to, I think, most of the other applicants for membership if they had been offered something like that instead of membership. Also, it has another inconvenience as far as the Turks are concerned, they have already got it. They are already in the Customs Union, they already have a consultative arrangement through the institutions of the association which, of course, do not work, and so the attraction to them of the alternative seems to me to be as close to zero as you can get.

Mr Giscard d'Estaing: (Through an interpreter) First of all, you say it is a secular country, you should go there yourself and check that is the case. If you were in Anatolia and if you walked in the small towns of Anatolia you would see that it is not a secular country. There is a secular constitution indeed

imposed by other Turks and also an application guaranteed by the Turkish Army. Their entry into the European Union potentially would mean that the army would have to withdraw from political power. If the army does not guarantee the secular nature of Turkey there will be no secularity left in Turkey. If we push for the implementation of our European democratic laws, we will push secularity out of Turkey. Secondly, you should not say they should accept this solution or refuse that, what about us? Tayyip Erdogan is a perfectly remarkable man but with the changing mood—he was the leader of the Islamic party on a different line, he is a brilliant man—is he going to stay in power and for how long? We do not know that. He played his game and he had a pretty hard line. When he was negotiating by saying Turkey is part and parcel of Europe he sent his daughters to study in the United States and the question was why. I asked him why and he said, “Because in the United States you can go to university wearing a headscarf and I want my daughters to wear a headscarf when they study and this is something that you cannot do in Europe but, of course, when we become a European country we will change that and when we become part of the European Union we are going to change that”. Also, I do not think it is offensive to ask them to increase their presence in the Customs Union, to step up the economic aid, and it would be good if they had a constitution that rendered the political consultations more transparent.

Q424 Lord Wright of Richmond: Mr President, can I ask to what extent the Armenian community, and indeed this proposed legislation on an Armenian genocide denial, is related to public opinion on Turkey or, indeed, your own opinion on Turkey?

Mr Giscard d'Estaing: (Through an interpreter) There is a large Armenian community and they are the Armenians who escaped the massacre. They were Christians. They were located in the Mediterranean area, they looked for shelter and established themselves in the southern part of France. I would be incapable of giving numbers, it is not a considerable number, 200,000 or 300,000 possibly. They are active individuals. They are now French nationals and people of influence who have never forgotten the Armenian genocide. As is the case for all minorities, they will have some clout as voters. In some regions we will have to seek their support. There were two different stages in this affair. First of all, there was the recognition of the Armenian genocide, that was an historical fact. Legislation was passed on the acknowledgment by the Commission of the Armenian Genocide. Legislation acknowledging the presence of a genocide in a country does not serve much purpose but a few months ago there was some more activity around this, maybe this was linked to

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the Turkish issue, and the French left wing party presented draft legislation and it was as follows: whoever would negate the existence of the Armenian genocide could be sanctioned and even threatened with a sentence of imprisonment. In fact, if Voltaire was still of this mad world he would probably turn in his grave! In any case, this piece of legislation was voted by the left for purely electoral reasons because the left is suspected of being in favour of Turkey's accession. This legislation was voted by 132 out of 600 MPs. It is not really representative and will not be adopted, so it is going to disappear by the wayside. It is a limited killing of legislation.

Q425 Chairman: Mr President, you said a little earlier on that an unpopular government would almost certainly lose a referendum, whatever the subject matter was. In light of that, was it wise for France to decide to hold a referendum for each accession after Croatia which carries with it the risk that a country which might have fulfilled all the conditions for entry could be held hostage to one unpopular government in the European Union?

Mr Giscard d'Estaing: (Through an interpreter) It was a proposal from Mr Jacques Chirac, presented to the Republic to try to alleviate the tension mounting against him. He is in favour of Turkey's accession. It is difficult to know why exactly he is in favour of it. I think this is probably part of a reasoning that other people share. The idea is that we have to show that Europe is able to accept a Muslim country; that is the idea. That is obviously not the subject, but he is in favour of Turkey's accession. Public opinion knew that he was in favour of Turkey's accession and was against his attitude, so in order to alleviate the tension mounting against him he presented a proposal and said, "After Croatia—because Croatia is already in the pipeline—all other enlargements will have to be submitted to a referendum". This measure was adopted and is now part of the constitution, which means that it would be difficult to change it in the future. It is likely that the referendum would lead to negative results, for Turkey certainly, for the others maybe not. The situation might be different for other countries, but this provision cannot be changed. The Socialist candidate, she is not yet officially a candidate, takes a rather strange position when it comes to the enlargement of Turkey. She says, "It will be the French citizens who will decide on this and I will agree with their decision". In fact, she said that but she did not answer the question really. The referendum could also take place on the Accession Treaty, so the Accession Treaty will have to be negotiated first. This negotiation will have to be based on unanimity, so we could have an Accession Treaty which will give others this agreement of the French Government and other governments as well. It is a rather strange process but it means that you

have to negotiate until the end; you approve the Accession Treaty and then the EU approaches the voters and the voters say "no". I think legally and politically this is a rather strange situation.

Q426 Lord Harrison: Mr President, I would like to invite you to speculate about the future French elections, both presidential and parliamentary, not necessarily about the results, although that would be very interesting to hear from you, but about the kinds of opportunities that would then arise for a new president and a new legislature as a result of having had those elections as far as the European Union constitution is concerned. Do you think, for example, Mr Sarkozy's idea of having a mini-treaty, identifying those areas that might be capable of being pushed forward, possibly not even with a referendum, would be a runner?

Mr Giscard d'Estaing: (Through an interpreter) First of all, it is likely that the European issue will not be at the heart of the French electoral discussions. In fact, it is a major subject but public opinion's attention will be focused on two things: the social economic situation, how can we improve the situation, and security or safety and immigration, how can we also improve the situation there. These are probably the two areas on which public opinion will be concentrated. The European issue is at stake here especially because we are going to have a German chairmanship and our elections are going to take place during the German Presidency. They have the position, they want the constitution to be ratified and they want to establish a timeline to ratify the constitution. Of course they do not want to contradict what we are going to be saying during our electoral campaign. Mr Sarkozy, whom I often meet with, has not had a complete European experience yet. He has never sat on or been a member of any European institution, yet, as you know, Europe is like a church. You belong to Europe, it is your calling to be in Europe as it would be if you were going to a certain church. If you do not have a church you do not know the language or the rituals. He has said things in the past that he thought were right but they were meaningless in the European context. For example, he said that Europe could be led by the six leading countries, which is unacceptable. There are 25 countries in the European Union and the rule is unanimity, not majority. If we say there are six who will lead, then that is not possible, it would not work. He also said in the constitution that we should take the good points and draw up a mini-treaty that could then be ratified. The idea is fair enough, but it is not accurate. There are four parts in the constitution, as you know very well, but let me remind you again, the British Government has signed this constitution. I was in Rome and I saw Mr Blair and his Foreign Minister, they signed the constitution and that is

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something you know very well. In the constitution there are four parts, and when I went to Thessaloniki in June of 2003 we presented only two parts. That is what Sarkozy calls it, but it is not a mini constitution. The third part deals with the existing treaties, slightly updated, but there are minor changes and updates on it. Why should they be included in the constitution? Because you will have the new as well as the previous legal text and that could add some confusion. The fourth part is also important to the transitional measures of the schedule, et cetera. What he meant to say was if you want to vote again or take another vote we should vote on the first two parts, we do not really need the third part of it because we could adopt a softer procedure for the remaining part. We will see. If it is the right that is elected they will deal with this topic in July 2007 and they will grapple with this problem. I do not know if you are going to meet with Laurent Fabius but he is in favour of saying no to the Treaty. Right now he is not very successful from a political standpoint, he does not have any strong support. He decided to vote no and that was a tactical choice in his case. He felt they would never differentiate him from the others. It did not work. Since we are going to be voting four times, twice for the presidential elections and twice for the legislative elections in May and June respectively, will the French people want to vote a fifth time for the Treaty or not? If the form is right and if they were told that parliament is going to finalise the text they would be happy with the situation and consider that it is a simple procedure. It is a bit early and a bit premature to answer that question. If the right gets elected there will be an adoption of the Treaty at the beginning of the summer, in other words July 2007 would be the target date. I do not think it should be a difficult process because the political power will have changed by then and people will have understood that the constitution, the first two parts, will be criticised if it is the left wing that gets elected. It is funny how people get elected, they push for one popular small majority in other countries as well. In France if the left gets elected it will be by a very small margin as well, which is extraordinary. The left will not be in a position to define a consistent European policy in the very near future because Mrs Ségolène Royal or Mr Dominique Strauss-Kahn, for that matter, are in favour of the Treaty and in favour of the European Union in general. In their political majority they have maybe 15% of extremists who are highly hostile to the Union and since they will win by a very small majority it will be very difficult for them to launch a significant movement. In that case it will take longer.

Q427 Chairman: Mr President, about five years ago this Committee invited the German Ambassador in London to come to talk to the Committee—and I do

not exactly recall the subject—and he said he was very willing to come but he would only do it if he could bring the French Ambassador with him, so Daniel Bernard came as well. The Chairman of the Committee, my predecessor, said at the beginning of the meeting, “To see the two of you sitting there together shows that 100 years of British foreign policy now lies in ruins!”. Can you talk to us a little bit about how you see the Franco-German relationship now?

Mr Giscard d'Estaing: (Through an interpreter) I was in Germany yesterday or the day before and I was covered in compliments; it is not a big surprise! I went to the city of my birth in Koblenz. My parents were part of the Franco-Belgian occupation of the Ruhr area. The French were established there between 1923 and 1929 to force the Germans, without success by the way, to pay for the compensation on money under the Treaty of Versailles; it did not lead to any positive result. There is something which you probably have a hard time realising, something which is very strange, which is the very strong degree of rapprochement between France and Germany. When I was very young the enemy was Germany. I participated at the end of the War against the Germans and we became intimate friends, we became brothers and sisters and that is very strange. It could have happened with Great Britain but it did not. We have interesting and close ties but we did not engage in anything at all and did not become brothers or sisters. This is now the current situation. We are talking about 140 million people, we are talking about one-third of the European GDP and we do not have any major disagreements. Sometimes we disagree but there are no major disagreements between us. Whatever the political party is, it could be PS or SPD, any party, we keep these close ties no matter what, it is a given. There was an idea that it was irritating for the British that the French and the Germans thought they should be leading Europe. We consider that, in fact, it is the whole Union that should give its opinion but, in any case, the Franco-German ensemble will remain very strong and consistent across the border no matter what happens. In a small Europe and a big Europe this partnership is strong and it will stay strong. There will be historians, psychologists and sociologists who in the future will look at why such strong ties were established between France and Germany. I must say, I have great admiration for Great Britain, for its institutions, for its brilliant role and the part it has played in the world over the last century, but when we look at international bodies we are automatically very close to the Germans and we have common positions.

Chairman: Mr President, I am afraid our time is up. On behalf of the Committee, may I thank you very warmly indeed for speaking with us around this table.

*23 October 2006*Mr Valéry Giscard d'Estaing

It has been very useful for us and gives us a better understanding of the views here in your country. We deeply appreciate it. We will send you a copy of the

transcript and, of course, a copy of the report when it is published in November. In the meantime, we thank you warmly for your presence here.

MONDAY 23 OCTOBER 2006

Present Bowness, L.
 Grenfell, L. (Chairman)
 Hannay of Chiswick, L.
 Harrison, L.

Roper, L.
 Thomas of Walliswood, B.
 Wright of Richmond, L.

Examination of Witness

Witness: MR ÉDOUARD BALLADUR, Former Prime Minister and current Chairman of the Foreign Affairs Committee of the Assemblée Nationale, examined.

Q428 Chairman: Good morning, Mr Prime Minister. Can I firstly thank you very much indeed for agreeing to meet with us today. Would you like to make an opening statement?

Mr Balladur: (Through an interpreter) Yes. Thank you very much. You will be conducting a number of missions across Europe and that is exactly what I intend to focus on. Of course I would not want to delve into French domestic policies because I do not intend to look into these on the record. What I suggest I can do, if it is agreeable with you, is tell you in a few short words what I feel is the future of Europe, and I suggest that we look at what might re-launch enlargement negotiations. I recently produced an opus in French, we have a few copies. I must say that it has not been translated into English yet, so if you would allow me a moment to tell you a few things about Europe. These are practicalities that I have found. Europe is clearly in crisis, everybody has noticed that. There is a crisis in Europe because no one knows exactly what Europe should be in the future, should we only focus on a broad market or should we have a strong European political organisation with diplomatic, military and monetary institutions. The fact is we do not know what we are after, and therefore we have undertaken a number of successive enlargements which have led to a further expansion of the paralysis of Europe and made it all the more complicated and impossible to make decisions across Europe. I may be responsible for a share of this because I did serve as a Prime Minister under co-habitation of government and we discussed the entry of 10 new members. I remember in Copenhagen we set a number of criteria, and in those days I did not manage to convince my colleagues to look at institutions first before we looked at expanding Europe. The result of all this is there are now 27 members and whenever there is a very formal and important issue we almost never succeed in reaching an agreement, which basically means the status quo is reigning supreme. What, in my view, is the great mistake and flaws of the institutions across Europe? I think the institutions themselves make it difficult to make any decisions. Why so? Because we have a unanimity rule in a number of fields and also because there is another principle, and I think that

you, Britain, would understand that. What we are talking about here is the absolute equality between states, whatever the size, population, economic weight or so of the country, which, in fact, is quite unrealistic. That means in Europe we have a Maltese Commissioner—and I agree with the fact that Malta is quite important—but he represents only 400,000 inhabitants, and one German Commissioner who represents 80 million Germans. I know commissioners do not represent their own countries but represent the interest and the greater good of Europe as a whole, but we all know that is just window dressing and that commissioners are always interested in promoting the interests of the countries that sent them to Brussels, that only makes sense. That leads to paralysis in Europe. I think the question is what are we after. There were initially two understandings of Europe, the British understanding and the continental understanding, the so-called Franco-German understanding of what Europe was. In the Franco-German understanding of Europe, Europe was meant to be an organisation with a very strong content, including a political content. Contrary to what people think, it was, in fact, what General de Gaulle thought. He wanted to have a strongly constituted Europe and the implied meaning was, of course, that it was to counterbalance the US. There were other countries that looked at the British understanding in which Europe was a trading area, a large market, a Customs Union, without any strong contents on decisions. With the benefit of hindsight, maybe the British were right. It is true that over time and with enlargements the decision aspect of Europe has, in fact, dwindled and disappeared, so much so that Europe nowadays is more than anything else a great market, a Customs Union, with a handful of common policies and, of course, it is always very difficult to agree these common policies. I am referring here to the budget debate that we had a few months ago. Also, it seems that there is going to be a similar debate on the Common Agricultural Policy. Indeed, France wants to preserve it and other countries want to do away with it. What understanding of Europe should we have? This might be a lengthy introduction but I will come to enlargement which I think is the heart of your survey.

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If Europe was only a broad market, a large market, there could be more than 27 members. There could be 30 or 37 and we could have countries from the Balkans, Turkey, the Ukraine, even Morocco or Israel. We would have this large market similar to other markets that are being set up in the western hemisphere and also in Asia, focusing around China first and then possibly around India soon. That would be a perfectly valid understanding. However, we have to understand that this trading Europe, this commercial Europe, would necessarily have far fewer common policies than today in terms of investment, research, agriculture or industry. Such a Europe would negotiate trade negotiations at a global level because indeed such a Europe and trade in Europe would require a common policy on this issue. The question of whether we need to have majority voting or unanimity would be far less controversial and far less political. I know, of course, there are some very real national interests which underpin the trade policy, but I think we all agree that the trade policy should be defined by the EU but that social and tax issues should be settled through unanimity, for example each country has a veto. If we had a Europe that was mainly focused on being a market with a handful of political principles, for example, having a number of civilisations or political values, in that respect I think Europe could expand much further and without any difficulty. I think we would, however, make sure that a number of countries across Europe who would want to go further could establish stronger, deeper co-operation. This possibility already exists. We have Schengen, for example, where we have security co-operation with 13 countries, is it. Then there is the euro area, the monetary union bringing together 12 and soon 13 countries. We also have military co-operation which basically brings together France, Britain and Germany. I do not think over and beyond this 30 or 35 member Europe a constant handful of countries should always go further. Why not? Because I feel it is perfectly normal and valid for Britain to be part of this enhanced military co-operation but, as we all know, Britain is determined not to come into the euro area. If we were to say that there should be a hard core of European countries working on military and monetary issues, for instance, then Britain would not be in that and that would be most unfortunate. It makes more sense to have a series of groupings where reinforced co-operation can be conducted on military, monetary or security issues, for instance. If it were to be that understanding of Europe which prevailed then we would have to make sure that we reviewed the relationship between states to make sure that decisions could be made. In that respect, I feel it would not make sense not to take account of the populations of these countries. Do not think I am fixated on one or another country, but I see in the

European Parliament, for example, that a German MEP represents 800,000 voters, whereas representatives of the smaller countries would represent 80,000 voters. I am not saying that we have to have absolute equality, but such differences will be difficult to bear much longer. We would have—and, again, I am using the hypothetical because nobody really wants to discuss this—to negotiate with the smaller countries. The fact is nobody discusses this today and it is sure that most small countries would oppose such a reform. Even if you refuse to look issues in the face sometimes these issues arise all the same, which means that we could increase Qualified Majority Voting with 30 or 35 members. What about in these more specialised groupings on monetary or military issues? I think in those instances there has to be no outright rule, we have to settle these issues individually. Look at military issues, for example, we, France and Britain, disagreed on Iraq. I am not talking about public opinion here, I am talking about the governments. We had arguments that could have swayed the decisions either way. Britain came to the conclusion that it had to be involved in the military operation as conducted under the Americans and the French decided that they should not, rightly or wrongly so. If we had very strong and very intense military co-operation we could not have majority voting. I do not think anyone across Europe would agree to send its armed forces against the government's will. Whether it might happen in 30, 50 or 60 years I do not know, but the fact is today that would not happen and, therefore, we need to have unanimity on military issues. On monetary issues there is more flexibility in Europe. Again, I am sure I have taken far too much time to present my introduction, but I would like to conclude by saying that the issues at hand on enlargement are different, whether you keep the current institutions or amend them. I think as long as we have not changed our institutions—and I cannot quite see that will happen very soon—we have to be wise and stop enlarging. We cannot increase our numbers until our institutions are adapted. I know there are a number of proposals, I tabled a proposal, and people said, "Why do we not start by appointing a president of the Council for two and a half years rather than having a six-monthly rotating presidency which prevents Europe from having a clear identification?" I believe you will be publishing your results, will you not, and sometimes we must admit that some people who end up heading Europe are perfectly respectable but have not got quite the historical background which would warrant them being in that position. Basically, in a nutshell, I would say that given the current circumstances, further enlargements in the immediate future would not be sensible and would increase the paralysis. Therefore, we have to modify and amend the institutions in Europe and have more

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flexibility so we can have two sorts of Europe, on the one hand a trading Europe, a commercial Europe, and within that smaller, more intense working groups of European countries.

Q429 Chairman: Thank you, Mr Prime Minister. Can I put the questions to you in English?

Mr Balladur: (Through an interpreter) Of course.

Q430 Chairman: First of all, can I tell you how very pleased we are that you have given us this time to be with us. I should tell you that the inquiry we are conducting started in June and we will conclude with the evidence we hear today. We will publish the report in the third week of November and we will certainly be sending you a copy. In the meantime, we will also send you a copy of a transcript of this meeting so that you can satisfy yourself that we have properly reflected your words. If you feel they need to be altered, of course that is your privilege. If in the course of our meeting this morning there is anything which you feel you want to say which you would prefer to keep off the record, if you would so indicate we will be sure not to publish it in our report. Mr President, can I begin by saying that I read with great interest your book *L'Europe Autrement* which raises some very interesting questions. We are very interested in this idea of what you call the “troisième cercle”. You suggest in your book that the privileged partnership should be a stage through which all neighbouring countries should pass, whether they seek membership or not, and that to become a privileged partner does not guarantee them membership. I hope I have understood correctly what you have said in your book. Therefore, let me put this question to you. You speak in your book of the “long pause” and you have just reiterated that in your remarks to us. Very specifically, would you see Croatia as being a country that could come in before the end of this decade because you speak of a pause of at least 10 years? Would you see Croatia as being a country that ought, if it meets all the conditions, to be allowed to join the European Union by the end of this decade, say?

Mr Balladur: (Through an interpreter) I must say it is slightly difficult for me to answer that question. I do not wish to examine individual countries successively, that would force us to pass judgment on their degree of readiness and preparedness and also their ability to endorse our values. Croatia is a perfectly respectable country, like all other candidates. If we assume that my analysis is right, for example, if our institutions are not in a position to operate with 25 or 27 members, I think it would be irresponsible to go on increasing membership of the Union unless we were to establish privileged co-operations which would give almost the same advantages, for example, on financial aspects. These

privileged co-operations might be able to prepare these countries for final accession. I think that is the way I would deal with Croatia, the Western Balkans, Turkey, the Ukraine or others. I think you were quite right in mentioning that what I propose in my opus is that no one should have an automatic right to become a member, even though this country may enjoy privileged partnership. For some it would be like an apprenticeship before full membership, for others it would be a final position in a way. I must say the best way to do away with the controversy, the passion and the emotion of the debate on enlargement, for example, a political debate—after all politics are not always rational—is to modify the institutions. If the institutions had been completely changed we would examine these questions with less controversy and less arrogance. After all, what are we really talking about? We are talking about material financial interests and we are talking about security interests, more specifically for those countries in Eastern Europe. Of course for those countries membership of NATO is more important and more pressing than membership of the EU. The underpinning principle is something even more emotional or sentimental in a way, this sense that if we reject a membership application the applicants feel that we feel they are not worthy of acceding, and that is precisely why it is political. If you move to an understanding of Europe similar to what I suggest then you can be more relaxed about debating these issues with applicant countries. Let me give you an example. There is another issue which is very controversial, an issue on which we have diverging views, and that is Turkey. British diplomacy and American diplomacy are very favourable to Turkish accession for broader policy issues and military issues. Turkey is a major member of the Atlantic Alliance and therefore the US and Britain feel that Turkey should become a member of Europe. If my understanding of Europe were to prevail, if the basic common Europe was just a trading relationship, then Turkey would indeed, and of course, have a right to be there. Then when I move on to specialised working groups, specialised circles, shall I say, if we were to have one on military issues, then Turkey, being a significant member of NATO, would also be justified in being there. It would not necessarily mean that Turkey would have a normal right to be there on justice and home affairs or on monetary issues. Basically, my understanding of Europe is a way of going beyond controversy and emotion, but apparently nobody has really admitted that. However, I have noticed that over the last few months a number of officials have said that you cannot go on expanding Europe without settling the institutional issues and I understand that President Barroso and others have recently said so. As for the French Government, the position was more nuanced,

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more subtle. We have mentioned here in France the “absorption capacity”, whatever that may be. Is it an economic or financial issue or is it something more political? That is something we could talk about. I think that is my answer, my Lord Chairman.

Q431 Lord Wright of Richmond: Can I ask you a question about public opinion and, perhaps, particularly parliamentary opinion? How far has there been a change in France’s historical attachment to a politically integrated Europe? How far is opposition to enlargement because public opinion sees it as widening Europe rather than deepening Europe?

Mr Balladur: (Through an interpreter) I do not know if public opinion is wondering about this issue. I do not know if public opinion would go for widening first or for deepening, it is a very old discussion. I remember some 30 years ago I was working with President Pompidou, as the Deputy Secretary General of the Elysée when Great Britain became a member of Europe under the authority of Mr Edward Heath. At the time there were six Member States in Europe and we wanted to include three new members, but what was important was to integrate Great Britain. There was already the problem of widening versus deepening. What did we do at the time? We widened but did not deepen Europe and then we brought Greece into the picture. We widened again and did not deepen and then it was Portugal, Spain and others. I think the question is of a different nature, and here I would like to ask you to read the report on this because it is a rather tricky issue. I will have to look at this very carefully. I think the problem is more serious and more tricky than that. People are worried about the future, but I am talking here about French public opinion. They are worried and concerned about this wide opening towards the rest of the world. Our tradition is not the same as yours. In Great Britain you are used to exchanges across the world, we are not here, and there is a fear of globalisation in public opinion. In France this has led to a fear of Europe which is considered as the corridor leading to globalisation. Do you remember this ridiculous business about the Polish plumber? I think it is mainly a fear of the future on the part of the French. Why did the French say “no” to the question that was asked by the referendum regarding the Treaty? Because they got the feeling that there were some threats over their heads, and it was not at all because they considered that Europe was going to be widened, that was not the problem or the issue. It was not because they thought that Europe should be deepened, I would beg to say the exact opposite. In fact, there is a topic which is discussed in public opinion today which is the presence of Brussels bureaucracy and the threats that it entails. It is a national reflex that we have to withdraw and be

afraid of what the future has in store for us. It may be partly justified because, indeed, there is a lot of bureaucracy in Brussels. It is often criticised, and it is true that Brussels tends to put its nose in many areas, but I do not think that is at the heart of this issue. I also feel guilty about things of the past. In the past, when in Copenhagen we decided to start looking into widening the Union to 10 new Member States, maybe I did not do what was needed at the time, but I think the question is now settled. Any new enlargement would be irresponsible in the current state of the European institutions. That is really the gist of my approach. Let me repeat this. If we are moving towards a different approach to Europe, do not push me to say I do not think it was the Brits that were right 35 years ago when they said that Europe should first and foremost be a large market, maybe it might have been more prudent to take this stance. We could still have gone further and increased our co-operation on military issues between the Brits, the Germans and the French mainly, but that is not the avenue we chose some 35 or 40 years ago and maybe we have to take a new avenue now.

Q432 Lord Bowness: Mr President, when we were in Germany last week witnesses spoke about the European Neighbourhood Policy-plus for eastern neighbours, such as the Ukraine, as an alternative to membership at least in the foreseeable future. This would draw a distinction between the eastern neighbours and the countries which are currently part of the European Neighbourhood Policy, notably North Africa. I wonder what your view of the proposal, which I think is going to come forward in the German Presidency, is?

Mr Balladur: (Through and interpreter) You are talking about the proposal on the Ukraine particularly or generally?

Q433 Lord Bowness: Not the Ukraine particularly, I gave that as an example of a country to the east. It appeared that witnesses were suggesting that the enhanced Neighbourhood Policy or ENP-plus would apply drawing a distinction between the countries which are also currently in the present policy.

Mr Balladur: (Through and interpreter) I am perfectly in favour of this ENP-plus policy. It is a much more flexible attitude and it is a forward-looking attitude, as the President recalled earlier on. I say for some it should be a stage towards full membership and for others a final stage. In other words, it would not go further than that. This can also apply to other countries as well. In France we look very carefully at everything to do with the Maghreb countries, Tunisia, Morocco, Algeria, and others look at Israel with a very keen interest. We very well imagine that there are very close associations or privileged partnership policies with

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all of these countries. From your question, my Lord, I infer that you are asking the question can we draw a distinction between eastern countries, some of which have already entered, Poland and soon Bulgaria and Romania, and others that would like to become part of the Union and we would tell them, “No, you cannot be members”, but we have this neighbourhood policy. What do all these countries have in common? Well, they were all under Soviet domination and they are in economic states which are pretty similar. In other words, they are lagging behind the general economic state of the rest of the Union, but there are not very strong links between the Poles, the Ukrainians or the Bulgarians. I think we are perfectly justified in trying to solve issues in a different fashion from one country to the next without feeling that we have to respond in a certain way because in the past there was a precedent and we had a certain stance vis-à-vis countries that applied for membership earlier on. Regarding the principle, I perfectly agree with the idea of the ENP-plus approach, I even suggested it in my book. I think it is a flexible way forward. It is a way of meeting a number of difficulties in a flexible fashion. There are countries that argue, “Okay, promises were made to us”, and it is true that promises were made. For Turkey, it goes back to 1963 when the first promises were made, but it was a time when it was not the European Union but was the European Economic Community. At that time Europe was mainly an economic area; today Europe has taken on a different aspect. It has become a community of civilisations, of common principles, it has become a more political entity. I think privileged co-operation is a way of streamlining this issue and eliminating all passion from this discussion. I am always very surprised by the great deal of passion which goes into political discussions. Of course it is inevitable, we are not totally objective human beings, we have feelings and passions, but, generally speaking, we do not need passionate discussions, it is better to try and be more rational and adopt a more rational line when discussing these political issues. Maybe that is a French approach, but that is what I think. The *carte* has no major influence on international relations but I think I have more or less told you the gist of my thoughts on this.

Q434 Lord Hannay of Chiswick: Mr Prime Minister, can I correctly interpret your approach as excluding drawing a line on a map, *a priori* saying that some countries are capable of being members of the European Union and others are not capable, if that line excluded some big countries which were ethnically quite clearly European? That would be the case for the Balkan countries or, for example, the Ukraine. Your statement sounded to me as saying that you would not take a line on a map as the right

way to approach it. Secondly, I think this is really a follow-up to the question on the neighbourhood policy to look at a privileged partnership. I think you are saying that the room into which the privileged partners would be ushered could have a door in it which would lead to eventual accession, at any rate for some of the people in the room, and it would not, therefore, require the abandonment by countries that took the privileged partnership of their ambition one day to be a member of the European Union. Finally, have I correctly interpreted you that you are really saying that we have to recreate the enlargement deepening duo, which has been applied in the past from time to time, for example the Single European Act at the time of the Spanish and Portuguese accession or Maastricht at the time of the Scandinavian accession, if we are to move ahead with both parts of it?

Mr Balladur: (Through an interpreter) Let me try to answer all three questions and be as specific as possible in my answers. First of all, should we draw a line on the map? Is there a map that we can draw *a priori*? I do not think so. It can vary depending on the circumstances. There is a unity of civilisation but this can be defined in a very flexible fashion and not set in stone once and for all. We have the Balkan countries that have applied to become members and they are Muslim countries. Nobody has said they should not enter the Union because some of them are Muslim countries. I think we need to have a rather flexible attitude on this. Let me answer your question very clearly, especially because this is something that was discussed in public opinion. Some people came up with proposals, some argued that we should have a working group drawing lines around Europe, but what should we do with Russia, for example? De Gaulle was talking about Europe from the Atlantic to the Ural mountains, but that is not a border. It is an internal border within Russia and then after the Urals you have Siberia. Should the part in between the two be included in the European Union or not? There would be advantages as well as drawbacks. I do not want to make a decision on should Russia be part of the European Union or not. I think we need to engage in some kind of relationship with Russia first. We need to establish contracts, we need to make arrangements, we need to get into co-operation, but, personally, I do not feel capable of saying that Russia should be in Europe or outside of Europe. I would not be intellectually credible if I were to do this. It is a completely different story. That is the answer to your first question. I hope it is clear enough. The second question was talking about the privileged partnerships. There is something I did not say earlier on and your question is now leading me to it. In my own eyes any new enlargement of Europe should be preceded as a precondition by a training course as a privileged partner. If you were to follow my position

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you could not become an automatic member of the European Union, you would have to go through the stage of privileged partnership to see if things were operating smoothly, if the applicant countries were getting into the right habits and if there were efforts on either side. To be quite honest, you could have criticised me or objected, and this is something which I also criticise myself for in a way. Can we say that we should engage in privileged partnerships and no longer enlarge Europe on the one hand—and that will lead me to answer your third question—and we should carry out a reform of the European institutions? If we do that, if there are many more of us around, it will not be all that important anymore. I am thinking about Ukraine, for example. If we say we have to change the European institutions and then we can enlarge it, then the Ukraine can become part of Europe, but it would be part of a wider Europe in economic areas. There is some kind of ambiguity in my reasoning. I am ambiguous because I do not know what the future holds in store for us. If I were sure that European countries would be lucid enough, courageous enough and bold enough to carry out a reform of those institutions, I would say, “Fine, let us do that. Let us carry out this reform very swiftly”, and the question of privileged partnership would become less acute because entry in this wider Europe is less ambitious in a way and is not the same as becoming a member of today’s European Union, which is more consistent. I hope I am expressing myself correctly. I am not really sure about what European governments want to be. I am not sure the governments know it themselves. Given the circumstances, I think we have to maintain this proposal of privileged partnership that is a necessary precondition for future applicant members. This is a must. It is a compulsory stage. These applicant countries would have to go through the stage of privileged partnership to become members, but that does not mean if you are a privileged partner you have an automatic right to become a member of the European Union later on. Going to your third question, I thought I had more or less covered this issue of widening versus deepening. Let me repeat once again what my position is. I think any new enlargement would be unreasonable if we have not reformed our institutions. I do not know if we should talk about deepening when we talk about the reform of our institutions. I remember when Georges Pompidou was minister, when we talked about deepening we were talking about higher ambitions, a stronger will, a more assertive will to work together and co-operate. What I have in mind today is not necessarily deepening, what I think is necessary is clarification. It is not exactly the same. What do I mean by clarification? I mean we have to be clear as to what we want to do together if Europe were to include 30 or 35 Member States. Then maybe five, six,

10 or 15 states should deepen some issues in a number of areas. In other words, as far as I am concerned, we are talking here about clarification much more than deepening. Hopefully my answer is clear.

Q435 Lord Roper: Mr Prime Minister, I certainly have a great deal of sympathy for part of your analysis and look forward to reading your book, but I am concerned about some of the implications of the suggestion of “a pause for 10 years”. I am thinking about the West Balkans. You will remember a time in the 1990s when you were Prime Minister and our forces, French and British, were in Sarajevo. We still have problems in Bosnia and we still have problems between Serbia and Kosovo. For the people who are trying to find solutions to those problems the option of a European vocation is an important negotiating lever. Would your proposal for a pause for 10 years make the chance of finding solutions to the problems of the West Balkans more difficult?

Mr Balladur: (Through an interpreter) I understand your question perfectly. Regarding Bosnia, because you mentioned the specific case of Bosnia, what I see is that European countries as well as the United States have agreed to take action in Bosnia without waiting for the states emerging from Bosnia to become members of the European Union. They were not members of the European Union and yet we tried to make peace in Bosnia nevertheless. The second point is privileged co-operation or closer association is a way of answering a number of problems. The third point is last week, I believe it was Thursday, I received the Prime Minister of Kosovo. I must say, he made a good impression on me. I do not know what the fate of Kosovo will be. Everybody seems to agree with the fact that Kosovo should become independent. Let me draw your attention to the sheer difficulty with which we would be faced. It would be difficult to have a Balkan peninsula which would be scarred. There would be more than 10 different countries. We are talking both about the Eastern as well as the Western Balkans. This was an artificial creation, obviously, but we could consider that the scarring of Yugoslavia was not an element which contributed to peace in this part of Europe. That is the reason why when I was Prime Minister I came up with a proposal which was, in fact, adopted. My proposal was for a stability pact where all parties would commit to comply with existing borders and respect the rights of minorities. This was a good thing for Hungarian minorities, in fact. There were agreements between Hungary and Poland, Hungary and Slovakia, Hungary and Romania, and that was a very significant arrangement which was very important for Transylvania. In your question I could detect some kind of concern that if you tell people there will be a pause for 10 years these applicant countries will feel pretty abandoned, but we can

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explain this. Maybe I should make my position more flexible and rather than saying 10 years I should say as long as we have not altered or improved our institutions, but, of course, they have to be improved, not just changed, they have to be changed for the better. That is a prerequisite. They should not be changed in the sense of the European Treaty, even though I was in favour of it, because there are some loopholes in it. We could tell these countries that as long as we have not improved our European institutions we will not be able to welcome you as new members. It does not mean that we cannot help them militarily to maintain peace in their respective territories, and we could also give them some kind of economic assistance. Let me wind-up on this point by saying that we also have to be aware of abstract thinking. I have never understood how you could both treat Bosnia as a government and consider that Bosnia as a government was made up of two or three different states, that, in fact, have no real existence and with our three parties, or three legged constitutions, we do not know whether we should call them nations or states or what we should call these entities. This is bureaucratic and technocratic construction more than anything else. We are not out of the woods yet with the Balkans, if you want my honest opinion about this. Quite honestly, things are going to remain very difficult for some time. One of the reasons why I think we have to be cautious about this is that up until now—and I certainly hope it will be the case later on—all the countries that have accessed the European Union have solved their problems with borders and minorities, except for Cyprus. Generally speaking, when they become members they have solved these issues and there is no problem of a potential military confrontation amongst the members of the European Union which is really something.

Q436 Lord Harrison: A comment and then a question. I do not know whether I have misunderstood you, but you seem to have associated the development of a single market as part of widening. To my mind, it has always been part of deepening, and I am surprised if you do not take that view. Indeed, I think the single currency which aids and abets the single market—

Mr Balladur: (Through an interpreter) I want to make sure that I have understood you. You think that the institution of a single market, the inclusion of a single market, is to do with deepening and not widening?

Q437 Lord Harrison: Absolutely, and, indeed, the single currency, which is often held to be a political measure, to my mind is a practical measure reinforcing the bedrock of the European Union which is the establishment of a single market. My

question is what is your view of the forthcoming presidential elections or the elections to the legislature? What new opportunities arise as a result of having a new president and a new parliament in place and in particular Mr Sarkozy's idea of a mini-treaty? Are you for or against that as a way of moving forward?

Mr Balladur: (Through an interpreter) I do not really see the link that there is between your comment on the widening of the Union and the upcoming French elections. It depends on which candidate will be elected, it might not be easy depending on the candidate. First of all, let me go back to your comment about the widening versus deepening issue. You were talking about the single market. I do not like the word "deepening", I would rather say "improvement" or "greater ambition" or something like that. You are right coming up with a single currency, we could say that it is a deepening issue but it is, in fact, setting your ambitions higher to have greater ambitions. There is a link between widening the market and improving it thanks to the introduction of a single currency. I know this is not the idea defended by Great Britain but that was, in fact, the idea. Am I answering your question or your comment? Not really?

Q438 Lord Harrison: Perhaps we disagree.

Mr Balladur: (Through an interpreter) You do not agree with me then? I hope we are not going to open the discussion regarding the introduction of the European currency. I know that the Central European Bank is highly criticised because of this but, since we are talking about this, let me take this opportunity to say the following. In France there are many politicians who have criticised the European Central Bank and who consider that its action does not encourage growth. Let me point out that the interest rates of the European Central Bank are much lower than those of the Bank of England which does seem to indicate that it is not because of high interest rates that European growth is insufficient. In fact, I am in favour of Europe. I am saying it is not because of high interest rates that our growth is insufficient in continental Europe. Why is it insufficient? Because we have not carried out the necessary reform of our internal markets, the reform which you have carried out at home in England. I know unemployment figures have to be taken with a pinch of salt, but you have an unemployment rate to the tune of five%, which is considered as corresponding more or less to a full employment situation according to different experts in this area. I think I have more or less covered the first point. I agree with you but, once again, let me repeat that I do not like the word "deepening", I would rather talk about "improvements" or "higher ambitions". I agree with you that a single market that wishes to get better

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should set higher ambitions for itself. You are talking about the upcoming presidential and legislative elections in France, what will the outcome of that be and could it have a bearing or influence on what is going to happen next. I said in my preliminary comments that I did not want to talk about French political, domestic issues, even though, of course, I have very clear ideas about what should be done, obviously. Going back to what you were saying about the proposal for a mini-treaty, there are two things: you have to look at this in form and in substance. A few months after the “no” to the referendum for the European Treaty I suggested that we should take a number of decisions. I suggested that there should be a president of the European Commission who should be elected for two and a half years or three years by his or her peers, that there should be a European Minister for Foreign Affairs, and that we should increase the rights of national parliaments. Up until now my voice has not been heard. The Germans are going to chair the Union in two months from now and talking about a mini-treaty straightaway means taking away some consistency from their Presidency because, in fact, what they want to do is try to get forces together for a new treaty. We should not talk about a mini-treaty because the Germans do not like it, they are dissatisfied. They think we are going to take transitional measures. It is better to talk about transitional measures rather than talking about a mini-treaty. My Lords, I think we have more or less covered the issue which is part of this very tricky issue. I would like to wind-up by talking about the relations between our two countries. Please allow me to say a few words about that. I will be very free about what I say. I am one of those people who favoured British entry into Europe. We felt it was one way of balancing Europe. We felt also that Britain should have a greater and stronger role to play in Europe. Were there any ulterior motives? As ever there were. Drawing Europe and Britain closer together meant, in our view, that maybe you would feel less close to your American cousins. Clearly we were deluded in

that. As I said, having Britain inside was one way of balancing Europe as a whole, so Britain came in. What has happened since? We, in fact, have realised that our bilateral relationships with Britain were pretty easy to conduct, very close and rarely controversial. There have been differences on Iraq, for example, but on many issues, the Balkans, the first Iraq war, we have had very similar joint reactions. Britain in Europe often became the major advocate of national rights within the EU. It makes sense and I suppose it is justified to a certain extent but France was never as clear-cut in its positions. Contrary to what part of French public opinion wanted—and I think this part of public opinion in France has dwindled—France never assumed its position as a leader supporting a federal Europe, so there was no opposition between a nationalist Britain and a federalist France. We have remained in the halfway house, not really deciding what we want, but we have chosen the single European currency and that was a very important act. I must say that I contributed to that. The referendum was ever so closely secured. In our party, the largest right wing party, there were a few of us who wanted to make sure that we should vote for the Maastricht Treaty. In no way do I regret this. As I said, I think some of the accusations levelled at the European Central Bank are unfounded. What is the situation today? After the collapse of the Berlin Wall, after the collapse of the Iron Curtain, Germany has managed to rebalance itself, to shift its gaze eastwards, and Britain—correct me if I am wrong—feels that it is not quite valued as much as it used to be by the US.

Chairman: Mr Prime Minister, unfortunately we must bring this session to a close. We are greatly appreciative of your final comments on the co-operation between our countries. On behalf of the whole Committee, can I thank you both deeply and widely for your comments! It was indeed very kind of you to share your thoughts with us. As I said, we will send you the transcript of our interview and, of course, once that has been finalised we will send you the report. Thank you very much.

MONDAY 23 OCTOBER 2006

Present	Bowness, L Grenfell, L (Chairman) Hannay of Chiswick, L Harrison, L	Roper, L Thomas of Walliswood, B Wright of Richmond, L
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Examination of Witness

Witness: MR DOMINIQUE MOISI, Special Adviser to the French Institute for International Relations, IFRI, examined.

Q439 Chairman: Good afternoon. Thank you very much for coming to see us today and taking time out of your very busy life to come and talk to us and answer some questions. We would like to be on the record, if that is all right with you, and we will send you a transcript afterwards so if you feel that you have not been properly reflected you can do the necessary corrections. We will send you the report also. We have been engaged in this inquiry now since June, and we have covered a lot of ground. In fact, you are the last witness of a very, very long list, and in the good old tradition of leaving the best till the last, we are looking forward to what you have to say. We were in Berlin last week. We have seen a lot of people. We have talked to everybody from Olli Rehn to the chief negotiator of Croatia. We have talked to academics, we have talked to people like Charles Grant, many of the people you know. What you have to say to us will be put into the report for the final stages of our considerations. I do not know whether you would like to make an opening statement?

Mr Moisi: I do not think so. I think it would be much better if we were to be totally informal.

Q440 Chairman: Absolutely.

Mr Moisi: I think that is probably the style I would like.

Q441 Chairman: That suits us very, very well indeed. Maybe we might start by asking the first question which is a rather broad one but it will give you an opportunity to mention quite a number of things, I think. Tell us a little bit about the mood in France at the moment as far as enlargement is concerned.

Mr Moisi: If you had asked me the very broad question, "Tell me about the mood in France", I would have had great difficulty in answering you because it is shifting, but if you had prefaced your question by saying, "Tell me about the mood on enlargement", the answer is quite simple, very negative and very determined. I think because of the period in which we are there is a tendency for politicians on both sides, especially on that subject, to follow opinions and not lead opinions. There is a very broad consensus at the end of the day which is expressed in different manners but can be

summarised with one formula; what is the sound of Europe as seen from France today, it is the sound of the banging door on the nose of all those who are not yet members.

Q442 Chairman: Yes, I should have been precise in saying that was precisely what I wanted to get from you, the mood on enlargement, the banging of doors. What has brought this about? It was part of the "no" referendum, but what is it that has made France so negative on enlargement?

Mr Moisi: I think there are some historical reasons which are being reinforced by social, economic, cultural and political reasons. The historical reason was if you look back, Europe is for France the possibility of implementing continuity through other means. Europe is for France the ideal way initially of continuing to be ourselves, in opposition to the Germans for which Europe has been a willing rupture with their past and in opposition to the British for which Europe initially was refused precisely because it was perceived as a rupture with a past not infamous but glorious. The moment Europe starts to get into the final phase of enlargement it is resented by the French and is perceived above all as a threat. I remember in the debates in the early 1990s after the fall of the Berlin Wall—and if you remember the cartoons, Chancellor Kohl with the traditional Prussian military hat—it was perceived as a gigantic plus for Germany. Enlargement would make Berlin the capital of Europe and would lead to a relative marginalisation of Paris. Previous enlargements in the late 1970s, early 1980s, had been seen as reinforcing the centrality of France because of the geography and because of the influence of the French President, Valéry Giscard d'Estaing, on some of the countries that were integrated into the European Union. Initially enlargement at the end of the Cold War was perceived by Paris as a limitation upon our margin of influence. Of course this has not been put on the table so openly, but even President Mitterand thought that the unification of Germany might be good news for Europe, but definitely bad news for France. At the same time, he was too realistic to oppose it plainly. I think this is the basis on which you have to start and then this attitude towards

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enlargement, this negativity, is reinforced by the mood of the country itself, which is that with the traditional thinking about the diplomatic grandeur of France comes the unfortunate lamenting about the decaying strength of our countries. In between Mitterand in 1991 and the Polish plumber there is great continuity but the first one is supposed to be rational, the second one is largely emotional, but it is the same thing, it is the idea that there will be less of France in Europe. Of course this led to 29 May 2005 which was an accident bound to happen and an accident which, of course, Valéry Giscard d'Estaing must have discussed greatly, which the French President did not prevent, to use a euphemism.

Q443 Chairman: Before asking my colleagues to join in, I have a question which follows on from what you have been saying. Are you optimistic that the mood could change? Mr Giscard d'Estaing was telling us today that as far as the referendum on the Constitutional Treaty was concerned it was the lack of popularity of the government which was largely the problem, but I think he said that enlargement had played a very significant role in that. Are you saying there is not much prospect of the French people, and maybe the politicians reflecting the views of French people, believing that Europe could and should enlarge over a period of time, this famous pause which is now the popular expression? We have questions about why we use that term and worry about it because in a sense there is already a pause. Do you think it possible that with a new government in place here there might be a softening of the view on enlargement?

Mr Moisi: My answer is yes. I think the mood could change even dramatically and superficially. I think we are at the end of a very long period which is deemed by most French men as—I will not mince my words on the record—12 years of the greatest mediocrity in the French top ruling. There is the sense of an end of a regime, of a *fatigue* with the political personnel and the top one. Whoever is elected in May 2007, a few months from now, is bound to be much younger, male or female, and is bound to create energy in power. There will be a kind of explosion of some kind of dynamism because I do not think Le Penn will be the next President of France. My answer to your question is yes but because I think this rejuvenating effect will not concern the issue of the Turkish candidacy; it will apply to the issue of enlargement and define it in broad terms. It is good news for Croatia and it is good news if things get better for the Balkans at large. It will not change for Turkey because this is something much deeper which I suppose we will discuss at great length during our conversation in specific terms. I will leave that issue for the future but my answer is yes but.

Chairman: That sets the scene very nicely.

Q444 Lord Harrison: Can I ask Dominique to crystallise that because that is very interesting. My question is about the French presidential and legislative elections, but it is very interesting to hear you say that in terms of real opportunities arising, whether it is Sarkozy or Royale. Can you say a bit more about how they might themselves crystallise with respect to the enlargement question if it is not to do with Turkey? What opportunities might arise? We know, of course, that Sarkozy has already talked in terms of extrapolating Part 1 and having some kind of mini-treaty as he describes it, but perhaps you could range a bit wider about those opportunities which you see from a perception as the old regime begins to disintegrate and new opportunities really do arise for someone younger?

Mr Moisi: My answer would be the following and it is so open that it is sheer speculation, and I am being very imprudent in venturing into such a field. I would preface my remarks with the following observation, which is that on Europe the two leading candidates today are as agnostic as each other. They both belong to what I would describe as “a post-European generation”. They are not linked to Europe in an emotional mood. Somewhere by default and by the sheer evolution of the calendar the more neutral, distant vision of Europe, of the British, has won the day. It does not necessarily mean that we see Europe as you do, but it means that a certain disassociation from Europe is key for that new generation and that has to be integrated. You are not going to see the equivalent of Pompidou in terms of rationality, Giscard d'Estaing in terms of modernity, and Mitterand in terms of emotions. I think I have described the main attitudes of those three leaders vis-à-vis Europe in one key word for each of them. That is over, it is history. What you may see is a much more matter of fact attitude saying, “Right, we have problems. We are on the way to a different Europe, and if we do not open our doors to countries like Croatia we are creating problems for ourselves in the Balkans”. By the way, these are markets and look at the evolution of Poland, it is good business for us. If we have Poland as a market, why can we not have Croatia in the same category? Something much less ideological but something which depends upon the mood of openness of the country, a feel good factor returning us to a sense of positive openness. This is why I leave aside the question of Turkey which is not in that category, which is totally emotional. You can say it is rational to oppose Turkey but we will discuss it later.

Q445 Lord Harrison: I was going to push you one step further and say does that mean if that new openness occurs that, in a sense, France is then letting

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go of its established position, especially linked with German colleagues, or is it a new route to regain French influence and possibly power, that it is open and does embrace fresh markets which may come into view?

Mr Moisi: My honest answer is I do not know. I was the guest—I am a totally independent person—of the UMP at their Université d'été at the request of Nicolas Sarkozy. I had a debate on France's role in Europe with Philippe Douste-Blazy. I would have had the same debate with the Socialist Party if they had invited me to La Rochelle. My line was that less France in Europe meant less Europe in the world. Douste-Blazy took it seriously and I saw him using it a few days later. There is a sense that they are looking for doors. If you can combine a sense of nationalism with a sense of openness to Europe, why do you not do it? When I say to you I do not know, I think they are opening a sense of reflection. I think Sarkozy's mini-treaty was a welcome step towards taking the issue of Europe seriously, but before the campaign, no side, and especially not the left side, was too precise because the left was even more divided than the right on the issue of Europe. The natural vagueness of Ségolène Royale on all topics will be even more reinforced on the issue of Europe for obvious political reasons.

Q446 Chairman: Can I ask you a question on one specific of what Nicolas Sarkozy has been saying. I preface it by saying that we think it is a non-starter, and I suppose we may be hoping and expecting you to say the same. When he talks about the Commission he says it would make sense, given the fact that the European Union is going to have so many members, that the President of the Commission should choose who he has on the Commission. What is your reaction to that?

Mr Moisi: Personally I am less opposed to that issue than you are because it introduces a sense of responsibility which Europeans do not mind. Right now I am very much aware of a very negative evolution in the relations between the Commission and the various national governments. This time, since we are now protected by the Chatham House Rule, I will not give the name, but a prominent ambassador of one of the founding members of the European Union told me, "In my country we see the Commission as the twenty-sixth member of the Union. It has a national interest; it is perceived not as the incarnation of what went before but as one actor with different interests". To my mind this evolution is extremely negative because you have interaction between weak governments and a weak Commission. This interaction is a recipe for disaster, in my mind. If one was able to give to the Commission, and particularly the President of the Commission, the instrument of responsibility, he may choose a

government to his liking which may have more harmony, more cohesion, more whatever. I am not against that idea but I realise that for Sarkozy it was a joke, I do not think he was thinking about it seriously. In his proposal he was trying to include things that would catch the imagination without binding him at all. I do not think he reflected on the idea. I think these ideas were proposed to him probably by Alain Lamassoure who had a big impact on his European thinking, maybe on the margin by Michel Barnier, the former Foreign Minister, but these are ideas for discussion. Personally I do not reject them outright.

Q447 Chairman: I would like to be in the president's position but I would also hate it, I think, because whatever choice you make you are going to have a lot of political problems with countries that feel they have been shunted aside because they are of no importance.

Mr Moisi: That is clear.

Q448 Lord Roper: When you were talking about this matter of fact that you would be under this post-European generation, seeing the new candidates as markets, one of the things which we have noticed, to a greater extent perhaps in Paris than in some other places, is they are also seen to be the place where industries move to and globalisation, delocalisation and outsourcing are all sort of threat and worry words about enlargement rather than the new opportunities as markets, they are almost threats in some ways to the French economy. How will this play off?

Mr Moisi: When the enlargement took place I was asked by the President to do a series of debates, each time it was nearly 500, 600, 1,000 people, to present issues of enlargement in a favourable light because I was very much for it out of an historical moral background but also political and economic thinking. I remember there were a lot of negative reactions at that time. I do believe that this negativism has been reduced. The French business community is more positive today than it was two or three years ago. There is a sense of force, of dynamics, "We can do it; in fact we are doing it". A lot of firms have been moving to Central Europe, in particular a country like Poland, and they are doing well and they are reporting what they doing and how well they are doing. It all depends, of course, but if we have a new president who represents a much younger generation, if the figures of economic growth continue to be what they are, which is basically quite good, nothing to compare with Asia but we are seriously improving and we are not even aware of it, I think Europe is doing well but there are huge problems. My answer to you, Lord Roper, is this is not an obstacle.

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Q449 Lord Hannay of Chiswick: Dominique, this is just an observation on what you have said which reinforces it. When we were in Berlin last week we had an interesting session with a representative of the *Land Brandenburg* who said that, if you had had a referendum in Brandenburg for the Polish, accession, it would undoubtedly have been negative because of the worry about immigration and the worry about crime and if you had one now it would be positive because the immigration has not taken place and crime has dropped because the German and Polish police are now co-operating much more closely. I thought that was quite fascinating in a way, but it goes very much in the sense that you are describing. In all our discussions here with Giscard, Balladur, and the Chairman of the European Delegation of the *Assemblée*, we seem to have the impression that the Lamassoure idea, that you should draw a line on the map saying countries on this side of the line may be members and countries on that side of the line, even if ethnically European, will never be members, has no traction at all, it does not seem to have picked up any support at all. From what we hear from the answers it sounds to me as if it is dying as an idea. The pause has more traction but there are lots of nuances about the idea of the pause. Is it a pause that just happens, which is what, in fact, we are living through now, or is it a pause that is decided which has, in our eyes, enormous disadvantages because you then have to decide that it has come to an end and that could be a very dangerous thing? It also sends very, very bad messages to the Balkan countries and, indeed, to Turkey and anyone else you would like to think of. Can you comment on both the line on the map and the pause?

Mr Moisi: I think the line on the map is probably what I would describe as a false good idea because it creates a sense of *fait accompli* which is very negative in my mind. Europe has been progressing thanks to ambiguity. If you cut that ambiguity you are entering a very difficult role. No political leader in his right mind would like to do that. You want to leave possibilities open. That is why I think one comes out of ambiguity at our own expense. On the idea of a pause, honestly, I do not know, history will tell. I am of two minds. There are mornings when I wake up and say, "Well, I have been dreaming of a Europe that will never take place". My dream culminated on 9 November, 1989, that was the best moment of my generation, "This is what I am leaving to my children", and my dream ended on 29 May 2005 because Europe will never recover from that reality. There are moments when I see Europe as a big properous museum, the kind of republic of Venice in the making where people will come to retire, kind of a big cultivated Florida, or just to enjoy what a great civilisation we were. There are moments when I strongly reject that negativity, when I sense that, no,

we have something to contribute and we may do it. We will be forced by outside realities to put an end to that pause. Those outside realities might be of a different nature. One of them may be materialising in front of us right now and that is the relative decline in US power, that the American century may be ending in front of our eyes. We are seeing the birth of a multi-polar world by default. In terms of influence there will be the United States, China, India, Russia physically buying their way back into the international system and Europe because somewhere it will be forced upon us. There are other reasons which may even be more negative and more terrifying, a 9/11 in Europe or something like that, which will suddenly make Europeans aware. Your big question of the pause, is it the end or is it something else. I do not know. Right now it is a deep pause, it is a pause that corresponds to a real structural crisis, the deepest identity crisis that we have gone through. Of course I was too young to have been around in the 1950s and the 1960s, but my study of history and by looking at the texts this is not the same crisis, this is something of a different nature and it has nothing to do with what we have witnessed before. Can we overcome it? Maybe, maybe not.

Q450 Chairman: Is there any real danger that those who are not in favour of enlargement will seek to put obstacles in the way of institutional change because that means then the enlargement has to wait even longer?

Mr Moisi: In my mind the issue is the following. Those who are against enlargement belong to at least two to three different categories. There are those who are against enlargement in my country because they are classical Europeans, they believe in the Europe of Jean Monnet, they still want to do it, and they realise that the Europe of enlargement is the death of the Europe of Jean Monnet. That category exists. Valéry Giscard d'Estaing was, to a large extent, the incarnation of that classical line, if you are for enlargement you are against Europe; in a word that is the formula. Then you have those who are against enlargement because, at the end of the day, they are against Europe. Then there are those who are against enlargement because, at the end of the day, they are not only against Europe but they are against the others. They reject the openness of Europe to all those who are different, different in terms of religion, different in terms of languages. So you have all these archaeological layers explaining the opposition to enlargement and they do not form a coherent unit opposition. The kind of pro-enlargement Europe in a British sense is very rare in France. I came to that position quite early because I felt that since we were not going to make the Europe of the founding fathers it did not make sense to betray our historical, moral and ethical responsibilities vis-à-vis the other

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Europe, or kidnap Europe to use the words. So I move from the first category to your category but out of a vision of history and out of a positive sense of outlook which was largely disappointed in political terms.

Q451 Lord Wright of Richmond: Can we go back to Turkey because you have talked about the attractiveness of ambiguity for politicians, but the one message we have heard totally unambiguously today is opposition to Turkish accession. Is there no politician in France who is arguing, in view of your very considerable Islamic minority, much greater than ours, about the implications for the West's relationship with the Islamic world if the door is slammed on Turkey and, indeed, the implications for your own ethnic minorities?

Mr Moisi: Jacques Chirac.

Q452 Lord Wright of Richmond: But he is alone, is he?

Mr Moisi: Dominique de Villepin is saying the same thing. The problem is that even when he says something right his voice has lost credibility, and that is terrible. I defended him on that. The duty of a politician is to preach what he deems right and that is what Franklin Delano Roosevelt did from 1938 to 1941 when all Americans were against the war and moved towards this position. Jacques Chirac did it on that line but he did it without persuasion and without clarity, so sometimes it looked like a peculiarity of the French President and in some way he retreated from it.

Q453 Lord Wright of Richmond: It was without conviction too?

Mr Moisi: When there was that stupid law voted in parliament to write history by law on the Armenian genocide, the president let the Turkish Government know that he was very displeased and that it did not represent the position of France. Villepin made the same speech, but in a way that was too late. He could have blocked that if he had the will to do it. At the end of the day, it was a small group of engaged members who were determined to do it with some very strong Armenian lobbies that imposed that law which, I think, is absurd and very dangerous, in fact, not only to Turkey but in historical terms. If you write history by law this is a path which becomes extremely dangerous.

Q454 Baroness Thomas of Walliswood: We said at the beginning we were in Berlin last week and we have been in various others places over the last few months, and I think we have heard very few people support the idea of Turkish entry into the European Union, not just now but at any foreseeable point in the future. I have to say that I also have concerns, I

think everybody has concerns on this subject, mine are of a rather basic nature in the sense of where do we say that Europe comes to an end. We talk about lines on maps, but what is Europe and what is not Europe seem to me to be quite relevant questions. Putting all that on one side, supposing we do not go down what seemed to have been started, namely a route to Turkey entering the European Union, I would like to ask two questions, what else can we offer Turkey and what negative effects does that failure to join up with Turkey have in terms of the relationship between the European Union and the rest of the world, to put it in a vulgar way the Muslim world, I do not quite mean that, but let us say the Middle East as a better definition?

Mr Moisi: We should not over-emphasise the negative cost of Turkey's non-entrance into the European Union for the relations between Europe and the Muslim world because there are other things we can give which are more important for them and more crucial. Those two things, in my mind, are first a solution to the Israeli/Palestinian conflict, which is really the matrix of all the hatred between the West and the rest. A peaceful solution to that conflict would make a huge difference, all the more so if it was accompanied by a second message from Europe which I will describe in the following manner: it would be deepening the boundaries of reconciliation. Reconciliation, which was the core word of Europe yesterday, was reconciliation between nation states, France and Germany being foremost. What we have to achieve is reconciliation between communities. The big debate in France right now is about a movie—like in Great Britain you have *The Queen*, which I have not yet seen—in France called *Indigènes*, which I have not yet seen either, but it is interesting that public debate is focused on that movie because it represents the ideal of integration, we behave badly but they love us, and we transcend our hostility. You have these posters of Jamel Debbouze, the Algerian actor, surrounded with the French flag, "Why I love France". What we have to go through is a process by which in the 26 countries of the European Union there will be images of minorities saying, "Why I love my country", but that would be a European success. That would be perceived as the new mission of Europe in the world as the land of reconciliation. What are we contributing? A harmonised relationship between minorities. Americans fail to impose democracy on Iraq but we have succeeded in creating harmonious relations between our various communities. If you start by saying non-entry of Turkey into the European Union is the end of the world and will lead to terrible consequences, it is dangerous because somewhere there are alternatives and there are people who are looking for something else and that something else means diplomacy and successful integration.

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Mr Dominique Moisi

Q455 Lord Hannay of Chiswick: If I might put a contrary point of view to you, Dominique, and ask you to comment. First of all, it seems to me, but perhaps I am wrong, that all the alternatives which are discussed, the privileged partnership or whatever it is, are a complete waste of time because the Turks are not the slightest bit interested, and they are not saying that for tactical reasons, they are not interested any more than we were interested in some wonderful thing that General de Gaulle called the *arrangement commercial* in the middle of the 1960s. The Turks have even less reason to be interested than we did because they have got a Customs Union and they are very comfortable, thank you, and it is not all that difficult for Turks to get into the European Union either. We are deluding ourselves if we think that we can produce an alternative, it is not going to happen. If that analysis is correct, and I would be interested to hear your comment on it, surely the best situation for everyone, including perhaps even France, is that we have a disagreement about Turkey. After all, the most damaging thing, from the point of view of Turkey, is if all 27 become complicit in the rejection of Turkey; that is really bad. When we were rejected by General de Gaulle twice what we minded about most was what the five said, and because the five stood up and said they did not agree with it and they were not going to accept it and they never put the *arrangement commercial* to us because they refused to put it to us, we persevered and the situation never got out of hand completely. It got quite out of hand but not totally out of hand. To my mind the most dangerous song that we hear around now is the song that says, "Why do we not all just agree that it is impossible to have Turkey? Why do we not all go forward together and tell the Turks to forget about it?" or alternatively, "Why do we not somehow persuade them to fall on their own sword and then save us the trouble?" I happen to think that would be quite disastrous. I think if you are correct, and I have no reason to dispute it at all, that in the present mood France, and no doubt Mr Tassos Papadopoulos, are going to say, no, that is fine, let them get on with it and be on their own, and the Turks will then have a reason for not accepting that as the last word because they too will have read their history. Can you comment on that?

Mr Moisi: As far as the lack of an alternative and your comparison with Great Britain in the 1960s, I fully agree with you, we have no alternative to offer to the Turks. It is irrational and unreasonable. We were together in Istanbul a little more than a year ago and I am totally aware of that. Let me suggest another road to you. I remember when I was writing my PhD I was reading with great interest the writing of a British strategist, Liddell Hart, a strategy, *The Indirect Approach*, and that would be my approach to Turkey today. That is to say, politically speaking

there is no consensus in Europe today that will allow for the entrance of Turkey into the European Union, but there are huge fundamental strategic reasons for which we cannot simply accept that negative aspect. What we have to do is change the conditions by which people are motivated to say no. It is clear that the more you see violence in the suburbs of France, riots about to start again, the less people want Turkey in. It has nothing to do with the fact except that for the average Frenchman a Turk is an Arab and by that they mean the only Muslim they see in large numbers, and so there is that kind of emotional rejection. The moment you see Ahmadi Nejad saying, "War on Europe. If you continue to support Israel you are much closer to the United States than us and there will be negative consequences for you", people in rational terms would say, "Oh, we must have Turkey in if we have such a dangerous Iran", but the opposite attitude will prevail, "We do not want these people". There is a kind of syncretism that is created. The more rationally you need Turkey the more emotionally you reject the Turks. You have to change the condition which exists at the diplomatic level of each community. We have to convince the Turks to speak frankly to them, and it is very difficult because it means that we put a dossier between brackets and what we should ask from them is not to close the door on us by acts of humiliation or something like that. What we have to ask of ourselves is to have a clear mind about what our strategic interests in the long-term are.

Q456 Chairman: When we met with Edouard Balladur he could not have been more outspoken in his rejection of Turkey as a potential member of the European Union. He gave us a hundred reasons why he thought it was a bad idea, but in this little booklet that he wrote I was interested to read what he had to say about declaring where the frontiers were, and he clearly does not think it is very useful. If you do not mind if I quote in French something he said because I would like your comment: "Laissons plutôt le temps faire son oeuvre. D'ici quelques années, des solutions aujourd'hui apparemment complexes nous sembleront des évidences. Le XXI^e siècle ne manquera pas, de ce point de vue, de nous réserver des surprises, bonnes ou mauvaises, qui démentiront toutes les prévisions". Does that mean that he thinks in the future the situation might be so different that today the idea of Turkey as an impossibility becomes Turkey maybe as a necessity?

Mr Moisi: Let us not create *fait accompli* with history, but let us not force the course of history either. 29 May was the product of enlargement, globalisation and Jacques Chirac, but if you want to redress the cost of 29 May you have to give the citizen the feeling that their opinion matters, that we are, at the end of the day, a democratic world and we are a democracy.

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Mr Dominique Moisi

You cannot simply impose on the popular will something which is totally rejected today, but because you think public opinion is wrong you do not want to kill what is in your mind absolutely necessary but not possible. Lord Hannay, my answer is strategy being the direct approach.

Lord Hannay of Chiswick: I think that is very close to what I was saying.

Q457 Lord Roper: If you do have this view about public opinion and the citizen, and particularly after the citizens' behaviour on 29 May, it is very difficult, having voted an amendment to the constitution saying that there has to be a referendum on any new candidate, to change that alteration to the constitution because although it may be absurd to have a referendum on Macedonia or Montenegro, nonetheless if you were to change the constitution people would be thinking that you are giving a free entry for Turkey. Therefore, is it possible to repeal that amendment to the constitution?

Mr Moisi: No. This is why I believe Lord Hannay and I are in agreement. The question of Turkey is not going to be solved in the 10 years to come. In 10 years from now so many things could have changed which would make, for better or worse, the entrance of Turkey much less dramatic than it sounds today. This is why you say it may be seen as an absolute necessity.

Q458 Lord Roper: I think it is a necessity that the West Balkans are given some European vocation, and for Ahtisaari trying to negotiate with the Serbs and the Kosovans or somebody trying to find a final settlement as far as Bosnia is concerned, it makes a European vocation essential. If they have hanging over them the fact that even if things are negotiated they could still be rejected by the French public, who seem to have these negative views about enlargement, this may mean that instrument of negotiation is less effective.

Mr Moisi: A France whose mood is shifting with the proper president would probably say yes by referendum to Croatia.

Q459 Lord Roper: They do not need it, Croatia.

Mr Moisi: No, but that is the idea.

Q460 Chairman: Is French opinion aware, outside the political circles, of this serious danger of a recrudescence of nationalism and rejectionism in Balkan countries if they feel that their likelihood of coming in is being pushed further and further away? I was interested to see opinion polls in Croatia recently that when Barroso said there now had to be a long pause there was a big spike in support for the extreme nationalist and rejectionist parties. That is very dangerous.

Mr Moisi: I agree with that fully. We were in the same position 10 years ago with the Balkans and the formula we have to Europeanise the Balkans, if we do not want to see a Balkanisation of Europe, is still there, it is still with us. It is not Balkanisation in the sense of populist, in the sense of deep nationalism, it is open in front of us. We cannot act on Turkey; we have to act on the Balkans now. If I may follow on from my little debate with Lord Hannay, it is precisely because I believe it is so urgent to do things in the Balkans, it is precisely because I believe there we can make a difference, that I would not open a useless and lost debate on Turkey. Let us get our calendars and our priorities right. Where we have to act is where we can act and where we can act is on the Balkans and this is where I would put the priority now.

Chairman: I would wholeheartedly agree with that, get the elephant out of the room, as they say, or not.

Lord Hannay of Chiswick: You cannot get him out of the room but, yes, you can get the smaller elephants in front of the bigger elephants.

Chairman: Or you could go with a tranquiliser!

Q461 Lord Wright of Richmond: I would only say when talking about elephants that the smaller elephants could have quite an impact on the attitudes of the bigger elephant. Let us not forget, the Balkans were part of the Ottoman Empire so attitudes in Turkey would certainly be made more complicated. This is not argument against saying yes to the Balkans but it is something we need to bear in mind. *Mr Moisi:* The more instability there is around Turkey the more danger that a Turkey to which we have said "no" very clearly would become unstable, and instability in the case of Turkey could come from three sides, the Balkans, the Middle East or the Caucasus.

Q462 Chairman: One thought comes to our minds and that is you might say something about the Franco-German relationship and how this impacts on the enlargement question in particular. Is there a feeling in France that Germany might want to push the agenda on this against the interests of France?

Mr Moisi: Probably not any longer. That would have been the scenario of the 1990s but it is not the scenario today. I do not think Paris sees Berlin as a threat because it wants to enlarge around Berlin. I think the Franco-German relationship has evolved greatly. In a way it is much more distant than it used to be and it is much more passively positive. There is no real alternative. Everybody has been playing with the British card, the six number card but, at the end of the day, nothing really works. There is a kind of bureaucratic history between France and Germany which is unique and functions without passion any longer and without positive political move, but it is

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still there. My vision today on the Franco-German issue is that it is more dominated by a social economic content than a classical diplomatic one. Germany may dominate the debate but in a very different manner. People at some point will say, "Germany has engaged in the structural reform path, can France be the last country in the European Union not to do that?" Yesterday Paris and Berlin gave each other alibis as the bad pupils of the European school violating the rules of the stability pact and doing a lot of things like that. Today, if we do not move, we will be alone or maybe alone with Italy, but that is the position the French do not want to be in. I may be wrong but I do not think that we are back to the 1990s and feeling that the Germans are pushing us in a line which we have to resist in the interest of France.

Q463 Chairman: Is there much life left in the idea of a core Europe or not? Is this now a bit passé?

Mr Moisi: It may be the future but for the moment it looks passé.

Chairman: Good answer. Does anybody else have any questions?

Q464 Lord Hannay of Chiswick: We have not heard a single word around this table so far of the dreaded "absorption capacity". Is that because basically it is just an excuse for saying no to Turkey and there is nothing real there apart from a number of largely technocratic problems which can be overcome if you have the will to overcome them, otherwise it is just a stalking horse for being able to get rid of the Turks without saying no?

Mr Moisi: If you get 100 million more Europeans tomorrow it may not be that abstract, it may become real. In statistical terms, Europe has 500 million people, it means that you have one-sixth, it is huge. Israel has absorbed one million Russians and today in Israel there are 6.5 million people, out of which five million are Jews, one million are Russian, one quarter to one-third of them are not Jewish, but that is the secret of the game, and it has completely changed the nature of the country, if I can say, negatively, in fact, in the behaviour of the army, Lebanon, the nature of democracy and the nature of corruption. To take 100

million people when you are 500 million is a huge challenge which you cannot simply take as an alibi.

Q465 Baroness Thomas of Walliswood: It is a serious matter.

Mr Moisi: Yes, it is.

Q466 Chairman: Something else that is absent from the debate, and I suppose it is because the next Financial Perspective to be negotiated and decided upon does not start until 2014, is the cost of further enlargement. Does anybody have any concerns about it?

Mr Moisi: Yes, they do. I have to return to my category. Those who are most concerned by the cost of enlargement are the deeply convinced Europeans under Giscard, Francois Bayrou, Raymond Barre, if you want; the others, it is not their problem and they are against Europe. It is only the very convinced European who would use that cost argument in a serious manner.

Q467 Lord Bowness: When we were in Germany we were told that public perception was against enlargement and it had been bad but, in fact, economically the contrary was the case. Is that the same position here?

Mr Moisi: In global terms, yes. I would say initially, as I indicated in my earlier remarks, the French were much more negative towards enlargement than the Germans, and the two came together, the Germans becoming less positive and the French becoming slightly less negative, with the exception of Turkey.

Q468 Lord Roper: Of the existing enlargement?

Mr Moisi: Yes.

Chairman: I am afraid we have to leave it there because we have to catch a train to London. On behalf of my colleagues on the Committee and, indeed, of the whole Committee, can I thank you very warmly indeed for your excellent exposition, may I say brilliant, of your views on this. It is most helpful to us. We are now going to go away and finish writing our report, and we will send it to you in due course. Thank you very, very much indeed, and we hope we will meet you again on some other burning issue.

Written Evidence

**Memorandum by Dr David Bakradze, Chairman of the Committee on European Integration,
Parliament of Georgia**

THE FUTURE OF EU ENLARGEMENT

If it proved feasible to further widen the boundaries of the EU, would you personally welcome the inclusion of:

- *The countries of the Western Balkans?*
- *Countries in the former Soviet Union?*
- *Turkey?*

1. After the end of the cold war the enlargement has been the means of promoting stability and prosperity across the Europe and the tool of avoiding dividing lines across the continent. The security and stability in the Balkans, which is situated in the middle of Europe, is of vital importance for the whole continent. Once the countries of the Balkan reach the Copenhagen criteria after the transition period and be ready for the membership, the door of the EU should not be closed for them. The same can be said about Turkey and the countries of former Soviet Union, the countries that share the European values and aspire the EU membership. By increasing stability, security and prosperity in the Neighbourhood, the EU increases its own stability. After accession of Romania and Bulgaria, the countries of the Black Sea Region will become the direct neighbours of the EU and it seems obvious that the situation in the region will have great impact on EU future foreign policy in terms of global challenges that affect today's world. First of all the Black Sea Region is of vital importance for EU energy security as a transit zone for energy from the Caspian Sea.

2. The future feasible membership of EU is a great incentive for the development, future prosperity and stability of countries of former Soviet Union like Georgia, Ukraine and Moldova, and as soon as they reach their goal and be ready for being the full members of the Community, the door should be opened for them as they feel themselves truly European and share the European values.

3. As for Turkey, such a great Black Sea Regional Power should be, and is of great importance for the security of EU. The accession perspective has already paved way to significant reforms in the country. Though Europe needs a more stable, democratic and prosperous Turkey. If the rule of law and human rights and European values are guaranteed throughout the country Turkey should have the possibility to join the EU and thus become an even "stronger bridge between civilizations".

What, if anything, does "absorption capacity" mean in the context of enlargement, in terms of:

- The legal basis in the EU Treaties?
- EU decision-making?
- EU budgetary resources?

4. Absorption capacity is an important consideration stated by the Copenhagen European Council in 1993: "the Union's capacity to absorb new members, while maintaining the momentum of European integration, is an important consideration in the general interest of both the Union and the candidate countries". Absorption capacity means whether the EU can accept new members while continuing to function effectively, and in the context of enlargement it is a truly important condition as "Full membership" would be deferred until the EU's political and institutional absorption capacity is ready for it. In some states, especially in old EU member countries the scale of enlargement is approaching the limits of what public opinion can accept and evaluate objectively. Thus for further enlargement, it would be extremely important for the Union to maintain its capacity to function according the "fair balance" within institutions, adjust EU decision-making process and budgetary recourses to the needs of future possible enlargement, and if approved by the Member States enlargement will become smoother and equally beneficial for both, EU and future candidate countries. As for the small long-term membership aspiring countries like Georgia that share the European values and wish one day to become the full members of the EU, after their successful transition period the issue of "absorption capacity" for such a global player as the European Union seems to be easily solvable.

Should the EU modify its list of accession criteria? For example, should it add “absorption capacity” or a GDP-per-head threshold to the formal list of the Copenhagen criteria? Does it need other new conditions for (A) the start of accession negotiations? (B) the conclusion of accession negotiations?

5. Every round of EU Enlargement seemed to be more and more complicated and obviously the Copenhagen criteria were truly difficult to fulfill for the Baltic and East European countries of the latest and the biggest EU enlargement round. Those criteria cover all spheres of state development and envisage all aspects of readiness of certain country for the EU accession. The GDP threshold is still one of the criteria that existed even during the transition period of Eastern European countries, though “absorption capacity” is still remaining the problem of today’s Europe. As far as the countries aspiring the EU membership, engaged in various EU foreign policies such as the European Neighbourhood Policy and etc, fulfill their commitments on democracy, rule of law, human rights, economic reforms and foreign policy objectives, they might be offered deeper political and economic integration with the EU even before the start of the accession negotiations. In this case, addition of the “absorption capacity” or a GDP-per-head threshold to the formal list of the Copenhagen criteria would be the sign of artificial impediment for them.

The Treaty of Nice provides for institutional structures for up to 27 members. Assuming that the Constitutional Treaty cannot enter into force in the foreseeable future, how could the EU enlarge to include more members after Romania and Bulgaria’s accession?

6. As far as another new round of enlargement is not expected in the near future after the accession of Romania and Bulgaria, the hopes still remain that by the time the future possible candidate countries are transformed to be ready for full membership, the Constitution Treaty will be entered into force. As the Constitutional Treaty is intended to make the EU more effective and democratic, its adoption will strengthen EU’s role in global policy. In case the constitutional treaty remains out of force but the enlargement is mutually beneficial for both, the EU and the possible candidate country, the EU should continue its enlargement through carefully managed accession process and parallel internal institutional and political reforms.

The EU has not, hitherto, defined the borders of “Europe”, and hence the borders of the EU (in accordance with Article 49 of the TEU). Is it possible, or desirable, for the EU to try and do so?

7. First of all it should be noted that “the European Union is a political project” and the borders of Europe are also political, not baring physical and geographical meaning. The EU is the union of nations sharing common values and common vision of future Europe. Though the possibility to define the borders of “Europe” and the EU certainly exists, it shouldn’t be desirable for anyone. In fact the EU has its borders as the borders of its member buffer states, and strictly defining the final borders of Europe is quite a conditional matter and may create new dividing lines on the continent. That would mean creating impediment and closing the door of EU membership to those countries that feel themselves truly European and one day may become very prosperous and desirable members of the Community.

If the credibility of the EU enlargement process diminished (for example due to growing public opposition or attempts to define the EU’s borders), what would be the consequences for:

- *The Balkans?*
- *Countries in the former Soviet Union?*
- *Turkey?*

8. The diminishing of the credibility of the EU enlargement process no matter caused by the growing public opposition, attempts to define the EU borders or by other reason, would have negative consequences for all states aspiring long-term EU membership. It is a matter of strategic importance for the countries of Western Balkans, former Soviet Union (Georgia, Ukraine, Moldova) and Turkey as the prospect of accession to the European Union will move further beyond the horizon and may be the decades. This process will diminish the rate of transformation in the above-mentioned countries and prolong the reform period to functional democracy, rule of law and market oriented economy, as the prospect of future long-term membership is some kind of great incentive for the above-mentioned countries and a bonus of the long, vulnerable road to the prosperity. Diminishing of the possibility of the EU enlargement may change the strategic situation especially in Turkey and former Soviet Union, and that on its way, would impact negatively not only on certain countries but on the whole region as well.

Are there any viable alternatives to full EU membership, such as:

- *The European Neighbourhood Policy?*
- *A privileged partnership?*
- *The EEA?*

9. By ENP, the EU offers a privileged form of cooperation to the neighbouring countries. The ENP is based on some kind of conditionality. As the countries included in the neighbourhood policy fulfill their commitments on the rule of law, democracy, human rights, market-oriented economic reforms, they might be offered deeper political and economic integration with the EU. That means more frequent and higher level of political dialogue, assistance to further institutional strengthening and promoting common foreign policy priorities in order to address global security challenges, support institutional transition and capacity building, participation in some of European programs and may be one day “a stake in the EU’s internal market”. The neighbourhood policy Action Plans that should be tailor-made for each country set out huge agendas for “convergence on EU norms and standards”. The European Neighbourhood Policy is not considered as the alternative to the membership. It is more a new foreign policy tool aimed at supporting the transitional period in these countries and expanding the prosperity, stability and security in the neighbourhood.

10. Concerning the EEA, it was maintained because of the wish of the three countries—Norway, Iceland and Liechtenstein- to participate in the Internal Market, while not assuming the full responsibilities of EU membership. As the EEA Agreement is concerned principally with the four fundamental pillars of the Internal Market, “the four freedoms”, freedom of movement of goods (excluding agriculture and fisheries), persons, services and capital, the EEA states are the most closely linked states to the EU. In this case the EEA is truly a viable alternative to the EU membership because the states of EEA have fully democratic preference to remain outside the institutions. That is relatively different policy comparing to the long-term membership perspective of the ENP countries.

11. Finally, none of the among-mentioned partnerships could be compared to the full EU membership that means the participation in decision-making and institutional processes, especially for those countries that have a long-term foreign policy goal of EU membership.

Which conditions would have to be fulfilled for future enlargements to take place? For example:

- *More widespread use of “variable geometry” or other flexible forms of integration. Or the creation of some form of “core Europe”.*
- *The use of very long transition periods, permanent exclusions from certain EU policies or spending programmes or permanent safeguards for new members (for example on the free movement of labour, EU agricultural spending, the euro or the Schengen area of passport free travel).*
- *A substantial increase and /or complete restructuring of the EU budget.*
- *More involvement of European citizens.*

12. In spite of some pessimistic prognoses, it is already two years that enlarged Europe with ten new Member States has been functioning successfully. The EU managed to absorb the new members while functioning effectively. Thus the “absorption capacity” would be the most important condition for future enlargement of EU. Still some flexible forms of integration are possible but they should be mutually agreed and beneficial for both sides. As for the concept of “core Europe” advocated by some old Member States, it appears to cause unfair balance between the members of the European Union that might harm the core democratic values of the EU.

13. Of course, due to the current situation, the transition periods should be long, but it is rather a conditional concept, as the transition period should be tailored for each possible future candidate individually. As for the new members, it would be much more effective to involve them gradually in all EU policies than to exclude and to adjust EU decision-making process and budgetary resources to the needs of future possible enlargement. For this end, the most important issue is that the Constitutional Treaty would enter into force as soon as possible.

**Memorandum by Ian Barnes, Jean Monnet Professor of European Economic Integration,
Faculty of Business and Law and Claire Randerson, Senior Lecturer in International Relations,
Department of Policy Studies, University of Lincoln**

**THE FURTHER ENLARGEMENT OF THE EUROPEAN UNION:
ENLARGEMENT FATIGUE AND ABSORPTION CAPACITY**

INTRODUCTION

Given the dynamic nature of the enlargement process, it is of course very early in the day to measure many of its effects, however, in May 2006 the Commission published an account of the largely positive effects of enlargement in the report “Enlargement, Two Years After: An Economic Evaluation” (CEC 2006a). This strongly supported the view that EU membership has had a significant transforming effect in changing the economies of Central and Eastern Europe as well as offering good opportunities for the EU 15, all at a modest cost to the EU budget. By implication, this assessment is supportive of future enlargements. The EU’s continuing power and influence over the rest of the continent is clearly connected to the credibility of the promise and desirability of enlargement. However, since the 2004 enlargement, the notion of “enlargement fatigue” and “absorption capacity” have gained in prominence, in turn raising questions about how the EU is to maintain its leverage throughout the rest of Europe in this context.

ENLARGEMENT FATIGUE

The Referendum on the European Constitution in 2005 raised key issues with respect to citizens’ concerns versus grand designs for the EU. Rejection of the Treaty in France and the Netherlands has caused the process of ratification to be placed on hold in a number of Member States and may even result in the Treaty being abandoned. The active debate generated by French and Dutch rejection of the treaty brought into prominence the expression “enlargement fatigue” and revived the issue of “absorption capacity” which had first come to prominence in the membership criteria elaborated at the European Council in June 1993. Divergent interpretations have been put forward to account for the Treaty’s rejection.

- Failure to ratify the Treaty should not be confused with broader issues concerning the whole European enterprise. In the Netherlands¹, only 6 per cent of the no vote was directly associated with opposition to further enlargement. (Eurobarometer 2005e) and in France,² only 3 per cent of those asked, who voted against the Constitutional Treaty, stated opposition to EU enlargement in general, although 6 per cent were against the specific case of Turkey entering. (Eurobarometer 2005d). Therefore, the priority is to improve the EU’s functioning capacity by reviving the provisions of the Constitutional Treaty, whilst continuing the process of widening the EU’s membership.
- Failure to ratify the Treaty signalled the European electorate’s disenchantment with the EU and the process and speed of enlargement. Within this interpretation the notion of absorption capacity is important. The EU should wait until it is able to cope with the strains imposed by another period of enlargement.

The malaise of enlargement fatigue concerns the feeling that the EU lacks both a sense of energy and direction. For many, the Community has moved ahead too rapidly, offering membership to states when internal EU issues have yet to be resolved, especially in the period post the 2004 enlargement, for exponents of this view, the EU either needs to enlarge with more caution or even curtail the process itself. However, the reality is that enlargement fatigue is also a catchall phrase and underlying it are a number of possible phenomenon, many of which are related to national concerns.

- The belief that the slow growth and high unemployment in certain states is associated with enlargement.
- The economic or political quality of the remaining potential candidates diminishes the potential of the Community.
- The financial burden of enlargement upon the existing Member States is greater than the benefits.
- Concerns about particular nationalities or the religions of potential accession states.
- The view that the EU does not function well at its present size.
- Continued enlargement will undermine many of the achievements of the EU.

¹ The Netherlands had a consultative referendum where 61.8 per cent rejected the Treaty and 38.2 per cent in favour with a 62 per cent participation.

² The French referendum took place on 29 May 2005 when 55 per cent rejected the Treaty and 45 per cent voted in favour with a 70 per cent turnout.

- The need to take account of the EU's absorption capacity.
- An inability to deal with issues such as social dumping as reflected in the debate about the Services Directive and an unwillingness to accept the consequences of free movement of labour.
- The EU's inability to overcome the adverse impacts of globalisation.

Clearly, reasons for enlargement fatigue are complex and may have little to do with the enlargement process generally, reflecting instead dissatisfaction with a wider range of issues. However, once these issues have been identified and dealt with, it would appear that there are real attempts to block Turkey and perhaps other states' accession.

PUBLIC SUPPORT FOR ENLARGEMENT

Eurobarometer reports have monitored public support for enlargement since the 1990s and the latest report published in December 2005 revealed an overall balance of support for further EU enlargement with 49 per cent of respondents in the EU25 were in favour of a further expansion whilst 39 per cent opposed this (Eurobarometer, 2005c). However, despite this balance of support overall, there remain some interesting potential trends emerging which could effect the context in which enlargement policy is formulated.

1. Successive Eurobarometer reports indicate that the disparity between those who favour and those who oppose the policy of enlargement policy is narrowing (Eurobarometer 2004a, 2004b, 2005a, 2005b, 2005c).
2. Significant differences exist between the attitudes to enlargement within old and new Member States, with respondents in new Member States demonstrating a much stronger commitment and enthusiasm for a policy of further EU enlargement than within the old EU15 (Eurobarometer 2005a, 2005b, 2005c).
3. The levels of support specific countries receive from the public for the prospect of their inclusion in the European Union differs dramatically. Over a succession of Eurobarometer reports, the countries that have consistently received the highest levels of support from respondents for their potential inclusion in the EU have been Norway, Switzerland and Iceland. Hence, majority support for further enlargement is confined to wealthier, western European states whose "European" identity and liberal values and norms are viewed as already entrenched and also where support for joining the European Union is ambivalent at best. Support for enlargement declines significantly for countries such as Turkey and Albania, reflecting real concerns about these countries' qualifications to join the EU and popular disquiet about compatibility on religious and cultural grounds.

Perhaps the above state of affairs is not surprising when we view the pace of enlargement and the lack of knowledge and understanding present for the societies of the potential accession candidates. Before 2004, EU enlargements had always involved countries considered to be part of the European mainstream, in contrast to Central and Eastern European states. However, public opinion clearly affects the context in which enlargement decisions are made and policies formulated. A survey conducted in 2003 found a significant majority of 76 per cent in favour of defining the EU's borders before commencing on any further new enlargements, with 69 per cent in favour of developing alternative relationships short of full EU membership. (Eurobarometer, 2003)

ABSORPTION CAPACITY

The stalling of the ratification of the Constitutional Treaty provided an opportunity for sceptics about the wider Europe to "break cover". Both enlargement and the Treaty were issues which would change the internal dynamics and power balance within the EU. Some of those opposed to the very idea of enlargement have attempted to create an image of the EU as a juggernaut hurtling out of control in its pursuit of expansion to encompass all the states of Europe into one vast organisation. Reflecting a renewed debate about enlargement and a shift from the issue of qualification via the EU's membership conditions to one of delaying or even abandoning the enlargement process all together, the issue of "absorption capacity" has seen a revival. This issue first came to prominence in the membership criteria elaborated at the European Council in June 1993:

"The Union's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries." (Council of Ministers, 1993)

However, this condition was swiftly sidelined in an atmosphere of political consensus over the desirability of the 2004 enlargement and the subsequent move to technical conditionality. More recently, in a climate of "enlargement fatigue", Commission statements have re-emphasised the need to link future enlargement of the Union to its ability to effectively absorb new members. The Commission's interpretation of this term appears to suggest that enlargement objectives can be achieved by ensuring the EU devotes some of its energy to

improving absorption capacity. The Enlargement Commissioner Olli Rehn sees absorption capacity as being determined by values rather than geographical conditions, with geography simply defining boundaries. He believes that:

“Every European country that respects values such as democracy, human rights and the rule of law can apply for membership. This does not mean that we have to accept every country. But it would be wrong to definitely close the door by drawing a line on the map that determines Europe’s borders forever. With this, we would squander many strategic options.” (Rehn 2006)

The search to tighten the condition’s definition will continue. One of the most interesting responses to the issue came from the European Parliament which believed that; “defining the nature of the European Union, including its geographical borders, is fundamental to understanding the concept of absorption capacity” . It therefore requested the Commission to submit a report by 31 December 2006 setting out the principles which underpin the concept. (European Parliament, 2006)

The promise of enlargement has been the EU’s strongest foreign policy tool in moulding the liberal transformation of the European continent. At the heart of the Commission’s strategy has been the need to ensure that clear conditions for accession are laid down and that achievement of the EU’s criteria is rewarded. If decisions are made to reject an application on what appear to be arbitrary grounds or to raise the membership hurdles, then the process will fall into disrepute. Yet, in many respects, absorption capacity can be viewed as a political criteria rather than a technical one, given that it is possible to define absorption capacity in a multitude of ways and from so many different perspectives. In an era of doubt about the direction in which the EU is travelling, the term can be viewed as an assumption that there is a specific limit to the speed of at which future enlargement can take place. It may even suggest that there is a finite limit to the size of the EU which may not coincide with the actual geographical limits of Europe. If absorption capacity is to be viewed as an overtly political concept, then of course it could be seen as a means to justify denying or delaying membership to aspiring applicant states. Limited absorption capacity could be used as a reason for either a selective or a general block to enlargement. Criteria establishing the ease of absorption could well relate to the “quality” of the applicant in terms of a European ideal Member State. As we shall see, many citizens clearly differentiate between the desirability of potential candidates already.

CONCLUSIONS

The policy of enlargement and the exercise of conditionality instruments have lain at the heart of the EU’s attempt to lead the transformation of post cold war Europe in its own image, spreading liberal norms and values, establishing standards of behaviour and European security, whilst also addressing the potential negative effects of enlargement for the EU itself. The EU’s continuing power and influence over the rest of the continent ultimately rests on the credibility of the promise and desirability of enlargement. However, given the extent of enlargement fatigue within the EU, how is the EU to maintain its leverage over the rest of the continent? Despite its obvious appeal to applicant states and the power this gives to the organisation, the EU is facing a dilemma. In the past, conditionality mechanisms have been used as a way of enforcing the defined rules for membership but without offering a direction or an end to the process, making it very difficult for the EU to deny accession to those states who demonstrate both willingness and evidence of continuing reform. The renewed emphasis on absorption capacity as a condition of accession could change the terms and direction of the enlargement debate. Accession decisions are not solely the result of technical conditionality and the monitoring of compliance, they also result from political pressures. Clearly, the condition of absorption capacity could be used in a very different way, to restrict access or even the establish the finite size of the EU, if this is the case then the shape of the organisation’s expansion will reflect the power and interests of its individual Member States. The enlargement fatigue and absorption capacity debate has been seen by some in the diplomatic community as a code for excluding Turkey from the EU. The future identity of the European Union and its relationship with its neighbours (whoever they may turn out to be) is internally contested and as yet undefined. As a result of continued pressure for increased membership in the context of enlargement fatigue, a vital debate about the feasibility and desirability of continued expansion, about the nature of the EU and where its limits lie, is now emerging. At the same time it must be recognised that there is the potential for negative fallout from the debate. If EU accession looks too difficult or becomes subject to the whims of some Member States, then the most potent of the EU’s foreign policy tools may have little meaning. If this is the case, then the EU’s ability to engineer change across Europe may be reduced.

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Memorandum from the European Policy Forum

ABSORPTION CAPACITY, DECISION-MAKING AND ENLARGEMENT

1. INTRODUCTION AND CONCLUSIONS

- (i) This paper looks at the meaning of “absorption capacity” in the context of further EU enlargement and in terms of EU decision-making.
- (ii) The further enlargement of the Union faces two challenges. The first involves political value judgements—for example whether Turkey, a secular state with a population adhering to an Islamic belief system, “belongs” to the Union. The second is empirical—whether or not the existing economic and institutional structures of the Union can function effectively with further enlargement.
- (iii) The phrase “absorption capacity” refers to the possible empirical constraints on enlargement as opposed to political limits.³

2. THE “EFFECTIVENESS” OF DECISION-MAKING

- (i) In order to assess whether empirical constraints exist in respect of EU decision-making this paper looks at each of the three key institutions of the EU—the Commission, the Council of Ministers and the Parliament. For each, it looks at the concept of absorption capacity from three different angles:
- The ability of the institutions with an enlarged membership to reach decisions on new measures;
 - The ability of the institutions to safeguard the quality of their decisions on new measures;

³ The phrase “absorption capacity” seems to have its origin in development economics where it stands for the ability of an emerging economy to use capital flows from abroad in an effective way. In such a context it refers to the limits that may be imposed on the effective use of inflows either by the lack of investment opportunities or by a shortage of administrative and managerial resources. In theory the limit can be measured and quantified. In practice it is a porous concept other than in the case of extreme values.

- The ability of the institutions to implement measures successfully and to learn lessons from what has been done.

(ii) The conclusion is that “absorption capacity” in the context of EU decision-making does not establish an empirical limit to further enlargement.

3. DECISION-MAKING IN THE COMMISSION

Taking Decisions in the College of Commissioners

(i) The Commission takes decisions by a majority of its members (Art 219). The current college of Commissioners has 25 members (one for each Member State) and can expand to 27. Beyond that point it has been agreed at Nice that the college will total less than the number of Member States (see Protocol on the enlargement of the European Union Art 4). When that point is reached the Council will decide unanimously on the size of the next Commission and how to interpret the principle of “equality” in deciding on rotation.

(ii) The basis of the Commission’s decision-making powers is its exclusive right to take initiatives in most areas of the treaty. There seems no strong reason to believe that its ability to use the power of initiative will be adversely affected by future decisions on its size or the rotation principle. Some fear that the Commission will suffer a loss of legitimacy if each Member State were not represented in the College by one national, but there are other more important factors that affect its decision-making powers. These include, notably, its need to win the support of decisive majorities in the Council and the complexity of the external policy-making environment. In today’s world there are no “quick wins” on topics such as the international competitiveness of the EU and Council majorities are elusive and transient. What some Commission observers see as the “golden age” of Jacques Delors has gone forever.

(iii) Even if, for some reason, the Council were to revisit its decision at Nice limiting the future size of the Commission, this would not necessarily impair the Commission’s future ability to take decisions. It is currently organised on the basis of each Commissioner having charge of a particular policy portfolio. This is neither necessary nor particularly desirable. There would be much to be said for the Commission to be organised in such a way as to depersonalise decision-taking in line with regulatory boards within Member States.

The Quality of Decision-making

(iv) Since 2001 and the launch of its White Paper on governance⁴ the Commission has put emphasis on improving the quality of governance in the EU. This has involved, amongst other actions, a shift towards “evidence based” governance. This means that the Commission is justifying its initiatives and decision-making in terms of an “Integrated Impact Assessment” rather than relying simply on an enabling clause in the Treaty base. While the system is far from perfect, most observers agree that a culture change is taking root inside the Commission so that “success” is increasingly measured by reference to a quality assessment rather than by the number of new initiatives.⁵

(v) The need for an evidence based approach to decision-making will increase with further enlargement because conditions in the union will be more diverse and it will be more difficult for the Commission to frame its measures in a way that applies across the board. However, an evidence-based approach to new measures is needed by existing members anyway, for reasons that are independent of enlargement. Moreover, the conditions for success or failure of efforts to improve the quality of measures are only partly to do with greater diversity in the union. They depend more importantly on external economic pressures in favour of less or better regulation, on support from the member states and on management incentives inside the Commission.

Implementation and Lesson Learning

(vi) Since 1957 the institutions of the Union have approved 108,000 legislative texts. The Commission accepts not only that its decision-making on new measures has to be better screened in terms of impact assessment but also that it has to be much better informed by problems encountered by Member States in implementation and by lesson learning from the stock of past legislation (the so-called “acquis”).

(vii) Lesson learning in all EU institutions is in its infancy including within the Commission. One lesson learnt by the Commission from the most recent expansion of membership is that the existing EU rule book has to be simplified (some 14,500 legislative acts of a binding nature are still in force covering 97,000 pages). A simplification initiative has been launched that will provide an important focus for lesson learning. Different

⁴ COM(2001)428, 25 July 2001.

⁵ More than 100 IIAs have now been completed of varying quality.

objectives need to be distinguished—annulment, codification, revision and recasting. Each presents different challenges.

(viii) The important aspect is that the process of pruning the “acquis” has to go ahead anyway for the sake of the existing membership. Further enlargement simply makes it more urgent. The same is true of the evaluation of past measures generally. The shift to evidence based governance in the EU is missing a vital element if lessons from past successes and failures do not feed into new measures.

(ix) Supplementing both the switch towards evidence based decision making and a greater focus on implementation and evaluation are two other institutional developments of recent origin that affect the EU's decision-making capacity and the Commission in particular. One is the growth in importance of networks of national officials and national regulatory offices (for example in telecommunications, energy, financial services and competition policy). The other is the growth in number of EU agencies—now about 30 in total. Further EU enlargement will increase the importance of both networks and agencies, but their role is likely to expand anyway.

4. DECISION-MAKING IN THE COUNCIL

Taking Decisions in the Council

(i) The current 25 Member States share 321 votes in the Council of Ministers and in order to approve a measure a qualified majority is needed comprising 232 votes (72 per cent) and 13 Member States and 62 per cent of the population. A blocking minority needs at least 90 votes or 13 Member States or states accounting for more than 38 per cent of the population.

(ii) The voting threshold has two effects. One pertains directly to the ease or difficulty of reaching decisions among Council members. The other related effect is on the inter-institutional balance. A lower threshold makes it easier for the Commission to find a majority for its initiatives and may make the Council more amenable to accepting changes in conciliation proceedings with the Parliament.

(iii) The fear surrounding further enlargement is that because of more diverse views within the Council the Nice threshold needed to obtain a qualified majority will become more difficult to reach while a blocking minority will become easier to construct. (The proposed Treaty Establishing a Constitution had incorporated a significantly lower threshold to reach a qualified majority—55 per cent of the votes and 65 per cent of the population).

(iv) Whether the balance struck in Nice within the Council and between the institutions is the “right” one is essentially a normative question. Those who feel that the EU has suffered from too many measures in the past will support a continuation of the equivalent of the Nice thresholds even with further enlargement; those who would like to see more done at the European level will wish to see a lowering.

(v) Experience to date does not suggest either that the Nice formula has created special obstacles to decision taking in the Council or led to imbalances in the Inter Institutional arrangements. The reason for this is that voting thresholds are not the only factor affecting bargaining within the Council and between the institutions.

The Quality of Decisions

(vi) The culture in the Council is a bargaining culture—from the working groups of officials up to the Ministerial level and including the Permanent Representatives. The shift towards an evidence based approach to decisions is thus difficult to graft on. The Council has committed itself under an Inter Institutional Agreement to support IIA disciplines so that amendments it makes to Commission proposals, or initiatives of its own, are evidence based. Progress to date however has been limited. A number of steps are being tried out, ranging from greater involvement of national directors of better regulation, to impact assessments carried out by Presidencies, to strengthening the capacity of the Council Secretariat.

(vii) Further enlargement of the Council will not change this basic picture. It will possibly add to the incentives maintaining a bargaining culture. At the same time it should not impede the steps needed for Council formations to become more aware of evidence—particularly at the early stages of Council consideration when a measure first appears in the Commission's work programme. The main obstacle to changing the culture is not further enlargement but the fact that not all Member States are equally committed to better regulation in their domestic settings, or attach the same meaning to the term, and this spills over into the Council.

Implementation and Lesson Learning

(viii) Systems for lesson learning from past legislation are not well integrated into the national procedures of Member States and this lacuna applies equally to lesson learning from past EU legislation. Further enlargement does not change this picture. All Member States, both old and new, have far to travel.

(ix) Implementation is also widely regarded as “uneven” although hard evidence is difficult to come by. It is, however, feared that further enlargement will make existing perceptions of uneven implementation more pronounced and that this could undermine respect for EU law. The Commission has recently extended its notification processes in order to scrutinise implementing measures according to better regulation criteria but it is too soon to know the effect. Additional measures, such as common procedures for implementation, are needed by the existing membership. If further enlargement accentuates the need for better implementation this will be beneficial rather than a negative.

5. DECISION-MAKING IN THE PARLIAMENT

Mobilising Majorities

(i) The Parliament currently has 732 members and for the crucial co-decision procedure, giving it the power to amend or block a legislative proposal, it needs to act by a majority of its component members. The ease or difficulty with which it can meet this threshold essentially depends on the ability of the major party groupings to mobilise their members.

(ii) Further enlargement will probably take place within these benchmarks. Two fears are expressed. One is that the “degressively proportional” scheme for representation that over-weights the Member States with small population sizes and under-weights the large will become more pronounced and will give accusations that the Parliament is not “representative” more plausibility. The other is that the existing major party groupings will lose some of their cohesion and power of patronage and thus majorities will be more difficult to mobilise.

(iii) The first point was shrugged aside by the proposed Treaty Establishing a Constitution that had incorporated a limit of 750 members and had proposed a minimum of 6 members each for the smallest (Malta and Luxembourg) and a maximum of 96 for the largest (Germany). The second point is more difficult to evaluate. In the case of Turkey becoming a member, its right of centre members will be reluctant to join the EPP with its Christian Democrat roots and allegiances, but this would not stop them voting alongside for reasons of political principle. What may be said is that voting outcomes could become less predictable and possibly more influenced by national domestic constituencies. However, domestic politics are influential in the existing Parliament (for example in the case of the recent Services Directive) and opinions differ as to whether or not that is a “good thing”. “All politics is local”, is an American saying about Congress but needs to be kept in mind as a possible direction for the European Parliament.

The Quality of Decisions

(iv) The need to look at the evidence behind legislative proposals involves as much of a culture change for the Parliament as it does for the Council. Its own procedures do not mesh easily with the Commission’s IIA procedures and it is only at the start of building up an in-house expertise and contracting out-of-house expertise in order to back up its amendments with supporting evidence. Similarly to the Council, it has committed itself under the Inter Institutional Agreement to inform its amendments with IIAs but in practice has far to go in order to implement this understanding. Further enlargement does not alter this picture, nor need it deflect the efforts being made.

Implementation and Evaluation

(v) The focus of the Parliament is on new and upcoming measures and not on implementation or on the evaluation of what has been done. Codecision is what gives the Parliament its clout. This may be changing as review clauses contained in past legislation begin to come into effect. Such clauses could encourage a different focus to the work of the Committees in the Parliament and could also enable the Parliament to mobilise the other institutions in the review effort. At the same time, the history of review clauses and sunset clauses in other jurisdictions suggests that legislatures are most reluctant to unpick past political compromises and bargains. Maintaining legislation unchanged is the easy option. Again further enlargement does not alter these institutional incentives.

6. CONCLUSIONS

(i) This brief review of decision making in each institution does not suggest that absorption capacity sets empirical limits on the capacity of the union to further enlarge. Each institution will remain no less able than it is today to reach decisions on new measures. Moreover a focus on the capacity of institutions that only looks at the volume of new measures is misplaced. Qualitative aspects of what the Union does are equally important. From this perspective, each institution has to improve the quality of its decision taking by placing more weight on the evidence behind its decisions, each has to get a firmer grip on implementation and each has to start learning lessons from past measures and to integrate the lessons into new measures. Enlargement may make this qualitative dimension more pressing but the need is there anyway for existing members. If further enlargement increases the incentives to improve the quality of what the institutions do, it can only be beneficial. In addition, the administrative capacity of the union will also be assisted by a growing role played by networks of national officials and regulators and by other independent EU agencies.

(ii) The concept of absorption capacity when applied to the institutions of the union thus does not suggest that the limits of expansion have been reached. The danger is that the phrase will be used to deflect attention away from the more sensitive political obstacles to enlargement.

Frank Vibert
Director EPF

5 June 2006

Memorandum by Mr Paul Luif, Austrian Institute of International Affairs

THE ECONOMIC AND POLITICAL IMPACT OF ENLARGEMENT TO DATE

1. There can be no doubt that in the medium to long term, the last round of enlargement has strengthened the EU as an economic actor in a globalised world. In addition, the (still) low wages in Central and Eastern Europe allow the companies of Western Europe to set up a production mix which allows them to preserve their competitiveness on global markets. But since I am not an economist, I will concentrate on the political aspects of enlargement.
2. There seem to have been several changes in the dynamics of decision-making in the EU:
 - (a) With 25 members, the proposals of the European Commission have become more important (at least in the first pillar); in this respect, the Commission was strengthened by enlargement.
 - (b) The decision-making in the Council relies now more on informal structures like the “Friends of the Presidency” groups. In these groups only officials from the interested member states (plus the Commission and the Council Secretariat) take part; the (cumbersome) Council rules, like the language regime, are not used.
 - (c) The preparation of decisions in the Council by groups of countries have become more important (Nordic countries, Benelux, Visegrád, etc).
3. It is not unusual that the consensus on EU questions in the acceding states has disappeared after accession. The priorities of EU policies now depend on the views of the ruling party (or parties); they often change when new parties come to power. Generally, the new Member States have a less “federal” and a more “intergovernmental” approach compared to the majority of the old EU States.
4. In contrast to the economic sphere (cf. point 1), enlargement has probably not strengthened the EU as a foreign policy actor. The views on international problems have become more diverse among EU members. One particular issue concerns the relations of the EU to NATO (and the United States). Most politicians in the new Member States want the ESDP to be compatible with NATO, whereas eg France and Belgium want to bolster the position of the EU also in the foreign policy/defence sphere and attempt to reduce the significance of NATO. For the new Member States, NATO is still a cornerstone of transatlantic relations. In addition, there exists now the problem of Malta and Cyprus which do not participate in NATO’s Partnership for Peace. As a consequence, formal contacts between EU and NATO have become more complicated.
5. Enlargement has strengthened the EU’s commitment to the values of democracy, the rule of law and human rights. The relations eg to Russia with the problematic situation of its democracy as well as to non-democratic countries like China and Cuba have clearly been influenced by the attitudes of the new Member States. The history of the Central and East European countries (CEECs), in particular their experiences with Communism, has made them much more critical to these kind of regimes than many of the West European EU States.

6. The enlargement process is now much more “sophisticated” than it was with the southward enlargement. There are at least four reasons:

- (a) The EU has already a long history and practice of enlargements.
- (b) The EU is now a much more complex system.
- (c) The enlargement process was also more complicated because most of the CEECs had to close a much greater gap than the Southern countries.
- (d) The EU accepted a much larger and diverse group of countries at once.

PUBLIC OPINION AND EU ENLARGEMENT

7. I concentrate here on public opinion in Austria. In the autumn 2005 poll of Eurobarometer the further enlargement of the EU in general was supported by only 29 per cent of Austrians (20 per cent points below the EU-25 average of 49 per cent, the average for the “old” EU-15 was 44 per cent); this was the lowest percentage of all 25 member states, closely followed by France and Luxembourg (31 per cent each). In answering questions on specific states “becoming part of the European Union”, Austrians supported membership of Croatia with 50 per cent (almost identical with the EU-25 average of 51 per cent, higher than the EU-15 average of 47 per cent), whereas the (imminent) accession of Romania was supported by only 17 per cent (EU-25: 43 per cent, EU-15: 41 per cent).

8. EU membership of two countries with large Muslim populations has rather low support in Austria, according to Eurobarometer. In autumn 2005, only 12 per cent of Austrians backed Albanian membership (EU-25: 33 per cent, EU-15: 32 per cent). Turkey’s accession to the Union was supported by only 11 per cent in Austria, followed by Cyprus (16 per cent) and Luxembourg (19 per cent; EU-25: 31 per cent, EU-15: 29 per cent). A survey made about the same time by the “Österreichische Gesellschaft für Europapolitik” asked a more elaborate question: “Turkey wants to become a member of the EU. When do you think will Turkey be fit for membership?” The answers of the Austrians were: “Already now” chose 8 per cent, “in ten years” 28 per cent, “in 20 years” 22 per cent and “never” 32 per cent (“don’t know” 10 per cent, telephone survey in October 2005, N = 505.) Thus, 58 per cent of Austrians saw Turkey fit for membership, albeit a number of them only after a long time span.

9. The “Austria, stay free” petition (*Volksbegehren*) was launched by the FPÖ (Freedom Party of Austria) between 6 and 13 March 2006. Only some 260,000 Austrians signed it, or about 4 per cent of the electorate. The petition included three issues: (a) opposition against Turkish EU accession, (b) maintenance of Austria’s neutrality, (c) opposition to the EU Constitution. According to a survey from Fessel-GfK, the main issue of the petition was Turkish EU membership. The largest percentage of signatures came from supporters of the Social Democrats (SPÖ), then from the FPÖ and ÖVP (Conservatives). The greatest number of signatories were pensioners and blue-collar workers (see *Der Standard*, 14 March 2006). It is therefore no surprise that the Austrian Social Democrats opposed the start of membership negotiations with Turkey. However, the Viennese branch of the party has supported membership negotiations, since a number of voters of Turkish origin live in Vienna. The Greens and the Conservatives (with some reservations) support membership negotiations. Jörg Haider, now leader of the BZÖ (Alliance for Austria, founded in April 2005, since the FPÖ became too right-wing for him), first supported EU membership negotiations with Turkey, but later started to oppose them.

10. With about 10 per cent, Austria has, after Luxembourg the largest share of foreigners among all EU Member States. In May 2004, four states on its borders joined the EU. The main problem for the Austrian labour market has not been the “immigration” of workers, but the “commuting” of people from the new EU Member States; eg Bratislava being less than an hour drive away from Vienna. Therefore, the Austrian trade unions (in contrast to Austrian business) strongly oppose the reduction of the transitional period for opening up the Austrian labour market to citizens of the new Member States. In recent years, there has been an additional challenge for the Austrian labour market: the influx of German *Gastarbeiter*. The high level of unemployment in Germany, in particular in East Germany, has impelled Germans to seek work in Austria.

11. The end of the Cold War and the opening up of the borders after 1989 has significantly increased the crime rates in Austria (see Table in the Annex). When the visa regime for Romanians was abolished, the number of Romanians apprehended for crimes rose. It was not the 2004 round of enlargement as such that made Austrians worry about organised crime, but probably the whole process leading to that enlargement.

12. For domestic reasons, the Austrian government promised to hold a referendum on Turkish EU membership. It is rather difficult to predict a possible outcome since in any case it will, if at all, take place in perhaps ten years time. One element to keep in mind is that in Austria, in contrast to almost all other European countries, the Muslim religion is officially recognized and its representatives get financial support from the government; Austria espousing thus an “inclusive” kind of secularism.

THE FUTURE OF ENLARGEMENT

13. The next steps in EU enlargement will involve the countries of the Western Balkans. This makes sense, since it would be detrimental to have a “black hole” in the middle of the EU. But I see big difficulties ahead. First, countries like Albania, Bosnia and Serbia still have a long way to go to be ready for EU membership.

14. But probably the big clash ahead will be between those countries that support membership of eg Croatia without pushing for wide-ranging EU reforms and other Member States that will want to use the enlargement beyond Romania and Bulgaria as a lever for changes of the EU treaties and perhaps the adoption of an improved version of the Constitution. Countries like France (insisting on a difficult to define “absorption capacity”) could demand reforms before enlargement; changes that would increase the EU’s influence in world politics and would make the EU more a counterweight to America’s power. Most of the EU countries strongly supporting further enlargement would presumably disagree with such a vision of the EU.

Annex

Table

FOREIGNERS CONVICTED FOR OFFENSES/CRIMES IN AUSTRIA (PERCENTAGE OF ALL CONVICTIONS)

	<i>Youth</i>	<i>Adults</i>
1975	3.3	10.9
1980	3.8	9.3
1985	5.3	8.8
1990	22.8	18.5
1995	21.1	20.7
2000	21.5	23.2
2001	21.9	23.7
2002	26.2	25.5
2003	33.5	27.0

Source: Statistisches Jahrbuch Österreichs 2005, p 473 (data from Statistik Austria).

Memorandum by Liz Lynne MEP

Has enlargement affected the EU’s commitment to the values of democracy, rule of law and human rights?

The EU is playing an increasingly active role on the world stage to improve human rights globally. The last enlargement of the EU to 25 Member States with 457 million inhabitants (soon to be supplemented by the accession of Bulgaria and Romania) has increased the global importance of the EU and has thus given it greater weight in international human rights politics.

In my role as a member of the European Parliament Sub-committee for Human Rights, I have witnessed the increasing importance placed by the EU institutions on the values of universal rights, especially in the context of the enlargement process.

During the UK Presidency in the second half of 2005, the EU gave priority to compliance with human rights obligations as part of the process of opening negotiations with Turkey, Croatia, the Former Yugoslav Republic of Macedonia, Serbia-Montenegro and Bosnia-Herzegovina.

The European Commission will ensure that real progress is made by the candidate countries in the field of the human rights, and in particular regarding trafficking of persons, protection of minorities, religious freedom and freedom of expression, displaced and refugee populations, people with mental health problems and/or intellectual disabilities and cooperation with international justice, in accordance with European principles. We

have seen a number of positive developments in these areas in Bulgaria and Romania during their ongoing evaluation for membership.

In conclusion, the association and accession process has played an important role in providing the impetus to carry out necessary human rights reforms in potential member states.

June 2006

**Memorandum from Mr Vladimír Müller, Deputy Minister of Foreign Affairs
of the Czech Republic for European Union Affairs**

This is in response to the Call for Evidence of the European Union Select Committee about the further enlargement of the EU that you have addressed to myself and to Mr Libor Sečka at the Ministry of Foreign Affairs of the Czech Republic.

As you know, the Czech Republic was one of ten countries that joined the EU in the last enlargement round of 2004. Both economically and politically the latest enlargement can be considered a success not only for the ten new Member States but for the EU as whole as well. Public opinion surveys in the Czech Republic, among others, attest to this.

As far as further enlargement of the EU is concerned, the Czech Republic has supported the opening of accession negotiations with Turkey and with Croatia on 3 October 2005. Furthermore, the Czech Republic supports the European perspective of the Western Balkan countries. With respect to the countries of the former Soviet Union and other states in Europe's vicinity, the Czech Republic prefers that the instruments of the European Neighbourhood Policy be used as the basis of their relations with the EU.

This year the debate among the Member States about EU's enlargement strategy has been focusing on the issue of absorption capacity as one of the criteria to be considered in any further enlargement of the EU. While the June European Council has invited the Commission to examine this concept, including its legal and financial aspects, it remains, first of all, a political concept already used in the conclusions of the Copenhagen Council of 1993. The Czech Republic understands the absorption capacity not to be any new, additional criterion exceeding the framework envisaged in the Copenhagen criteria. In this respect, the GDP per capita indicator suggested in the questionnaire is not relevant. The Czech Republic is not in favour of using the absorption capacity criterion as a tool in the accession process.

Finally, the Czech Republic considers a debate about the borders of "Europe" neither productive nor desirable.

20 June 2006

**Memorandum by Tina Nelson Fordham, Director, Economic Political Strategies,
Citigroup Global Banking**

**EVIDENCE SUBMITTED IN A PRIVATE CAPACITY AND DOES NOT
REFLECT THE OPINION OF CITIGROUP GLOBAL BANKING**

THE POLITICAL AND ECONOMIC CASE FOR EXPANSION

Within Europe's current low-growth, high unemployment economic environment, an anti-globalisation and even populist mood has been steadily emerging. This mood has been reflected in a range of protectionist policies, and was a factor in the 2005 rejection of the EU Constitution by French and Dutch voters, in which both anti-Brussels and anti-enlargement sentiment, as well as a more generalised economic anxiety, played a role.

A concerned popular response to the risks posed by globalisation is not without merit. Economic evidence suggests that benefits of globalisation are uneven, visible in growing income inequalities in developed countries. Many countries in Europe, particularly those producing low-value added manufactured goods, have been caught-off guard by the continued challenge of globalisation and some have sought to close their borders to competition, create national champions or engage in economic protectionism, practices which will erode Europe's competitiveness over time if allowed to continue.

But despite the challenges that EU policymakers face at this time of low public confidence in the EU "project" and increasing economic anxiety, a slowing or cessation of EU enlargement would be a mistake with potentially much more serious consequences for European stability and prosperity.

Having successfully reunited the European continent after the divisions of World War II and the Iron Curtain with the 2004 enlargement, Europe needs urgently to define the next stage of its mission. This mission must be one that includes at its centre a dynamic economic vision that offers real incentives and opportunity to the impoverished states on its borders to undertake economic reforms as well as political reforms. This new mission can fill the void left after communism divided Europe, and can help counter the appeal of extremism and nationalism.

As a promoter of economic liberalisation and proponent of democracy and human rights, the United Kingdom should not join the fray of detractors arguing for an end to expansion and the closing of Europe's borders. The current vogue in Brussels for proclaiming that Europe has reached its "absorption capacity" is a false construct that the UK should counter with its own, largely positive experience of enlargement, including opening its labour market to migrants from the EU-10.

The fact that Finland, Greece, Portugal and Spain have lifted their restrictions on labour migration is in large part due to the evidence of the job and economic growth in the UK, Ireland and Sweden have experienced. The European Commission itself recently concluded that EU-10 nationals were contributing positively to "overall labour market performance, sustained economic growth and to the state of public finances". The need to publicise these benefits will become all the more important when Bulgaria and Romania join in 2007, given how many countries, including, ironically, the Central and Eastern European Member States, are considering restrictions.

Besides the labour issue, EU membership delivered average growth rates of 6.2 per cent for the EU-10, 1.3 higher than the previous year and 4 times the average for "Old Europe".

Although little appreciated by the public and much-maligned by the media, the truth is that enlargement has brought many benefits to the EU as a whole, while many of the fears that preceded the 2004 "Big Bang" have largely failed to materialise. In fact, enlargement can and should be regarded as one of the most successful policies put forward by the European Union.

THE CASE FOR EXPANSION

The benefits of expansion to current member states should not be underestimated. Clearly one of the primary benefits falls into the category of "soft power"—the exporting of European ideals of democracy, human rights, openness and accountability. At a time of greater alienation and social dislocation, these values have an even greater role to play—part of furthering the "brand value" of European ideals, so to speak. They also represent a partial antithesis to the darker appeal of nationalism and violent extremism that often lurk behind populism and isolationism.

Recent history has shown that the potential to join the "club" of Europe provides governments with an incentive to reform that has no precedent in history. Witness the unparalleled rapid transformation to democracy and market economy that the former communist satellite states of East-Central Europe were able to achieve, in contrast to their non-prospective member state neighbours. Compare Poland's "shock therapy" to Ukraine's kleptocracy under Kuchma, or Romania's impressive progress in reforming institutions compared to Moldova's stagnation. What divides them, in a nutshell, is the promise of EU membership.

Even Turkey, which merely started the long and fraught process of accession negotiations last year, has been able to achieve surprising and extremely impressive results in political reform through the pre-accession process—results which were heretofore regarded as well-nigh impossible considering Turkey's history of financial meltdowns and military coups. Although Turkey's accession, if it happens, will not take place until somewhere beyond 2015, it is already reaping the benefits of participating in the accession process.

From an economic perspective, this is most apparent in the dramatic increase in positive investor sentiment about Turkey over the past two years, evident in FDI figures. Gross entries of FDI capital (excluding foreigners' purchases of holiday homes and other real estate) last year rose to 8.4 billion dollars, or about 2.3 per cent of GDP, compared to 1.2 billion dollars in 2004, closer to the average of the past 10 years. The acceleration in FDI in 2005 stemmed from a number of large-scale company mergers and takeovers, particularly in the banking sector, and privatisation deals.

Although the increase in investor confidence stemmed from a variety of factors related to improvements in the stability of the Turkish government and particularly its macroeconomic policies, a major factor underpinning investor confidence is undeniably the prospect of eventual EU membership over the long-term, preceded by improvements in Turkish institutions and the harmonisation of norms in the near to medium-term.

The Turkish case illustrates the power of the EU idea to overcome huge obstacles, vested interests and fears, and its potential to create positive changes that can be felt by everyday people far in advance of membership. Maintaining this momentum is a major challenge, one that is beyond the scope of this paper, but working

closely with Turkey and providing continuous positive reinforcement for the difficult changes it is making will be crucial if Turkey is to find the will to stay the course. Unlike Eastern European states, which were effectively returning “home” to the fold after being artificially divided by communism, Turkey’s accession is less a physical, geographical reunion, and more of a philosophical convergence that will require nurturing, reinforced by the clear promise of economic benefits in exchange for years of compromises.

On an EU-wide basis, expansion increases the number of trading partners for Member States; disperses economic benefits, reducing inequalities and raising living standards, and increases the amount of overall Foreign Direct Investment (FDI) that flows into the EU.

Rather than be subject to criticisms about a “race to the bottom” for labour standards, and a net loss for western Europe as some jobs and business operations move eastward, these signs of investor confidence and increased opportunities should be portrayed as a net positive for the EU, as richer citizens of the EU-10 spend, travel and contribute more to the wider Union. The benefits of expansion must be portrayed as a two-way street, with not only costs but benefits to be gained on both sides.

Economic opportunity is one of the major appeals for prospective Member States. According to Eurobarometer survey data, for the vast majority of the citizens of both EU candidate and aspirant countries (as well as those along the periphery) it is the economic benefits of being part of Europe that, unsurprisingly, have the strongest appeal. In a time when economic disparities are readily apparent to anyone able to watch television, such aspirations are unlikely to be stemmed, even by stricter immigration policies—as evidenced by the rising tide of illegal economic migrants who are willing to risk their lives for better prospects.

With all of this in mind, any future association or partnership agreements must include the prospect of some form of labor migration and trade benefits if they are to be attractive enough to generate concessions from entrenched political elites. For middle-income countries like Algeria and Ukraine, the promise of small amounts of democracy assistance is simply not a powerful enough incentive to propel the level of change that the EU demands in exchange.

The European Neighbourhood policy, therefore, should be substantially re-thought and strengthened so that it offers meaningful economic and trade benefits in exchange for reform, well beyond the current package of fairly uninspiring carrots. 11 years after the Barcelona process was launched to great fanfare, the hoped-for Mediterranean free trade area has yet to materialise. Yet it is hard to imagine an objective which could do more to propel the region away from the tremendous demographic and economic challenges it faces, both of which feed into the sources of instability and conflict that so catastrophically have torn it apart and kept it from meeting its potential.

THE RISKS OF A “FORTRESS EUROPE”

Failure to spread the benefits of EU enlargement beyond the current borders to the countries on Europe’s periphery would be a missed opportunity to increase stability and prosperity within the European neighbourhood.

The risks of closing Europe’s borders to further enlargement are many, including a re-igniting of the Balkan and Caucasian conflicts, and the creation of a two-tier European continent, where extreme income disparities fuel social dislocation and increased illegal migration into Europe—alongside organised crime networks trafficking in people, drugs and weapons, as well as reinforcing the perceived Muslim/Christian divide, or the over-simplistic “Clash of Civilisations” that has unfortunately characterised East-West differences since 9/11.

THE WAY FORWARD

But given the extreme political sensitivities within the Member States and concerns about how to pay for expansion, what is the best way to continue the process?

Firstly, it should be made clear that there are also costs to ending enlargement. These may be largely indirect, but they are significant. Crime, large inflows of drugs and contraband and the prospect for wars on Europe’s borders are a few of these costs. With this in mind, it is important that all of the Western Balkans and not just Croatia are offered a chance to join. Rumours and speculation that the “doors” of Europe will close after Croatia joins are extremely counter-productive to the regions’ post-conflict reconstruction.

Whether extending the benefits of Europe through formal enlargement or through truly robust partnership and association agreements that include trade and economic benefits is best left to those who know their way around terms like “variable geometry”. But those who are wedded to the idea of “deeper” integration instead of wider integration tend to focus, perhaps too narrowly, on the political elements of the process. Respectfully,

this vision was best-suited to Europe pre-2004 re-unification, and may not suit Europe's current challenge. The strongest and most compelling aspects of the European project in its next phase are economic.

29 June 2006

**Memorandum by Baroness Nicholson of Winterbourne, MEP
Vice President of the Committee on Foreign Affairs of the European Parliament**

1. The economic impact of enlargement has been overwhelmingly positive. This fact is now well documented, but has not received the recognition it deserves. It is to be hoped that a recent European Commission report will redress this awareness deficit.⁶ Essentially, the benefits are mutual and complementary. The 10 acceding states have enjoyed faster economic growth as they catch up with the levels of prosperity of the older Member States; while the adjustments made by the Fifteen to take account of enlargement will prepare their economies to better meet the continuing challenges of globalisation.
2. The political impact of enlargement is also positive. In the European Parliament, there is little indication that decision-making has slowed down or become more difficult. Despite the greater numbers, and despite the addition of a series of new working languages, the role of the European Parliament in the formulation and adoption of European legislation has continued to develop. It remains the case that the ratification of the Constitutional Treaty would improve the situation; but this has been delayed not by the new Member States, but by two of the founder members.
3. There is however a strong case for reducing the upper limit on the total number of MEPs. In the long run, it is more difficult for a single chamber of 732 members to maintain the cohesiveness that a smaller body can develop.
4. Our new colleagues have engaged fully in the activities of the EP. One noticeable feature is the emphasis many of them place on the rule of law and the consolidation of peace and stability. These themes were of course core priorities of the original founders of the EU, and it can only be a good thing that they are again coming to prominence in our debates.
5. A stronger focus on Eastern Europe is also evident. The European Union is now more closely engaged than ever with the former Soviet countries, and our relations with Russia are becoming more comprehensive and more complex. As well as now having a common frontier with Russia, the EU now also has large numbers of Russian citizens living within its territory.
6. The enlarged EU is a stronger former policy actor, acting and speaking as a cohesive group of 25 states representing a population of 470 million. This greater weight is more evident however in relation to CFSP than in relation to ESDP. In the defence area the EU after enlargement is still working out the nature of its relationship to NATO.
7. Enlargement without strengthening the EU's legal and institutional framework, based on common values, would be a wrong choice. Priority should be given to the task of embedding our values, and to defining democracy and the rule of law.
8. Opinion polls across Europe do not suggest that public opinion is strongly sceptical about enlargement. They do reveal great concern about increasing crime, and there is a longstanding tendency in the public debate to associate increased crime with increased immigration. Clearly it is important that policies at national and European level address crime and public concerns about crime. In doing so, care must be taken to counteract negative stereotypes and to draw clear distinctions between the few who break the law and the far greater numbers who respect the law and make a positive contribution to their adopted countries.
9. The failure of France to ratify the Constitutional Treaty also reflects a deeper crisis of confidence. For many decades, the Common Market and later the European Union were seen in France as adding to and expressing the importance of France in international affairs. Quite recently, a different perception has gained currency, that France has lost power and stature, and that the enlargement of the European Union is partly responsible for this. A country that still needs to make major adjustments to the realities of the modern economy remains inward looking. The No vote in the Netherlands was in part a response to incoming corruption in a very law-abiding society. The growth of backward-looking or isolationist impulses in both countries is not good news for their European partners. It is important to seek ways and means to increase their confidence and their comfort in European integration.

⁶ Bureau of European Policy Advisers and the Directorate-General for Economic and Financial Affairs, Enlargement, Two years after: an economic evaluation (European Economy. Occasional Papers. No 24. May 2006. European Commission. Brussels.)

10. Referenda are not a good way to govern. In recognition of this, it is more advisable to design a course based on successive modest changes that do not need referenda. The idea of referenda on future accessions cannot be recommended—on the contrary, this would undermine the legitimate responsibilities of parliament as a core part of our democracy.

11. Future enlargements involve a lengthy time-frame. This is not well appreciated in the public debate. In the past, acceding countries have taken an average of 10 years to meet the *acquis communautaire*. New candidates, in some cases, have to first to address the political criteria, before then embarking on the adoption of the *acquis*. This long-term perspective also means that policy-makers cannot (and should not) base decisions on untestable assumptions about the balance of public opinion ten years hence. The sequence of future enlargement also needs to be made clearer. This could well be as follows: first Turkey, second the Western Balkans, and third former Soviet countries.

12. Absorption capacity has come increasingly to the fore in the debate, and is a concept that needs to be examined critically. It is raised essentially to create an extra hurdle for Turkey. The idea is internally contradictory: new countries bring new capacity. Two issues come to the fore: the cost of extending existing levels of subsidies, and the increasingly complexity of decision making processes. In both cases, solutions have been found in the past. Subsidies can be readjusted; decision making can remain efficient by sensible revision of voting weights.

13. The Copenhagen criteria should be the core of the future constitution. Per capita GDP is not at all a suitable criteria; this would be tantamount to defining the EU as a club for the rich.

14. The transformation of former Eastern Bloc countries which joined the EU in 2004 went beyond our expectations and dreams. It is the EU's greatest success and has had hugely positive consequences also for the UK. There is no better example, anywhere in the world, of a policy or a process that has delivered better results, measured by factors as different as economic growth or the quality of democratic and institutional reform.

Memorandum by Mr Erik F Nielsen, Chief European Economist, Goldman Sachs

(SUBMITTED IN A PERSONAL CAPACITY)

THE ECONOMIC AND POLITICAL IMPACT OF ENLARGEMENT TO DATE

What has been the economic impact of the last round of enlargement?

1. Businesses saw the future of EU enlargement several years before it actually took place. As a result, we saw an increase in foreign direct investment (FDI) flows to the new member countries well before their actual accession date in 2004. For example, FDI reached about 6 per cent of GDP during 1999–2003 in the Visegrad countries (Czech Republic, Hungary, Poland, Slovakia), the largest economies among the 10 new members. On our estimates, FDI flows to these countries will average around a (still respectable) 4 per cent of GDP during 2004–07. In the early years, FDI was boosted by the privatisation process, while recent years have seen an increase in the share of green-field investment.

2. Membership has also boosted trade integration, to the benefit of both new and old members. Export growth in the four Visegrad countries has accelerated to about 22 per cent year-on-year from about 6 per cent in 2003.

THE MAIN IMPACT OF THESE TWO PROCESSES HAS BEEN:

3. New Member States: The ratio of FDI stock to GDP in the 10 new Member States now averages around an impressive 50 per cent. This is a very high number on an international comparison. In addition, some of the new member countries have become the most open economies in the EU in terms of their trade-to-GDP ratio. The Czech Republic, Estonia, Hungary, Slovakia and Slovenia all trade goods equivalent to more than 80 per cent of their respective GDPs with the EU, which is a level of openness similar to that in the Benelux countries. Even the most closed economy, Poland, trades the equivalent of almost 50 per cent of its GDP with other EU countries, which is above the EU average.

4. Enhanced trade and FDI inflows have led to an increase in the seamless integration of production facilities located in the new member states with the production processes of companies located in the old EU-15 countries. Furthermore, the increase in FDI inflows has led to improved productivity in the new Member States: productivity levels in the new Member States are now well above those in the old Member States. This has two important implications. First, GDP growth has been boosted: it averaged 4.7 per cent during 2004–05 in the 10 new member states, significantly higher than the “old” EU average of 1.9 per cent. Second, the

currencies of the “new” EU member countries are on a broad real appreciation trend against the EUR, which manifests itself either in a nominal appreciation trend, or, in case of the countries that have a fixed exchange rate regime, higher domestic inflation.

5. Old Member States: Given the relative differences in the economic size of the old and new members (the combined GDP of the latter is about 10 per cent of the former), the direct economic impact has been significantly smaller for the old member states. However, EU enlargement has had an important impact on policies in a broad sense. In terms of explicit government policies, “policy competition” has contributed to lower tax rates in several European countries (so far mostly on capital), as well as to a faster pace of market liberalization. In addition, there has been a demonstration effects as the new members have gone further than several old members in some structural reform areas, most importantly with respect to pension reforms, where private fully funded pension systems have been introduced in several Central European countries. Finally, labour markets have improved. Old EU countries which allowed immigration from the new members have generally outperformed in terms of growth countries which maintained restrictions on immigration. But even in countries that still have to liberalize immigration from Central Europe labour market participants have acknowledged the need for greater flexibility in their domestic markets, most visibly in Germany. The lowering of tax rates and the greater flexibility on labour and product markets have led to higher potential growth rates. These effects cannot yet be observed throughout Europe, but they are clear in Scandinavia and in Germany, and we believe that they will gradually spread to the rest of Europe in coming years.

6. Countries that are more capable of adapting to a changing environment in general will gain more from the enlargement process relative to others (especially in the short run). This ability to adapt is reinforced by, among other things, a flexible labour market, a more skilled labour force, more (effective) spending on R&D, a solid transport infrastructure, and a flexible political system. However, we believe that in the long run every country will benefit to some extent.

7. In terms of sectors, enlargement increases real incomes in general. Sectors that are sheltered from international competition (such as construction, retail trade, etc) are the unambiguous beneficiaries in the longer run in both old and new economies, as they tend to benefit from higher incomes. The “losers” tend to be labour-intensive sectors in the old economies, such as textiles, non-specialized manufacturing, etc, which are exposed to international competition. Broadly the same sectors should benefit in the new economies, although third-country competition may alter this (for example, textiles are increasingly less competitive even in the new countries). In the old economies, sectors that provide specialized, high value added goods and services (such as design, marketing and finance) should also be winners. In terms of socio-economic groups, the premium on education and adaptability seems to have increased both in new and old EU member countries.

What has been the political impact of the last round of enlargement?

8. “Management” of the EU has clearly become more complicated with EU enlargement. It can be argued that a group of 6, 9, 12 or even 15 countries might benefit more from a forum for the discussion of issues than from a strict set of rules to follow. However, a group of 25 countries probably does need firmer and more explicit rules and well defined institutions. Hence, the Nice Treaty was an attempt to create the necessary framework for the larger club to function. But for a variety of reasons, the outcome became at best complicated (and certainly opaque to the public), and at worst inoperable. The “constitution” was an attempt to address this problem, but the combination of the negative reaction to its name, the perception that it was driven by an unattached elite, and domestic political issues led to its rejection in France and the Netherlands. In our view, the EU continues to suffer from a degree of management limbo.

9. Importantly, this is NOT to say that the new Member States are to blame for this state of limbo. Lack of political leadership in the old Member States bears a considerable responsibility for EU ineffectiveness. First, several Continental European countries have failed to pursue sufficient structural reform. Second, Britain which might be the natural leader of market reform led policies in the enlarged EU has failed to pursue a compelling vision for Europe because the internal political debate on Europe forces it into a semi-detached passive position. A Europe based on market oriented policies can only succeed if leadership is exercised through the Community method and through giving greater weight to EU institutions.

THE FUTURE OF EU ENLARGEMENT

Should the EU modify its list of accession criteria?

10. Before modifying its accession criteria, the EU needs to decide what kind of political formation it wants to be. The underlying issue is whether the EU should be anchored around a free trade area, enhanced by the single market, or whether it should form an increasingly unified political union. The present state of limbo has stemmed fundamentally from the fact that the EU-25 has found itself somewhere in between these two organizational extremes. Without clarification on the nature of the EU, we suspect future EU budget negotiations will become more and more difficult, as budgetary reallocations are inherently complicated by locally-elected politicians—who can hardly impress their local constituencies by agreeing to hand over tax receipts to other countries (beyond foreign aid to visibly suffering populations in the third world). Within the Euro area, there is an inherent conflict between centralised monetary policy and de-centralised fiscal and structural policies.

11. Once the *raison d'être* of the EU has been clarified to a greater extent, and effective leadership has been re-established, the EU can move to modify the accession criteria. If the EU opts for the former choice of an enhanced trade area based on a market liberalised policy framework, then membership can be offered to a larger group of diverse countries. If the EU moves towards a more unified political union, tighter accession criteria, including longer periods of established well functioning democracies, would seem appropriate.

30 June 2006

Memorandum by Ms Anne Palmer, Member of the public

This is my response to the Committee's "Call for Evidence" on "Public opinion" on the economic and political impact of enlargement to date and public opinion on enlargement of the European Union and possible future of EU Enlargement. I do not belong to any Political Party or Organisation. Date 29 June 2006.

1. I Commence with Question 2. *What has been the political impact of the last enlargement round?* I noticed on my visit to Ireland and also on my recent holiday in Devon, that the room orderlies and waiters were mainly from Latvia, and Slovakia in Devon and Romania in Ireland. This keeps the costs down for the Hotel owners/managers because, as they "live in" (usually more than one to a room) there is only need to pay these workers "pocket money".

2. They will still technically get the basic pay required by law with deductions for living accommodation and food. This does/may prevent local people from doing the job because they would require in full payment, at least the basic minimum pay. Local people may now remain unemployed and be picking up unemployment pay.

3. *Has enlargement affected the EU's Commitment to the values of democracy, the Rule of Law and Human Rights? Democracy?* The EU has proven itself not to be democratic. It has ignored the democratic votes of the people of two important Countries by incorporating articles from the "dead" European Union Constitution. The very fundamental rights meant for the people have been undemocratically disregarded by removing the whole of section 2 from the Treaty establishing a Treaty for Europe (meaning the Union) with the intention of incorporating it into our legislation now.

4. The Charter of Fundamental Rights is to be given the same "recognition" as the European Convention on Human Rights (ECHR) It is suggested that a Fundamental Rights Agency is also put in place with a separate and new institution/agency for "Gender Equality". These two agencies will be lodged in different locations with their own premises and personnel (A new Quango).

5. The cost and upkeep of these latter two preposterous proposals could be put towards better facilities in our own Health Services. I highlight the fact that the European Convention on Human Rights does not have an Agency, and I therefore question why an Agency is required for the EU Charter of Fundamental Rights?

6. I understand that the proposed Fundamental Rights Agency has already been criticised by the European Court of Human Rights, the Council of Europe's Human Rights Commissioner and the European group of national human rights institutions. The agency was, I understand, accused of being, and I quote, "ill defined, illegal and, quite possibly, completely unnecessary" and that the report stated, "It only serves to reinforce the views of its critics who argue against the proliferation of useless agencies in the EU". (*Source, Hansard*)

7. Some MP's and members of the public are seeing the ECHR as working for the perpetrator rather than the victim at the moment, (Although I have a healthy respect for the ECHR, I think it was a mistake to incorporate it into our legislation, although I understand the reason why). Is this giving us an idea of what to expect when the EU Charter of Fundamental Rights is taken up by the European Court of Justice?

8. *Rule of Law?* I do not see how anyone can understand or apply “the Rule of Law” until we know whose “Rule of Law” are we following?
9. *Human Rights?* We, the people have allegedly more rights than we have ever had before yet why is it that we feel more insecure, or in fear of doing or saying the wrong thing than we have ever done in our lives before? We still have the best Rights we have ever had in our own Bill of Rights and Magna Carta, and all that was required is for our politicians to look to our own Constitution before any other. To accept a Treaty or any other document that states that “its” laws and constitution overrides our own Constitution is a complete betrayal of all our politicians stand for. The rights embedded in our own Constitution have been tried and tested over many years. They have been quoted often by “today’s” parliamentarians to either “make a point” or “win an argument” and have also been adopted by other Countries over the years. We were in danger of accepting an inferior alien constitution, which would have overridden our own. This is why the people of this Country would have rejected it. We should never enter into treaties that jeopardise the sovereignty of the people of this Country. We have gone to war for less. It is time to say NO to further treaties and agencies.
10. There are obviously already grave significant doubts about the legality of the proposals. The EU Charter of Fundamental Rights should remain in its present position annexed to the Treaty of Nice. Without question, if the Charter is incorporated into our legislation and is given the same standing (referred to) and same weight as the ECHR, it should be removed permanently from the body (Section 2) of the Treaty Establishing a Constitution for Europe or any other further legal document or Treaty, by whatever name.
11. As this is the first time I have read of an Agency for Gender Equality, and know nothing of its contents, I am unable to pass any comment other than this too is an unnecessary additional quango.
12. *Public Opinion and EU enlargement.* It is a bit late in the day to think about public opinion for it has been ignored for quite some time now. There is indeed a “suspicion” that enlargement has created “unfair” competition. How many essential services alone (gas, electricity, water,) has the UK managed to acquire on the continent compared to how many essential Services the UK has been lost to our continental cousins? We have never yet set eyes once on the “level playing field” our leaders speak about so often.
13. *By weakening their position in a wider EU, has enlargement made traditionally pro-European countries, such as France and the Netherlands, more sceptical about the EU?* I believe it has, plus people are not so gullible as they used to be. Such is the position in this country; people have great difficulty in distinguishing “truth” from “fiction”. Most certainly here in the UK people have just about had enough of the EU, the EU Barometer tells us that. The people see no point in voting for people that can only incorporate EU law into our system. This perhaps is the saddest part of all, to have our own people in Parliament be seen to be willingly handing over to the European Union the power (authority/sovereignty) that our own politicians should be using. We cannot even control our own borders, the very basic right that every independent Country should have, is to be able to say who can enter and who may not.
14. At a time when we have had more rights removed from us, when we all must be finger printed like criminals, eye scans taken etc for ID Cards at enormous cost, our safety and security has been put in jeopardy at a time when most talk is of terrorists and terrorism. We have always been at risk or have we all forgotten the recent past and why we have the nuclear deterrent. (That which deters)
15. The EU says we have freedom of movement throughout the EU yet only this week I have read that they want all of us to have at least two fingerprints on our passports? I thought there was no requirement to show passports throughout the EU?
16. *The Future of EU enlargement.* The boundaries have gone far enough outwards. Until the people in the rest of the EU are satisfied with the EU, (which they are not—it is not just us) enlargement should be left as it is at present. I have a very strong feeling that the EU, should it continue in its present mode, will break up before further enlargement can take place. Not immediately but if the Commission and the politicians of the nation state’s continue to incorporate the EU Constitution (through the back door, as they say) thus ignoring the people as the Commission is now with our own politicians being seen to willingly cooperating instead of abiding by previous treaties (rule of law?), then yes, break up it will. The Founders of the EU went slowly, slowly so the people did not notice too much what they were doing. Today’s politicians are in too much of a hurry. It will break up, I pray it does so peacefully for our defences and man/woman power is being run down which in my opinion is bordering on the reckless and irresponsible. (A re-run of 1938–39?)
17. *Absorption capacity?* (a) The Legal Basis in the EU Treaties. Had the people of ALL the Countries that ratified the Constitutional Treaty held a referendum; I believe that the outcome would have been different for those countries. The absorption capacity has already been met. The Legal bases for the treaties appear to be in order. However, I cannot say that as regards the new Articles etc from the EU Constitution that are being incorporated without a Treaty. Many of our politicians are QCs and constitutional lawyers and already are aware of some of the problems that may “crop up” in the future.

18. *EU Decision making?* Too many laws and too many decisions. One size cannot fit all. We are not all the same and we do not all want to be the same.

19. *EU budgetary resources?* There should have been NO increase in the EU Budget until the EU accounts were sorted out. If they cannot control the amount they have at present, I see no point in throwing more money in their direction. It appears to be a case of easy come easy go, and nobody bothers about it at all. Only today this Country has not met the target for the Single Farm Payment Scheme. Why, does not matter for this exercise. However, we as a Country are likely to be “FINED”. That this Country in having a little of its money back in the way of farm payments can be told what we can or cannot do, what to grow or not to grow by an outside body of people is an absolute disgrace. That we could/may be fined by the EU at a time when our hospitals are in such desperate need of funds, is an abomination. This money comes from the taxes paid by the people. This is not the State’s money; it is the people’s money. It is the PEOPLE that are being fined. What if the people stop paying their taxes?

20. *Question 12.* There is no question whatsoever the Treaty of Nice must be adhered to. Nice provides for 27 members and it is quite gauche of the Union to promise entry to Romania and Bulgaria when the Treaties do not permit such further enlargement. The EU most of all should abide by the Rule of Law, and in this case it is the Treaty of Nice. They can however abrogate the treaty. The EU could go beyond its powers, ignore the Treaty of Nice in the same way as it is disregarding the Treaty Establishing a Constitution for Europe. Actually, the EU HAS already disregarded the Treaty of Nice and maybe there is a case to be made? Perhaps we can all return to the old fashioned idea that it should be our own Parliamentarians that are elected by the people that actually should be governing us?

21. *Question 15.* There are a number of alternatives to “being in Europe” as well as the ones listed. EFTA, NAFTA or better still a renewal of our Commonwealth friends we so clumsily ditched when we joined the then European Community. Perhaps sovereign independent Nation States actually working together in friendship or when a friend is in need, rather than the forced Union that we are in at present. Our greatest allies, (in spite of the fact that many of us do not agree with the war in Iraq), is America, yet we are not governed by them.

22. We have been told, more than once, that the EU Constitution is “just a tidying up exercise” . The Charter of Fundamental Rights has been likened to, of all things, “the Beano” comic. These comments angered some people at that time because ordinary people like myself that try to keep up with the many hundreds of EU Legislation that emanate from the Union, know that they were (and still are) harmful documents to this Country.

23. The EU wants to make itself into a State or a United States of Europe and have for itself its own Constitution that we would all have to obey. We have our own Constitution. We have our own Head of State. We have our own Country, but we no longer have our own freedom, independence or liberty or the ability to make all our own laws. We allegedly fight (and die) to bring democracy to Iraq at a time when we have lost democracy for ourselves.

24. We still have a choice, but the time is running out for the EU recognises that time is running out for them also. We either keep our own Head of State, our Country, our freedom, our independence or we become submerged into the European Union fully forever. (This is strictly against our Constitution) The people of this Country though will never be true citizens of the Union or give their loyalty to it. They have fought in the past to keep this country free of being governed by others and no doubt they will again if need be in the future. In every way we would be better off out and out now.

25. I have the constant belief that we have far better leaders that would shine and truly govern us if they were not constrained by the straight jacket that is the European Union. So many times I have read that the Union wants to speak with its voice for the whole of the European Union. It really is time for us to start to speak for ourselves once again.

Memorandum by Mr Michel Rocard, Member of the European Parliament

I have well received your letter of 25 May 2006 and the “call for evidence” document. I am sorry this reaches me in a period of strong activity. In the delay you have fixed, having two reports and articles to finish, I can only limit myself to a few short remarks.

1. The economic impact of enlargement is very difficult to measure. Only the Commission and its services can seriously answer to the question. What is clear to me is that any enlargement, including the last one, has always been much more beneficiary, in economic terms, for the entering countries than for the welcoming ones. The main factor is the one which is stated in the document, the fact that the process has been an anchor for structural reforms and macroeconomic disciplines.

2. On the reverse, politically, any enlargement has contributed to improve the international image and the weight of the Union, as well as its legitimacy to express opinions and intervene about all problems of world governance.

3. What are the lessons of these enlargement rounds? It is clear that the last one is very different from the previous ones by the considerable difference in average wealth between the entering countries and the former ones. But it is yet too early to establish a realistic, serious and accepted balance-sheet.

It is very surprising and significant for me that no paragraph in the "call for evidence" document concerns the EU reinforcement and internal improvement. Such reforms, however would have been imperative conditions for a better digestion of these entries by the Union. Failing these necessary changes, the Union remains weakly integrated in "terms of market competition" concerning taxation, social charges, and if I may call it so, "public dumping". The decision making process, for the management of the consequences of these new memberships, remains slow and hazardous.

Most of the difficulties met by the Union in this field follow from this lack. Furthermore, the unanimity rule in foreign policy practically forbids the Union to express publicly the new opportunities or the new perspectives which can, in terms of foreign policy benefit from these new members to the general image and influence of the Union. This has much to do with the difficulties the enlargements meet in the European Union's public opinions.

This very point is, for me, the key of any reflection about new enlargements.

Would the Union be capable to integrate politically at last, and play completely its necessary role in world main issues such as armament's control, the Middle East, North South relations, influencing the American administrations on how to deal with Muslim countries etc . . . , I would ask energetically for a stop of any enlargements. Serbia and Albania are far from ready, Moldavia Ukraine and Belarus would draw us in another world with other equilibriums, and even Turkey would probably be a negative addition.

But the probability that such a situation would occur is, to my impression, null. The British diplomacy has always fiercely rejected such a vision, and has, since 44 years, won all battles of this kind. There is no visible reason for this success to end, on the contrary.

In these conditions the European Union, with the sole exception of customs and trade, will never be a public authority acting as a unique entity in terms of international law inside the international community. It will remain a flexible aggregation of nations, acting principally isolately and begging the international recognition for the few fields in which these nations have decided to cooperate in an integrated formula.

This legal situation even concerns the borders of Europe. Any public entity in international law speaks about its borders in order to protect and warrant them. But the constitutive treaties of the Union have not granted the European institutions with this responsibility. Security, and therefore borders, remains under national responsibility.

It appears to me that the consequences of this legal situation have rarely if ever been completely understood and formulated. The European Union is not an entity of international law defined by a territory. Therefore it is just a collection of nations having decided to intensify their cooperation up to a common decision making process in the cases of some limitatively defined thematic issues.

This group of nations is in these conditions not to be defined by a political will ie the will to share the same destiny. It can only be defined by the fact that it has decided to improve the quality of its vicinity by the adoption of common rules. This common legal corpus is made of two blocks: one concerns democracy and human rights, the other one concerns market and competition. In its field, every one of these corpus is largely best of the world.

The way the European Union has until now managed this enterprise has remarkable collateral consequences. The first is a very powerful reconciling capacity, as is to be seen between French and Germans, between Catholic and Protestants in Ireland, between Germans and Poles, and now between Hungarians and Romanians. The second effect is an evident advantage in developing prosperity.

For these two reasons, all neighbours want to come in. Our common legislative battery of references and criterias do not produce any argument to say no to any one. No allusion to precise boundaries, no reference to any priority between geographic proximity and the importance of mutual interests, be them related to trade or to strategy. And the assimilating capacities of the Union, clearly referred to in the Councils recent decisions, depends much more on our own capacity to reform ourselves than of any untemporal "state of affairs". It can neither be a serious and permanent negative argument. Furthermore the virtues of joining the Union are clearly linked to peace and reconciliation and to the quality of development. We seem to have much more a duty to share these values than any right to limit their geographic implementation to our club of rich nations.

In the special case of Turkey the evident difficulties of integrating such a vast and complicated country are largely over compensated by the peace making pressure, provoked by the adhesion process. Reconciliation of Turkey with Armenia and the Armenian Diaspora, and with Cyprus, and the choice of a negotiated process to solve the Kurdish problem are the challenges to which the perspective of enlargement is an absolutely necessary contribution. In this hypothesis, the ensuing pro-european influence of Turkish establishment and media in the oil producing and Turkish speaking five former soviet republics of the Caucasian region would be of great help in this dangerous and unstable but strategic part of the world. For this reason, and under the condition that the European Union be capable to define clearly what it is and what it cannot be, I am clearly and strongly in favour of any enlargement to come.

20 June 2006

**Memorandum by Professor Rose FBA, Centre for the Study of Public Policy,
University of Aberdeen**

(THE EVIDENCE SUBMISSION IS SUBMITTED IN A PERSONAL CAPACITY;
IT DOES NOT COMMIT THE UNIVERSITY OF ABERDEEN OR
THE BRITISH ECONOMIC AND SOCIAL RESEARCH COUNCIL)

MAINTAINING STANDARDS IN EVALUATING EU APPLICANTS

A bottom up approach to the Copenhagen criteria

1. As the European Union expands, the evaluation of candidates for membership becomes more important and more problematic. Enlargement is no longer a question of whether a country such as Sweden wants to join but whether such countries as the successor states of Yugoslavia, the Soviet Union or Turkey are up to EU standards. There is also a need to keep up pressure on new members to deliver on promises made to improve their performance after admission.
2. Up to a point, the EU is an open membership club; any country in the ill-defined European space can apply to join. But to be admitted it must meet the club's standards: a democratic system of government and a functioning market economy. By maintaining standards the EU can avoid the UN Security Council problem of embracing countries with many incompatible standards and interests. Not to maintain standards would weaken the EU and threaten an influx of problems from sub-standard members. In Britain it would strengthen the hand of those who want to reduce engagement with other EU countries and increase extra-European ties.
3. In anticipation of receiving membership applications from Central and Eastern Europe, at its 1993 Copenhagen summit the European Council adopted criteria for assessing eligibility for membership: a country should be democratic, adhere to the rule of law, protect human and minority rights, have some form of market economy; and implement the EU's *acquis communautaire*. These political and economic criteria are broad but not empty. The chief problems are in applying standards and then enforcing them.

Applying the Copenhagen standards

4. The worst way to evaluate an applicant country is to make a decision before starting discussions about membership. If an applicant country is confident of admission, this sacrifices the EU's ability to demand improvements as a condition of entry. To signal that discussions will lead nowhere removes the incentive for a country to improve its human rights or anti-corruption measures. Almost as bad are snap judgments based on anecdotes or an inadequate or an irrelevant knowledge of a country's history. The most insidious arguments are forecasts of future benefits or dire consequences if an applicant is admitted or rejected, since one cannot tell whether such forecasts are valid until after a decision is taken.
5. Systematic evaluation of an applicant's standard of governance tends to focus on the *acquis communautaire*, the thousands of pages of rules and regulations that existing Member States accept and which applicant countries are expected to implement as a condition of admission. This involves top-down discussions between leading Brussels officials and their counterparts in national ministries.
6. Discussion of the technicalities of the *acquis* is both necessary and important, for the Single Europe Market depends on enforcing very detailed regulations of commerce and trade. Moreover, there is no *a priori* reason to expect that the codes of current and future applicant countries are consistent with EU requirements.

7. However, examining the details of the *acquis* involves ticking boxes and the minutiae of regulations. This tends to distract attention from the larger political and economic judgments that must be made about whether an applicant country practices democracy and has a market economy functioning within a rule of law framework. Representatives of applicant governments have every incentive to paint a bright picture of their achievements to date and offer a rosy scenario of the future. Brussels-based officials have limited capacity to challenge such assertions.

8. A straightforward way to improve the existing process is to ask people who live in an applicant country what they think of their system. Social science offers the means to do this, a representative nationwide sample survey of public opinion. The Commission's Eurobarometer does conduct public opinion surveys in applicant countries, but its questionnaires tend to focus on what people think of the EU rather than what they think of their own national government.

9. Since 1991 the New Europe Barometer (NEB) has conducted more than 110 public opinion surveys in 20 countries of Central and Eastern Europe and the former Soviet Union. It is an initiative of the Centre for the Study of Public Policy in conjunction with the Paul Lazarsfeld Gesellschaft, Vienna. The surveys are independent of government and financed by academic agencies such as the British Economic and Social Research Council (for details see www.abdn.ac.uk/cspp). Its questionnaire offers a dozen different indicators evaluating how well enlargement and applicant countries meet Copenhagen criteria.

10. The Copenhagen standards set a pass/fail test: either a country is good enough to be an EU member or it is not. But how much is enough? It is counterproductive to hold applicant countries to the level of the EU's highest achievers. By definition, half its current members fall below the achievement of the median country. The appropriate level is a threshold: an applicant government should be no worse than the lowest-rated country that the EU admitted in 2004.

11. The NEB survey after the admission of eight Central and East European countries in 2004 found no country was consistently at the bottom in the comparative rankings on Copenhagen criteria. For example, Slovaks were least inclined to see democracy as an ideal, while Latvians most often see their country's government as indifferently democratic. The Czech Republic has the most citizens worried about threats from immigrants while Hungary has the largest minority thinking government treats citizens unfairly. Lithuania has the fewest prosperous households, while Poland has the lowest proportion of citizens endorsing free trade. Estonia and Slovenia are the only enlargement countries that are always above the minimum.

12. Using the evaluation of enlargement countries as a threshold for evaluating applicant countries on the Copenhagen criteria shows:

Romanians usually see their national government at or above the threshold; it is below in corruption and regard for human rights.

Bulgarians usually see their national government below or near the threshold on both democratic and market criteria.

Croatians usually see their country as at or above the threshold but a majority think national courts rather than the Hague Tribunal should try war criminals.

Ukraine residents see their government as more corrupt and more likely to lapse into dictatorship than do citizens in any enlargement country, and negative views of government are widespread among both Ukrainians and Russian ethnics.

Enforcing Copenhagen standards

13. The bottom up evaluation that citizens make of their government is much more nuanced than the "all or nothing" decision that EU Member States make about admitting or not admitting an applicant country. In applicant and enlargement countries citizens see their government as being all right, or at least not so bad, on some standards and worse than EU members on others. Up to a point, popular assessments offer a degree of reassurance to those with doubts about admitting applicants; they also highlight weaknesses that applicant countries should do something about.

14. The EU has much more influence on national governments before they are admitted to membership than afterwards. Therefore, it is in the EU's interest—and also in the long-term interest of applicant countries—to take a tough line on getting rid of political and economic weaknesses before a country is admitted. While doing so invites attacks by leaders of applicant governments, it also can be welcomed by fellow countrymen who see external pressure as their best hope of raising the country's rule of law and democratic standards.

15. One argument for the early admission of applicant countries is that entry will create a momentum leading to a rapid improvement. But can promises of future action be relied on? In economic matters, there may be grounds for doing so, since economic growth gradually raises living standards in the poorest countries. A rate of economic growth above that of the 15 older EU members supports an expectation of future growth, and membership of the EU can sustain or even accelerate growth.

16. While economic growth may make a country richer, it does not make it more honest or more respectful of human rights, and the biggest deficiencies of applicant countries tend to be in just these areas. If the political will is not found to promote the rule of law and rights before a country joins the EU, there is no reason to expect governance to improve afterwards.

17. The EU has shown that it lacks the capacity to make older Member States do something about the corruption that places Italy and Greece low on global ratings of corruption (www.transparency.org). Suspending a country from EU membership is very awkward, and there is no provision for expelling a Member State. The large public deficits of some Eurozone countries show that the bigger the problem a country presents, and countries such as France and Germany have big deficits, the less likely rules are to be strictly enforced.

18. In order to enforce standards in applicant countries, the EU should avoid setting a deadline, for this raises false expectations that evaluation is sure to be followed by admission. The avoidance of a deadline need not imply a refusal to admit. It should be no more and no less than a conditional statement: the country will be admitted when it comes up to EU standards.

19. The EU could apply the same standards it uses for current members: they can be insiders on some issues but outsiders on others, for example, membership of the European Central Bank. A situation in which Turkey's application is on hold for more than a decade gives little benefit to Turks and the alternative, negotiations encouraging the Turkish expectation of membership, weakens the influence of Brussels. There are a variety of forms of association with the European Union. A country such as Norway does not consider itself a second-class country because it is not a full member of the European Union and the Swiss prefer to maintain national independence rather than accept the full obligations of membership.

20. The EU needs to firm up its commitment to maintain standards, given applications from countries whose standards of governance and markets have been affected by civil war, a Communist past or political infirmities that cannot be resolved by free elections throwing out one lot of rascals only to install another. If the EU is not firm in maintaining standards, the reaction against it in older Member States is likely to become intensified. This is particularly the case in the United Kingdom, where there are political groups pushing for the enlargement of Britain's ties across the Atlantic rather than across the Balkans and into the Black Sea.

30 June 2006

**Memorandum by Karen E Smith, Reader in International Relations,
London School of Economics**

The questions to which I direct my response are the following:

- Are there any lessons to be learnt from the EU's handling of the east and southward enlargement?
- Should the EU modify its list of accession criteria?
- Is it possible or desirable for the EU to define the borders of the EU?
- If the credibility of the EU enlargement promise diminished, what would be the consequences for outsiders?
- Are there any viable alternatives to full EU membership?

1. The 2004 eastward enlargement of the EU is widely considered to have been a success, spreading security and prosperity eastwards. But there are tensions at the heart of the enlargement "project", which were masked more or less easily in 2004 but which are already more apparent in 2006. Enlargement is a grand project, motivated principally by the objective of unifying the continent after the Cold War. But this "logic of inclusion" is operating alongside a "logic of conditionality"—and it is here that the tensions arise.

2. Incorporation within the EU is seen as a way to stabilise new democracies and foster economic growth, but the EU has also used the promise of enlargement, if certain conditions are fulfilled, to influence the domestic and foreign policies of membership aspirants and encourage political and economic reforms, which are seen as necessary to ensure security in Europe. The EU has thus exploited its enormous "power of attraction": by offering membership—but only if countries fulfil the Copenhagen criteria—it exercises considerable influence over candidate countries. Membership conditionality also helps to "protect" the integration process, to ensure that new members play by the rules of the game.

3. But actually applying membership conditionality means that the EU has to differentiate between candidate countries, letting in those that meet the conditions first, leaving out (for the time being at least) those that do not. While differentiation in theory should spur countries to meet the conditions so as to avoid being “left behind”, in practice it is—and has been—harder to exclude candidates. The process leading to the 2004 enlargement, a “big bang” enlargement, illustrates this: while at times during the process, various countries were threatened with exclusion, and some did experience (for a time) a delay in opening EU accession negotiations, in the end, the EU opted to include as many countries as feasible. There are legitimate grounds for assuming that not all ten countries reached the finish line at exactly the same moment—for several years preceding accession, for example, there had been considerable concerns expressed about Poland’s readiness to join. But in the end, the logic of inclusion won out—Poland in particular (for geo-strategic but also highly symbolic reasons) simply could not be left out of the first round of eastern enlargement, but similar reasoning could be applied to all the candidate countries. The only two countries who were left out (temporarily), Bulgaria and Romania, were actually given a firm date for accession (2007), thus reducing the negative impact of exclusion. In 2004, the EU thus successfully resolved a potentially serious “inclusion-exclusion” dilemma by applying the logic of inclusion.

4. However, while there are clearly highly laudable motivations behind the logic of inclusion, there should also be some cause for concern about the effects that this has on countries still outside the EU. First of all, it leads to doubts about the credibility of conditionality and the role that “political” considerations (namely the logic of inclusion) play in enlargement decisions: How firm are the membership conditions? Can countries enter the EU even if they don’t quite meet the conditions but there are political considerations driving forward their inclusion? Does the opposite hold: countries could be held back by political considerations even if they meet the conditions (this being an obvious concern of Turkey in particular)? If there are doubts about the credibility of conditionality, then the EU’s leverage will be reduced: candidates have to believe not only that the “carrot” of membership is on offer if they meet the conditions but that the “stick” of exclusion could actually be wielded.

5. Second, doubts about the credibility of membership conditionality might lead members of the EU public to doubt whether enlargement should take place: at a time when the benefits and rationale for the 2004 enlargement seem to have been questioned in public debates in some EU member states, it would seem imperative to ensure public trust by proving that all Member States, including new ones, can and do play by the rules. This is not so much a matter of adding new conditions, but of ensuring that the conditions are actually fulfilled by candidates.

6. But to this fundamental tension of the enlargement process (logic of inclusion v logic of conditionality) has recently been added a further tension: doubts about whether the EU really will enlarge further. This is not so much of a serious matter with respect to Bulgaria and Romania, but it is with respect to all other declared candidate countries (Turkey and the south-east European states). For membership conditionality to work, candidate countries (and prospective candidate countries) must believe that the “carrot” of EU membership is actually on offer. Without a firm promise that if a country does indeed meet the membership conditions, it will accede to the EU, then the EU’s leverage is reduced. It could be argued that we are already seeing this, at least to some extent, in the case of the south-east European countries and Turkey. Some desirable but very difficult measures (from handing over indicted war criminals to recognising the Republic of Cyprus) may thus not be taken until the EU provides a clearer membership perspective.

7. Further afield, the EU faces quite a dilemma: if it does not promise enlargement, its influence could suffer; but if it does, the promise may lack credibility, as the countries of the former Soviet Union are quite far from meeting the conditions, and it not clear at all that an enlarged EU would be capable of taking decisions on further enlargement, much less enjoy public backing for doing so. This could be considered an advantage: if the EU never quite closes off the prospect of membership, then countries will continue to undertake reforms in the hopes that one day membership will be seriously offered to them. In other words, ambiguity fosters conformity to EU norms and rules. Such ambiguity is present in the European Neighbourhood Policy (ENP), which purports to offer neighbours “all but institutions” provided they meet certain benchmarks, but does not rule out future enlargement to the former Soviet space (because of the provisions in the EU treaty that “any European state” may apply for membership). However, this perspective should be questioned: ambiguity is arguably not boosting the EU’s leverage—in fact, it is forcing it into a reactive and defensive rather than strategic mode. Outsiders such as Ukraine can push the EU for a better offer than the current one (the ENP) and may delay meeting the benchmarks/conditions until they receive such an offer. The EU thus should try to resolve the hardest dilemma of all: where its borders will end. Either the EU should say “no” to further enlargement, so the ENP (preferably revamped and improved) becomes the framework for relations with the neighbours for the foreseeable future, or it should say yes to letting in (eventually) a specified number of neighbours (but no one else), which then move out of the ENP and into a pre-accession relationship with the EU.

8. The European Neighbourhood Policy could certainly serve as a viable alternative to full EU membership—if it is clear that it is an alternative, and, above all, if the ENP does actually offer “all but institutions”. Right now, the ENP requires much of the neighbours, and offers only vague incentives in return. The EU Member States will need to be more serious about setting clear benchmarks (and standing by them consistently) and offering concrete incentives (even when they perceive these to be costly to themselves) if the ENP is to meet its core objectives of fostering reform in the neighbourhood and creating a “ring of friends” around the EU. A clearer incentive structure, attached to clearer and well-ordered priorities, would give the EU better tools for fostering fundamental reform in the neighbours.

27 June 2006

Memorandum by the Stockholm Network

1. Further enlargement of the European Union is imperative for the economic and political prospects of both the current EU membership and of its aspirant members. It is not without its risks, and much reform will be needed from both sides of the present EU borders. Yet the gains from such expansion are innumerable. This submission highlights the most important of them.

2. The removal of remaining trade barriers constitutes the single most significant outstanding reform. The ability of producers in potential Member States to reach the vast and wealthy markets of the EU without artificial price alterations will facilitate a substantial degree of wealth creation in these areas. That the competitive products among these are liable to be cheaper than their presently EU-produced counterparts is no bad thing either—the consumer gains from cheaper prices.

3. Of course, the inverse is also true. EU producers will gain freer access to a sizable new market, and likewise, without having to pay premiums to protect uncompetitive local enterprises from the global marketplace, consumers in future accession countries should see prices fall as well.

4. As has been demonstrated among the 2004 entrants, EU membership proves a huge lure for overseas foreign direct investment, bringing further prosperity to the recipient countries. Outside companies see access to the entirety of the European market as a decisive factor in choosing which countries to locate in. By barring the door to new members, we would also be stifling their ability to attract necessary and valuable investment from elsewhere.

5. Meanwhile, the incentive of acceptance into the EU, and the perceived financial gains it will provide, also helps encourage reform in other areas. Liberalisation and democratisation have historically gone hand in hand. The reformist movement in these countries is at a delicate stage of development. The potential for EU accession provides a great incentive for these movements. To withdraw that prospect could destroy the momentum these groups have built up. Many of the reforms are in areas “western Europe” takes for granted, such as making the system of law fair, clean, and honestly administered, and having the various governments and all their associates also subject to it. This means, for example, providing real incentives for Croatia to unravel the bureaucratic tangle that has burdened its business arbitration process with a 1.4 million case backlog. In a country of only 4 million people, the disruptive influence on wealth creation and employment could not be more evident. Romania, after facing similar concerns early in its transition, has been enabled, with the technical assistance and political backing of the EU, to make great strides, led by Minister of Justice Monica Macovei.⁷

6. This logic applies also in social, as well as economic matters. Instances such as Turkish moves to recognize the language and basic rights of its Kurdish minority, or the progress of the human rights movement in the 2004 entrants, particularly the former Czechoslovakia and Hungary, demonstrate clear instances of the EU’s ability to act as a catalyst for reform, merely by offering possible membership as a very large carrot.

7. The “must try harder” disdain for Turkey’s advances which has been shown by some more established European leaders has been insulting and foolish. Between 1999, when candidate status was announced, and today, Turkey has deregulated its economy, simplified its tax code and brought its fiscal house in order, resulting in 8.2 per cent growth rates and a 10 per cent rise in productivity. It has passed nine packages of major reforms that have reduced the military’s influence in government, enshrined political dissent and religious pluralism, passed strict laws against torture, abolished the death penalty and given substantial rights to a long-oppressed minority. The European Commission duly complained about all of them.⁸

8. At a more fundamental level, the modest rekindling of democracy, and the subsequent election of ostensibly more pro-European than pro-Russian governments in parts of the former USSR (notably Georgia and Ukraine) signify a willingness of the peoples in that part of the continent to embrace “European ideals”,

⁷ The Stockholm Network; *Beyond the Borders*; 2006; pp 13, 29.

⁸ Cf <http://www.fareedzakaria.com/articles/newsweek/112502.html> and <http://www.msnbc.msn.com/id/6039153/site/newsweek>

and, perhaps more pragmatically, EU accession. They recognise the changes their countries will need to go through to get there, and are, for the most part, keen to encourage them. Ultimately, this is perceived as being a step towards greater prosperity, both through trade and investment, and, to a lesser, but not negligible extent, through migration potential. That it will also bring greater personal freedoms, democratic rights, and lower legal and bureaucratic corruption is an additional benefit.⁹

9. Europe's best strategic device for achieving revolutionary improvements in social and economic conditions in its near-abroad is its ability to offer EU membership to struggling societies. New members have proven themselves willing to take extraordinary measures to gain entry. It is in both the EU and its neighbours' utmost interests that we avail ourselves of this remarkable reform-creating tool whenever possible.

10. The rest of the EU will also witness corresponding benefits of expansion. The UK, Ireland, and Sweden, the select group which decided to allow free migration from the 2004 entrants, have already witnessed economic successes unmatched in those who would not deign to drop their restrictions. More detailed evidence for this can be found in the European Commission report of February 2006.¹⁰ For instance, in the UK, Ireland and Spain, migrant populations from the new EU-10 have higher rates of employment than the domestic populations.¹¹ Employers overwhelmingly welcomed the availability of a larger labour pool to draw from. Vacancies are being filled with qualified and willing workers, meaning productivity is maintained or increased.

11. Furthermore, further expansion should provide the impetus for much-needed reform of the EU's current workings. The Treaty of Nice obligates institutional reform once the 27-member mark is reached (presumably when Romania and Bulgaria join). This is a key part of the process, but by no means all. With much of Eastern European development accompanying diminishing state roles in the economy, the fear exists that, if EU membership accompanies excessive or heavy-handed regulation, these economic advances may be negated to some extent. If the EU is serious about reaching Europe's maximum economic potential, it should seek to deregulate individual and business activity. This would not only aid new members, but also release current members from the microeconomic straitjackets their businesses find themselves in.

12. Greater expansion must also prove the final death knell for the EU's agricultural subsidy system. The CAP is untenable as it stands; expensive, market-distorting, and guilty of horrendous misallocation of resources. This must not be used as an excuse for preventing EU, and by extension, CAP expansion. Rather, expansion should become a necessary spur for the complete overhaul, if not abandonment, of this grotesquely unjust, wasteful and unnecessary relic of the 1950s.

Simon Moore
Research Officer
The Stockholm Network

20 June 2006

ABOUT THE STOCKHOLM NETWORK

The Stockholm Network is a forum for sharing, exchanging and developing pan-European research and best practice. Interested in ideas which stimulate economic growth and help people to help themselves, we promote and raise awareness of policies which create the social and economic conditions for a free society. These include:

- Reforming European welfare states and creating a more flexible labour market.
- Updating European pension systems to empower individuals.
- Ensuring more consumer-driven healthcare, through reform of European health systems and markets.
- Encouraging an informed debate on intellectual property rights as an incentive to innovate and develop new knowledge in the future, whilst ensuring wide public access to such products in the present.
- Reforming European energy markets to ensure the most beneficial balance between economic growth and environmental quality.
- Emphasising the benefits of globalisation, trade and competition and creating an understanding of free market ideas and institutions.
- www.stockholm-network.org

⁹ The Stockholm Network; *Beyond the Borders*; pp 14.

¹⁰ <http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006—0048en01.pdf>

¹¹ <http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006—0048en01.pdf>, pp 14.

Memorandum by Hannes Swoboda MEP

THE FURTHER ENLARGEMENT OF THE EU

1. ECONOMIC IMPACT

Trade integration/flow of foreign investment

(A) New Member States

The new Member States (EU 10) are very open economies. Trade in the ten new EU Member States, exports plus imports, represents 93 per cent of their GDP on average. The EU 10 also attracted significant new foreign direct investment reaching a total of 191 billion Euro in 2004 or 40 per cent of their total GDP. It was virtually non-existent ten years earlier.¹²

(B) Old Member States

Trade, exports plus imports represent 55 per cent of their GDP. The EU 15 (old Member States) share, in trade the total EU 10, has risen from about 56 per cent in 1993 to 62 per cent in 2005. Germany is the top investor, especially in the Czech Republic, Hungary, Poland and Slovakia, while the Nordic countries are the main investors in the three Baltic States.¹³

2. POLITICAL IMPACT OF THE LAST ENLARGEMENT ROUND

The dynamics of decision making has changed since the 2004 enlargement. This underlines the importance of the European Constitution Treaty to be implemented to ensure the EU's capacity to act on the outside and to secure the stabilisation on the inside.

3. LESSONS LEARNED FROM PREVIOUS ENLARGEMENT ROUNDS

Lessons to be learned regarding the EU's handling of the east and southward enlargement concerning accession preparations and the monitoring of the implementation can be stated as follows. In the future it would be advisable to refrain from setting specific dates of the accession. Both new and old Member States need to be sufficiently prepared and ready before an enlargement to succeed. In the Balkan States the enlargement will be of greatest importance for the peace and stability in the European Union (Conflict prevention). In general within any enlargement process you learn from experience of the former accessions.

4. ENLARGEMENT HAS BECOME UNPOPULAR

In various Member States of the European Union due to the lack of serious discussion with the population regarding the advantages and disadvantages of the accession of new Member States.

5. PUBLIC RESENTMENT OF ENLARGEMENT

Might any of the following relevant, and if so, to what extent?

- An impression that trust and solidarity are weakened by the continued enlargement of the EU—this has an impact, but I would range it at a medium level.
- Fears related to the immigration of Central and East European workers—this is a serious issue in opinion forming of the population especially in Austria.
- Fears that policies of the new members are driving a “race to the bottom” in terms of wages, taxes, social protection and are undermining the European “social model”—there are serious concerns within the population regarding these issues. They have a big impact on the public resentment of the enlargement.

¹² “Enlargement, two years after: an economic evaluation” by the Bureau of the European Policy Advisers and the Directorate-General for Economic and Financial Affairs, European Economy Occasional Papers. No 24, May 2006, available from: http://ec.europa.eu/economy_finance/publications/occasional_papers/2006/ocp24en.pdf

¹³ “Enlargement, two years after: an economic evaluation” by the Bureau of the European Policy Advisers and the Directorate-General for Economic and Financial Affairs, European Economy Occasional Papers. No 24, May 2006, available from: http://ec.europa.eu/economy_finance/publications/occasional_papers/2006/ocp24en.pdf

- Concerns among the supporters of European integration that the continuous widening of the EU has come at the expense of “deepening”—middle impact.
- A perception that enlargement is expensive for taxpayers in the “old” Member States—medium impact on public opinion, but it may have a greater negative influence on the public in countries that are net-payers.
- Frustration that the public was not widely consulted over the 2004 round of enlargement—middle impact.
- A perception that external borders of the EU are less secure—this has a big influence on opinion forming, especially for boarder countries.
- Specific concerns related to the potential accession of Turkey—has a big influence on the public resentment of enlargement.

6. THE PERCEPTION OF ENLARGEMENT

Seen as another elite-driven project is the reason why a serious dialogue between politicians and the population has to take place.

In the case of a weakened position of countries in a wider EU, there is definitely a higher awareness in those countries from an inner-state point of view.

Concerning the impression that the EU is unable to “protect” its citizens, it must be said that objectively the EU is very much capable to prevent its citizens from the forces of globalisation. From a subjective perspective this may be linked to a public opposition to enlargement.

7. In general I would say that the membership of the European Union was very much welcomed in the 10 new Member States. In my opinion there is a general support for the European Integration among the elites/people. EU membership is being seen as a strategic goal that has been achieved in 2004. People see a positive influence of the European Union on the state of the economy. There is a stable to high support for the European Union.

THE FUTURE OF EU ENLARGEMENT

8. The countries of the Western Balkan: Yes

Countries in the former Soviet Union: the necessary criteria have to be fulfilled and the Constitution has to be implemented. At the moment there is a serious discussion of an accession of the countries in the former Soviet Union.

Turkey: Yes, but all necessary obligations on the part of Turkey have to be met.

9. *Absorption capacity* is essential for future enlargement, institutional reforms must go hand in hand with accession processes. I am very much in favour of future enlargements, but it must be clearly said, that the EU needs to implement the main elements of the European Constitution. Institutions need to be reformed. Clear decisions must be taken to guarantee the financial basis for the Union’s future functioning, before a final decision can be taken on the accession of any new member states. The EU must guarantee that it will have the future capacity to absorb any new Member States, both with respect to its organisation and structures as with respect to its financial status. Absorption capacity is about whether the EU can access new members and continuing to function effectively.

10. *Accession criteria* should include the absorption capacity but not necessarily a GDP per-head threshold.

11. If the Constitutional Treaty or main elements of it cannot enter into force in the foreseeable future, I do not think that there might be a next enlargement round.

12. This matter is very complex. The borders of the EU are not necessarily defined solely by geographical borders, but also by political agreements.

13. In case of the credibility of the EU enlargement being diminished, in the Balkans the Stabilisation process will continue (including the small countries). The countries in the former Soviet Union and Turkey will only be accessed, when the EU Constitution implemented and all countries fulfil the criteria, if possible having a SAA agreement in advance.

14. Any form of multilateral relationship with countries of South Eastern Europe and Turkey can only be an in-between step and can only be done on a voluntary basis. It is important to continue to give full support to the European integration strategy. A full EU membership must be the guideline and the final goal of an enlargement process.

15. The following conditions should be fulfilled for future enlargements:
- A substantial increase and/or complete restructuring of the EU budget.
 - More involvement of European citizens.

Evidence is submitted on an individual basis.

28 June 2006

Memorandum by the Teleki László Institute and Corvinus University, Hungary

ECONOMIC AND POLITICAL IMPACT

1. Economic impact of the last round of enlargement

1.1 Trade integration indicator went up from some 55 per cent to 85–90 per cent in case of new Member States (NMS). Hungarian export value was increased by five times 2006/1990 while constant twin deficit reflects the magnitude of changes and tensions behind. The asymmetry of trade liberalization did not support sufficiently the catching up. The dynamic regional trade growth after accession demonstrates that effective intra-regional trade liberalization has developed after accession. FDI influx has been much more connected to transition than integration. The positive impact from integration and FDI has been generated mostly prior to accession. The political risk has been lifted by the NATO accession.

1.2 Social standard system is under the EU average level due to the transition process realized prior to accession without real bargaining power equilibrium between government, employers and employees. (This statement is proved by some facts like: Standard of living is well below the level of 1980 thus the movement of labour from NMS is more incited. Life expectancy of men of 25–65 years old does not reach the level of 1930 in Hungary.) Wages are competitive even with charges levied on over the OECD average level, but the influx of capital into other regions encouraged by tax breaks is more relevant.

1.3 Enlargement has exercised positive impact, but the transition accompanied with parallel global integration and retarded adaptation in information and communication technology (ICT) pushed more the changes. Differences in the depth of economic and social reforms between NMS have been significant while “behaviour” of old Member States (OMS) discouraged as well the pace of reform steps (retarded reforms). The social impact remains to be thoroughly assessed and considered.

1.4 Economic transition, integration, globalization, adaptation to technical level are overlapping phenomena where synergy is evident both regarding the economic impact and the social burdens. EU capacity will substantially increase, but the case of Eastern Landers of Germany proves as well that only constant and efficient cohesion policy may result in sustainable optimal EU-wide development.

1.5 The labour migration from Hungary is hindered by barriers reducing the EU wide prosperity as well while immigration from future candidates and cross border movement from neighbouring countries is constant. The influx lags behind the opportunities while gradual opening is beneficial both for OMS and NMS in some professions.

2. Political impact of the last enlargement

2.1 No way. Coalitions are formulated by case by case interests. OMS do not oppose NMS and vice versa. Decision-making, by definition, is more cumbersome than before. Motivations, arguments became more colorful without deferring decisions making. EP positions became more complex while national parliaments scrutiny in some NMS seems to be more than superficial. The quantitative change in the number of MS requires the new voting power and decision making set-up shaped in the constitutional treaty. More attention is to be given to the work in EU committees, working parties. National parliaments do not yet play their role appropriately. Recruitment is more than funny.

The EU institutions are still functioning, but the general perception is that the so-called democratic deficit should be lessened/eliminated, perhaps by giving more authority to the national and European Parliaments. At the same time the bilateral relations and the interaction between the Member States seem to be as important as the EU institutions.

2.2 Efficient, functioning EU is the top priority which should be more value oriented, preserving and serving the fundamental principles and objectives. All the new members joined the EU with the hope of catching up with the older members in terms of per capita income, the quality of life and services, etc. With regard to their vision of the future, it can be said in general that they support “a Europe of nations” because they fear that in a federal Europe their voices would be lost.

Consolidate the reunified continent; regain the coherence, cohesion and confidence which take time! Progress in the field of former third pillar and of the CFSP on a project-base is needed. The constitutional treaty provides an appropriate *community of values* and interests with solid but adequately flexible legal frame. Democracy, transparency, progress depends much more on the MS actions than those of EU institutions. Open methods of coordination are correct tools to encourage progress at EU level thus the accent is shifting from law making to enforcement and sub-national actions. Further enlargement is to be dealt with extreme caution and is to be limited in geographic terms while special partnership and New Neighborhood Policy (NNP) is to be practiced vigorously. A consolidated Union having stronger unity may play an extended role on the global scene.

2.3 The EU has become a stronger economic power with the enlargement. As a fact the € zone will be further enlarged. By concrete measures of co-operation under the EU Military Agency CFSP capacities, capabilities might be progressed.

2.4 On paper “no”, nevertheless it seems that in the case of certain new or potential members the original strict criteria have not—and are not—always observed for political reasons. Some features of the last enlargement round refer to the end of parallelism between deepening and enlarging. The project “federal Europe” is taken from the agenda and the efforts in the Member States have become stronger to soften some regulation eg Maastricht criteria, the project of constitutional treaty seems to be get stuck. The freshness of state borders, nations, traditional national minorities in historical terms require stricter EU norms, control on respect for democracy, rule of law, human rights including those of national minorities. The entry of candidates with lower performance in some human rights related aspects than under totalitarian regimes (cultural and territorial self-governance) is counterproductive, importing insecurity, discrediting the EU further. At the same time promising solutions have been introduced in several Western Balkan states.

3. *Lessons from previous enlargements*

3.1 The east and southward enlargement have been the “cheapest” rounds of enlargement in the history of the EU. It means that though formally the enlargements were carried out more or less on the same ground, in practice the new members have had to face—and are facing—more difficulties in adjustment. Political, legal, institutional basis, behavior, culture is substantially different in the 10 new MS than in future acceding and candidates countries. Thus completion of political criteria, meeting of best practices of MS in the field of political criteria including human and national minorities’ rights as defined in Council Decision (2006/145/EC) in case of Croatia should be the standard for Bulgaria, Romania and other Balkan States as well prior to accession. Fundamental and human rights are to be lifted to binding norms.

3.2 Statehood and autonomy for small nations and traditional national minorities in the frame of the Union may guarantee security and prosperity. The case of Eastern German Lander, their specific treatment under the Treaty and substantial national and Union transfer of funds are to be applied if fair competition is really considered as general rule and catching up is a real goal. Conditionality, gradualism is to be considered as basic principles. It seems to be that there will be less and less money/resources to the new and poorer countries. WB loans are to be allocated for the development of basic infrastructures.

3.3 The EU gave priority to the geo-strategic considerations and disregarded too much the principle of differentiation. The monitoring of the implementation of the *acquis* was a very good idea and encouraged the candidate countries to “do their homework” in all the different “chapters” and to meet the deadlines as well. The respect for political criteria is to be monitored and criticized if necessary after accession as well. Article 6 of the Treaty is a substantial provision! The Agency for fundamental rights has to dispose with broad scope of activity. Regarding candidates stricter judgment, differentiation, slower processes may lead far.

PUBLIC OPINION

4.1 Behind the overall picture the country specific judgment has been quite different. AT and DE are cautious as being neighboring countries. DE has the experience of transition in former GDR. Several observers state this latter would have been emptied if 3–4 per cent GDP were not transferred yearly during the last 17 years.

4.2 FR and NL refused the Constitutional Treaty for substantially different, mostly internal economic, social and political reasons. Stagnation, unemployment, lack of security, tensions emerged from non-absorption of immigrants with differing, “opposing” culture, doubts about the EU and MS elite fuelled the refusal. The amendment of the constitution in France seems to be a reply aligning with the public opinion.

5. In general, each statement is relevant but, of course, their relevance is different in the various countries.

5.1 Trust has been eroded by the strange decisions taken by uncontrolled leaders at EU summits (eg Helsinki, Nice). The taboos retard the EU development. The question whether media pluralism exists and functions as defined by the *acquis* is more and more a frequently raised question.

5.2 Fears related to immigration from NMC motivate only slightly the public opinion.

5.3 The effects of globalization are misperceived as those of the enlargement.

5.6 The frustration is relevant.

6.1 Beside economic concerns the non controlled elite-driven internal and EU policy including enlargement determine the public opinion. A great number of people sense a “democratic deficit” in the EU and think that it is really an enterprise of an elite which is sometimes seen as an international set without too strong roots in their own countries. There are growing opinions that global players have un-proportional influence on EU positions.

6.2 Definitely yes. Enlargement is a “globalization” on a smaller scale; that is, the victory of free market forces, free trade, free movement of capital, etc. without frontiers. For a great number of people in East and Central Europe EU-membership is institutionalized globalization.

7. Currently it seems that referenda in both France and Austria would reject further enlargement, at least as regards Turkey. Governments may prefer putting responsibility on the citizens and may not dare veto Turkey’s accession on their own. It is very difficult to say what popular opinion may be like in 10 or 15 years (that is, at Turkey’s projected accession date), but if the incidents between the Christian and Muslim communities continue and become more violent, the majority is not likely to support Turkey’s membership.

Yes. The affirmative reply is relevant to those countries where ethnic conflicts with Muslim minorities occurred and are latent risks and where the respect for the rule of law is above the average (eg DE, DK, ES and on the other hand Scandinavians, NMC).

Turkey can hardly meet the political criterion of human rights eg equality of men and women which is the basic stone of the democracy in the most common community that of the family. Consequently other social structures there face as well the same challenge.

8. There is general disappointment. No positive impact is expected until 2011–13. The adaptation has been too radical, under-funded, non-democratic governing might occur, where EU values, rules, principles are not properly followed and appropriate EU reaction is missing. Substantial derogations will expire only in 2013 thus *ex post* analyses on last enlargement may not be correctly made prior to that date. Anticipation may not be the sole, real basis for future decisions!

The elites are satisfied in the majority of the countries, though there are substantial “Euro sceptic” political forces in Poland and the Czech Republic in the first place (but elsewhere as well). In these circles dissatisfaction mainly comes out of a frustration of perceived discrimination (eg freedom of labour, free movement of services, etc), and also from some patronizing attitudes and voices (eg President Chirac’s infamous comments in 2003). The EU was an elite creation for decades but elite Europe has reached its limits. “Elite Europe” has become outdated, and the more the elites run ahead, the more the people of Europe will take to the streets or vote negatively in referendums.

THE FUTURE OF EU ENLARGEMENT

9. The inclusion of the Western Balkans is welcome, while preferring only some form of “strategic or privileged partnership” with Turkey and the countries of the former Soviet Union.

9.1 Acceptable.

9.2 No.

9.3 No.

10.

The guarantee that Judeo-Christian culture enshrined in the common values as well might be reproduced in MS while respecting their diversity and for traditional national minorities living in MS (eg Scots). The mentioned factors are relevant.

11.

There are two approaches:

A. The capacity to assume new candidate makes part of the current criteria of enlargement. The geographical aspect should not be ignored as it was considered in the case of Morocco as well. Is a presence of 3 per cent in the continent sufficient?

B. It should not basically. However, it should define the geographic and spiritual boundaries of Europe, otherwise the EU will be watered down to such an extent as an organization of countries sharing basically the same values that it would become a huge free trade zone or something like that.

13.

Actually and directly not.

See views on question No. 11.

14.

The lack of perspective to join the Union should be counterbalanced by elaborated, powerful special partnership and NNP.

14.1 Disappointment and economic problems with all the social and political consequences (perhaps the strengthening of radical forces).

14.2 Possibly, they do not have high hopes regarding EU-membership even now; therefore disappointment would be rather muted. They are likely to become (if they are not now) members of the Russian economic zone; historical and geopolitical factors point towards this direction anyway. However, Ukraine should be dealt with separately by giving special partnership status.

14.3 The radical Islamist forces and those of oppressed traditional national minorities (eg Kurds) are likely to get stronger, but depending on Turkey's geopolitical position (between Russia and the Middle East) the EU may remain an important partner. One possible outcome would be an attempt to create a "Turkic" regional power—with the possible consequence of a replay of the traditional Russo-Turkish rivalry.

15.

Yes, plus cooperation agreements without institutional incorporation.

A "privileged partnership" might be better for the current EU, though it is not likely to satisfy Turkey. Concerning the countries in the former Soviet Union, they may accept it if it carries adequate economic incentives for them.

16.

The objective might be: outreach to other countries than Croatia, thus current EFTA and Western Balkans countries. Inside the EU multi-speed structures while outside cooperation circles without rights in common institutions. Attractive concerting forms are to be created for co-operating with special partners eg EU-Russia-Turkey dialogue for energy, security, migration, Arab-Israel peace maintenance, joint missions in Africa.

The reality now is that enlargement is "multi-speed" within the EU and there are "multiple circles" outside of the EU composed of the various candidates. As regards the inner dimension A "core Europe" is also a reality (members of the Euro zone and Schengen) and there always be 'some which are more equal than the others'. A more coherent and unified EU and, accidentally a more popular one in the new members, would be one without discriminations against the new members and the shortening of the long transition periods would also be welcome—provided the new members also make the proper efforts (eg guarding their borders).

The above opinion reflects the views of a team composed of:

Prof. KISS J László, Deputy Director General, Teleki László Institute.

GORDOS Árpád, prof at Mathias Corvinus College.

MAGYARICS Tamás, PhD, Senior Research Fellow, Teleki László Institute.

RAPCSÁK János, PhD, Corvinus University.

VÁRADI Tibor, former diplomat.

Memorandum by Mr Paul Tighe, University College Dublin

ANALYSIS OF TURKISH ACCESSION TO THE EU:

Conscious of the committee's time but desirous to give a detailed account, I have sent an entire paper that I had already written, but have also prepared an extensive abstract which articulates all of the key points. Please accept the abstract as a short submission with the following paper as an extensive supporting annex. I hope it will serve some useful purpose.

ABSTRACT

The following paper attempts to evaluate the possible accession of Turkey to the European Union. It argues that:

- There are limited economic benefits to the EU of Turkish enlargement, and potentially very considerable financial costs. However, in previous enlargements, accession states have been persuaded to accept extraordinary financial terms limiting their own entitlements and it will probably be possible to do the same for Turkey. Therefore, Turkish accession is primarily a political matter.
- The political benefits of Turkish accession to the EU are substantially greater than the costs:
 - Turkey will add strongly to the CFSP. Her large military capacity and contacts with Middle Eastern and Central Asian countries can add to both the capability and effectiveness of CFSP.
 - The EU is already involved in Turkey's main territorial disputes with Greece and Cyprus. Resolving these disputes would be beneficial to the Union as a whole. The prospect of accession would give Turkey a strong incentive to resolve these disputes. Further, the negating of ethnic/national conflicts through close association has been a central part of the European project from its inception. The EU is in many ways an ideal institution to address these tensions.
 - Not only can Turkish membership ease disputes between Turkey and EU members, but also blur the perceived identities of Europe and the Muslim world. This may prove to be a valuable asset in the medium term.
 - Fears of diluted influence in an expanded EU are not useful. Previous enlargements mean that the EU is already a large and diverse Union. There is little that can be achieved in a union of 27 that cannot be achieved in a union of 28.
- However, Turkey may struggle to fully introduce the necessary reforms to meet the accession criteria. There are two major contradictions in their reform agenda:
 - The EU will require Turkey to implement further press freedoms and minority rights, while maintaining internal stability.
 - The EU will require Turkey to remove the influence of the military from political life. However, the military is the strongest and most consistent advocate for westernisation and EU membership.
- In summary, this writer believes that the EU should genuinely offer Turkey membership of the EU. However, because of the internal difficulties of reform, Turkey will require much more substantial assistance to complete negotiations than previous accession states, and the pace of negotiations will more likely be dictated by Turkish concerns than European ones.

Having completed the "Big-Bang" enlargement and finalised agreements to enlarge to 27 states, the EU has absorbed all but two of its candidate countries, and almost doubled in size since 2003. However, there are still two candidate countries remaining outside the Union and many more countries in the Western Balkans, Eastern Europe and the Caucasus who have expressed an interest in joining the Union. It is unlikely that the question of enlargement will remain off the EU's agenda for very long. Yet, EU membership has such broad policy implications, that it is difficult to make comprehensive assessments of the merits of enlargement for candidates and/or the EU. Some synthesised aggregation of the main implications is essential for both sides if they are to formulate criteria for assessing their negotiations. With this in mind, this essay will attempt to reduce the major implications of enlargement into four broad categories of general interest; Economics/Finance, Politics, Foreign policy and Identity. It will locate the central issues in each category separately and in relation to only one country, Turkey. It will conclude by digesting all that these categories can reveal of the likely implications of a "Turkish enlargement". The conclusion will be qualified optimism for Turkish accession. The chapters have been sequenced to avoid repetition rather than in order of importance. It will begin with the economic and financial implications of Turkish accession.

ECONOMICS/FINANCE

If enlargements were to be decided on economic and financial criteria alone, then it would be very unlikely that Turkey would ever accede to the EU. The EU stands to gain little economically from Turkish accession and in its present structure would have to bear a significant financial cost from Turkish membership.

The EU explicitly requires accession countries to have a market economy capable of withstanding the forces of the Common Market. It would appear that Turkey is uniquely well placed to meet these mandatory requirements, having already completed a customs union with the EU in the mid-90s.¹⁴ However, this level of pre-accession integration of the European and Turkish markets may ironically act as a disincentive for the EU to accept the Turkish application. Though it provides firm assurance of Turkey's ability to meet the economic requirements of accession countries, it already gives to the EU all of the potential economic benefits Turkish accession would bring. European businesses already have good access to Turkish markets, already enjoy the increased economies of a broader market, and the EU already benefits internationally from the increased economic influence Turkey brings (Dorronsoro, 2004). Though they too have already gained the lion's share of economic benefits from integration with the EU, there is little doubt that Turkey would benefit economically from membership; they have already surrendered authority to set their own tariffs to the EU without having any input into the setting of EU tariffs.

However, the asymmetry of economic incentives to enlarge between Turkey and the EU is slight by comparison with the diverging financial interests of each in the process. With a GDP per head less than half that of the EU25 and with a large and globally uncompetitive agricultural sector, Turkey would be entitled to substantial Regional Development Fund (ERDF) and Common Agricultural Policy (CAP) payments from the EU budget (Nugent, 2003; 497). These payments would consume large parts of the budget for ERDF and CAP in their present forms, largely at the expense of existing member states. Further, Turkey's largely underdeveloped industrial and commercial economy would drain private capital from the existing member states for years after accession.

Clearly the EU will *a priori* have to incur large financial costs to accept Turkey as a new member, and will gain little economically which it does not already have from the customs union. However, this need not preclude a Turkish enlargement. The lack of an economic incentive for the EU to accept Turkey into its membership is not a reason to prevent membership on other grounds, and the EU members have in the past been able to persuade accession states to accept extremely unfavourable financial terms of entry including forswearing entitlement to CAP and/or ERDF funds (Nugent, 2004; 46). Thus one could argue that though the economic and financial situations do not strengthen the case for a "Turkish enlargement", they need not unduly hinder the process either. However, moving beyond monetary matters there are implicit/unspoken objectives to the EU which must also be addressed.

IDENTITY

As a country with a different heritage and religion, it is not unreasonable to surmise that Turkey's identity is very different to that of other Member States, and that this may cause problems inside the EU should Turkey join the EU. However Turkish identity draws its roots from both an Islamic and a Western heritage and is not incompatible with a "European identity". It may even help transform European identity to broader level inclusive of Islamic identities which would have long-term strategic benefits for the EU in its dealings with its neighbours. There are places where Turkish identity clashes with that of existing members, however the Union has an excellent record of overcoming conflicts of identity and may be the best forum to resolve such conflicts. Finally, European identity is an amorphous concept which is too vague to be used as an argument in favour or against Turkish accession. Different approaches to defining European identity have been used to argue against Turkish accession without any real authority to do so. Such arguments can broadly be divided into those which reject Turkish culture as incompatible with European identity, and those which define EU identity in a way that is exclusive of Turkey. This essay will now examine these arguments and reject most of them.

Turkish identity

Turkey is an important transition territory between European and Middle Eastern identity. Though undoubtedly an Islamic country, it has been democratic and secular since its foundation and has looked to the West for even longer than this (Taspinar, 2006). The broad shape of policy is determined by the National Security Council (MGK) whose task it is to guard the state and the Kemalist legacy of Turkey's founder Mustafa Kemal Atatürk. Central to this Kemalist legacy is to keep Turkey democratic, secular and to identify

¹⁴ Turkey: Undersecretariat of the prime ministry for foreign trade: 2005. Turkey-EU customs union. Available <http://www.dstm.gov.tr/ab/ingilizce/gbnot.htm> [2006-4-10]

closely with the West. Membership of the EU would validate Turkey's longest policy and fulfil the aspirations of Ataturk and his successors to move Turkey politically, socially and economically to the West. This will mean more than idle rhetoric if Turkey can identify with Western values through this prism (Taspinar, 2006).

Seemingly though, Turkish identity is already closely intertwined with Western identity. This can be evidenced by the long standing and extremely perilous commitment Turkey gave to NATO during the Cold War. In this context, Turkey was willing to put itself at odds with a far larger and more powerful neighbour with two major frontiers along Turkey's borders. This high level of commitment to defending Western values precluded any discussion of Turkey's own Western credentials for almost half a century (Taspinar, 2006).

However, with the end of the Cold War, Turkey's Western credentials faced two challenges. Firstly, the idea of a Western community itself came under attack as formerly hostile Eastern European neighbours democratised and the necessity of mutual support was at an end. Whereas before, any country willing to stand against communism was eagerly associated with, in the post Cold-War peace European countries became increasingly selective in defining themselves. Secondly, as the Cold War ended, multiple ethnic and identity conflicts all over the world began to reassert themselves, having previously been incorporated into the broader global confrontation. Turkey was no different and the Turkish authorities faced both a reassertion of political Islam and a Kurdish rebellion. Thus unfortunately, just as Turkey's application to join the EU was lodged, the existing Member States lost enthusiasm for a pan-Western identity and Turkey's response to its own internal opposition made it look like an alien country with an illiberal culture and an identity crisis (Taspinar, 2006). However by the end of the 1990s the situation had changed dramatically for the better. The Turkish authorities had successfully faced down their internal dissenters through a combination of military and political success (Taspinar, 2006). Turkey was thus able to return to a reform agenda and restore its credibility as an accession state (Taspinar, 2006).

It is important to look beyond Turkey's recent history during the 1990s and to examine Turkish identity over a longer timeframe. As with any country, it is difficult to discern the precise nature of Turkish identity, however the single constant feature of Turkish identity is a close identification with the West in general, and Europe in particular. EU membership would be a powerful symbol of Western-ness and help consolidate this identification to the benefit of all European countries. It is worth noting that in 1997 the West-centric MGK prevented Welfare (an Islamic party) from coming to power in the Turkish legislature. Yet in 2002, the MGK consented to the same party forming a government because in the intervening years it had transformed itself into a pro-EU party (Taspinar, 2006). This can serve to illustrate the powerful identification of Western-ness with the EU in Turkey. Just as the Welfare party signalled its commitment to Western politics by becoming a pro-EU party, EU membership would be a powerful signal by Turkey of its own Western credentials and heritage and its willingness to integrate its identity with those of the rest of the European Union. However, it is not clear that the EU's identity will be defined in a way that will allow Turkey to do so.

European identity

There are two major conflicts of identity between Turkey and Member States of the EU; Greece and Cyprus. However, both also incorporate territorial disputes and because of this will be addressed later under the rubric of foreign relations. The concern here shall be to examine the effect upon European identity of Turkey's accession.

Turkey's very different cultural legacy has excited concern that her accession would all but extinguish the objective of creating a common European identity (Nugent, 2003; 502). However, one must question if this is a valid argument for two reasons; creating a common identity has never been afforded anything more than lip-service from member states most of whom have jealously guarded their cultural self-determination, and secondly no authoritative definition of European identity has been formulated which would be incompatible with Turkish membership. European identity is a very elusive concept and lacks any authoritative definition. Three possible definitions will be examined here in turn, none of which precludes accession; geography, religion and politics.

The geographical argument posits that the EU is intended merely for the geographical countries of Europe. In 1987 the Commission used this argument to reject Morocco's application to join the European Union on the grounds that it did not consider Morocco a European country (Nugent, 2004; 266). However, the geographical definition of Europe has been broken both before Morocco's application and since. Some of the oldest territories of the EU have existed outside of Europe eg French Guiana, and new extra-European territories have acceded since eg Cyprus. Hence it would appear that the EU does not in principle object to extra-European accessions. However, if this is the case then it is difficult to explain the Commission's use of this argument in response to Morocco's application. However one should point out that there are multiple reasons to reject Morocco's application for membership of which geography is only the most diplomatic. It

is worth remembering that on non-geographical grounds Morocco is the only African country that the African Union deems unsuitable for membership, principally because of its occupation of Western Sahara and related displacement of the Sahrawi population.¹⁵

Turkey is the EU's first potential Islamic member, and this could be an obstacle to successfully integrating Turkey into a European identity. Though the EU is not a religious organisation and already contains a diversity of major Christian religions, its members until now have all largely practiced some variant of Christianity. However, there is nothing to suggest that the EU is itself a Christian Union. The drafting of the European constitution bore witness to an extensive debate over the inclusion of a clause recognising Europe's Christian heritage. Eventually the Council decided not to include such a clause because it was not compatible with some members' religious heritage (esp. secularism).¹⁶ If differing religious heritages within the existing Union prevent it from defining itself as a Christian club then it seems difficult to justify defining it as such for the purposes of accession negotiations.

Articles 6 and 49 of the TEU are the only authoritative statement of the identity necessary for accession to the EU. Though they reflect indirectly on the identity of accession states, they are nonetheless unmistakably political in nature:

Article 49 of the Treaty on European Union.

Any European State which respects the principles set out in Article 6(1) may apply to become a member of the Union.

Article 6 of the Treaty on European Union.

1. *The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles that are common to the Member States*¹⁷

This essay would argue that these political benchmarks are the only credible identity requirements for accession states. The EU is in practice a legal, political and economic union, it is thus appropriate that its identity be based exclusively on such criteria, and any further requirements of identity be deemed redundant and unfair. Further, such requirements do not preclude Turkey from joining the EU and may even assist her accession by establishing sensible criteria for her to achieve. However, much reform is necessary if Turkey is to achieve even these requirements. These political criteria for accession will now be addressed separately.

POLITICS

Coming from a strong bargaining position the EU is in a position to protect its political identity and demand a high level of political conformity for entry. These may be strenuous requirements for any candidate country to achieve. Enlargement also has an effect on the EU's specific political identity also. These will be addressed separately.

Political requirements of accession: The Copenhagen criteria

Articles 6 and 49 of the TEU (see above) have been translated into several measurable political and economic benchmarks referred to collectively as the Copenhagen criteria. These include human rights, democracy and internal stability.¹⁸

Despite great progress, Turkey still does not meet European standards on human rights, even though this is perhaps the most fundamental requirement of an EU member state. In recent years Turkey has been persuaded to abandon torture and the death penalty, and to introduce gender equality legislation all as a result of EU pressure and the prospect of eventual membership (Dorronsoro, 2004; 53). However, civil and especially press freedoms are still weak or only partially honoured. A new press code was introduced in 2005 which eased restrictions on journalists and the media. It reduced mandatory sentences and made provision for limited Kurdish language broadcasting. However, it failed to permit journalists to advocate Kurdish rights, military withdrawal from Cyprus or to refer to Turkey's mass killing of Armenians as genocide.¹⁹ This is unfortunate, as the EU will almost certainly require Turkey to officially adopt these principles in practice, yet their description is still proscribed in the independent media. However, given Turkey's recent human rights

¹⁵ United States: State Department: 2005,. Background note ; morocco Available <http://www.state.gov/r/pa/ei/bgn/5431.htm>

¹⁶ The new American: 2004. Available <http://www.thenewamerican.com/tna/2004/07-26-2004/insider/eu.htm>

¹⁷ European Commission: Justice and Home affairs. Available http://europa.eu.int/comm/justice_home/unit/charte/en/rights.html

¹⁸ European Union: Europa Glossary. 2006. Available http://europa.eu.int/scadplus/glossary/accession—criteria_copenhagen_en.htm

¹⁹ CIA: Freedom house; Country reports; Turkey: 2005.

Available <http://www.freedomhouse.org/template.cfm?page=16&year=2005&country=6851>

progress, and given the timeframe set out for accession, one can be justifiably optimistic that the necessary further freedoms of expression can be institutionalised before any treaty of accession is signed.

Human rights and democracy are mutually supportive criteria laid out for EU accession. In particular the EU will require the institutional weakening of the military-dominated MGK and the conferring of greater power in the democratic legislature. However, this transfer must be affected delicately, for even though the MGK's position in Turkish society is incompatible with the principles of the EU, it is also the strongest and most consistently pro-Western and pro-EU force in Turkish politics. This essay would argue that its premature removal could do more to derail accession than any other required reform, and does not believe this should be pressed by the EU at an early stage in the process.

Finally, internal stability is a very subjective criterion required of Turkey for EU membership. The Commission will have the final say on the matter, but it is likely that the other political reforms will be in tension with this one. Introducing press freedom, minority rights and transferring power between political institutions will all work contrary to achieving internal stability in Turkey. Nonetheless it is as indispensable as the other criteria and with this in mind the negotiations will doubtless adopt the gradualist approach of previous enlargements.

The effects of another enlargement will also extend to the EU's political functioning and must now be addressed.

Political effects in the EU: Widening v Deepening

Enlargements in general raise questions about the internal dynamics of the European Union. Enlarging the council reduces the authority of every member and can disrupt established voting majorities. Notably, the Franco-German pact has been a powerful force for European integration for many years, but will likely be of less significance after the recent "big-bang" enlargement (Nugent, 2003; 502). Turkey's entry is unlikely to be as disruptive as the "big-bang" was to established alliance systems within the Union, but as a large and populous state it is likely to hold some weight in the Council and Parliament, at the expense of existing members. This is an unavoidable problem, but in the expanded Union will perhaps be less of a drag on Turkey's negotiations than in previous enlargements as the loss of authority in EU institutions will be shared among a greater number of members.

Apart from simple loss of influence, Member States may worry that the dilution of individual members' control over EU institutions may impair future efforts to further integrate the Union. In the jargon of the discipline this would mean that there is an antagonism between widening the Union to new members and deepening the Union among already existing members.

Naturally, this is only a problem if one assumes that a closer Union is a desirable end. Indeed some states (notably the UK) welcome the diminished prospect of further deepening (Nugent, 2004; 268). Also it presumes that diversity amongst the members will prevent them achieving further integration, possibly because of their different priorities, their lack of control over the process in an enlarged council and their diluted sense of common identity. However, the Union has in the past proven itself adept at forging agreements between very diverse members. Focusing on matters of common interest, and using elaborate collective bargains combining multiple approaches and not a little bribery, the Union has developed its integration despite very diverse members and interests (Nugent, 2004; 268). There is no empirical evidence for a conflict between widening and deepening and indeed, since the Southern enlargement, all enlargements have been preceded by Union treaties of integration (Nugent, 2003; 507).

One would like to add that in a Union of (soon to be) 27 members, already with great diversity, the addition of Turkey need not be a notable hindrance to deepening the Union. Those who would desire a level of integration structurally unattainable in a Union of 28, are unlikely to be any more successful in a Union of 27. The Union is already a very large body with multiple states and interests represented, and the time for objecting to an enlarged Union on grounds of absolute numbers has come and passed.

FOREIGN POLICY

Finally, the EU's foreign policy will be affected in multiple ways. New issues and entanglements will be taken on, old ones will have to be resolved. The EU will also acquire some very different neighbours to those it has bordered in the past. Ultimately though, Turkey brings a lot to the EU's foreign policy in terms of knowledge, power and influence and its accession would strengthen the foreign policy greatly.

Greece/Cyprus

As already noted, Turkey has territorial conflicts with Greece and Cyprus which also incorporate ethnic conflicts. Hence it does not as yet fully recognise the European Union or its territory, even as it negotiates to enter the Union. Clearly such antagonisms would be wholly unacceptable inside the EU and would be entirely contrary to the aims and processes of the Union. Despite this, the EU is already involved in these disputes which concern their members and one can argue that these disputes are among the strongest reasons for Turkey's accession, as the best approach to resolving the disputes. By negotiating in good faith, while insisting on resolution, the EU gives powerful support to domestic actors inside Turkey to find ways to resolve the conflicts. Indeed, it is Greece and Cyprus who stand to gain the most from the exercise of this "soft power", and counter-intuitively they would be acting in their own self-interest by championing Turkey's application in other chapters. Whether they actually do so, remains to be seen.

Assuming satisfactory resolution of these territorial issues and the accession of Turkey to the EU, there would also be the remaining nationalist antagonism between North and South Cyprus and between Greece and Turkey. However, these are precisely the sort of antagonisms the Union was supposedly designed for, and it has not been entirely without success in resolving multiple ethnic conflicts all over the continent. One must argue that the Union would be a very effective vehicle for soothing these conflicts and that this would perhaps be the single greatest dividend from Turkish accession to the Union. Undue concerns about formerly hostile countries joining the EU are entirely at odds with the EU *mythos* of reconciling a formerly divided continent. The reality is that the EU is already full of such antagonistic nationalisms which have been soothed to the point of irrelevance by the political process.

Common Foreign and Security Policy (CFSP)

Turkey's impact on the CFSP will be an almost unqualified positive. Both enriching policy discussion and strengthening capacity. Turkey's different heritage and extra-European links, can only augment the richness of debate and the information of Middle Eastern issues at CFSP level. The increased diversity of viewpoints and the perspective of a Western leaning, but Muslim country are a great boon in the current diplomatic climate and are likely to be so for many years to come. Europe's new Eastern members are successfully leading CFSP discussions regarding Ukraine and Russia, and Turkey is well placed to do likewise for the Middle Eastern and North African countries.²⁰ It is ideally placed to input into the EU's policies for its Southern and Middle Eastern neighbours. Beyond Europe's neighbourhood Turkey is a NATO member and a relatively steadfast US ally, however, this is hardly a new departure for the EU.

Turkey also has a large military capacity, a strategic location and influence in the Balkans, the Middle East and the former Soviet republics of central Asia. Clearly then it will strengthen the CFSP's capability and offers increased options for future policy initiatives. Notably, Turkey's borders with Iran and Iraq and its proximity to the Caspian Sea, will be a great boon to the common energy policy being developed at present. Also, rather than a pitfall of enlargement, the common links between the Turkish Kurds and the Kurds in Iran and Iraq could give the EU the significant diplomatic influence over Iran and Iraq that they have been seeking for years (Taspinar; 2006).

European neighbourhood Policy (ENP)

The extension of Europe's borders right into the north of the Middle East is an understandably unsettling prospect for many Europeans. Iraq, Iran, Syria and Lebanon are just a few of the countries the EU will come to border when Turkey accedes. Apart from this the neighbourhood policy would be also be extended to these regimes. In fact this process is already underway.²¹ The student would argue that the extension of the neighbourhood policy could be a powerful incentive to reform, unlike anything previously tried in the post-colonial Middle East.

CONCLUSION

Thus it would appear that the EU would be premature to rule out further enlargements beyond the 27 and in particular a future enlargement to include Turkey. Much work remains to be done however, before Turkey can successfully accede. Of the policy issues outlined above, it is the political reforms in Turkey which will require the most effort. For reasons outlined, it would seem that the economics and finance of enlargement

²⁰ UK presidency of the EU: 2005.

Available <http://www.eu2005.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1115140190464>

²¹ European Commission: 2006. Available http://europa.eu.int/comm/world/enp/policy_en.htm

need not be an undue problem for Turkey's accession, that concerns to preserve an extra-political European identity to the Union are overblown and misguided, and that Turkey will make a significant positive contribution to the EU's foreign policy in the neighbourhood and the world. However, the political requirements of the Copenhagen criteria will not be easy to achieve. They are contradictory objectives requiring a delicate touch of governance. Introducing democracy, while enhancing civil rights and press freedom will be at odds with internal stability which is an additional requirement. Introducing democracy is never a simple process, as can be seen in Iraq or Russia. It is worth noting however the diverging paths of Russia and the Eastern European states which had the powerful incentives and domestic leverage of EU membership negotiations to successfully develop Copenhagen compatible societies.

Having begun negotiations with the EU, precedence is in Turkey's favour. No country having begun negotiations has ever failed to accede to the European Union. However, no accession country has ever had its accession hinge on a referendum in an existing Member State, whereas Turkey's entry will likely have to be approved of in referenda in multiple Member States (Nugent, 2004; 63). This final unofficial criterion of accession is perhaps the least justified in terms of policy and is beyond Turkey's direct control. As with all enlargements, any single Member State can object at the last moment and upset the entire process. This would be a great shame for the people of the Middle East, for Turkey and for the EU itself.