

The EU's Future Enlargement and its Challenges

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Abstract

In this study, basic challenges of the EU's enlargement will be discussed. It will be argued that there are mainly three challenges. The first challenge, that is, building peace throughout Europe, is also one of the greatest visions of the founding fathers of the then EU. The second challenge is related to the lack of good performance related to the principles of "good" governance. Finally, the third challenge includes economic governance and the weak competitive power of the candidate and potentially candidate countries. All in all, in this study, the EU's current motto will be presented as a key challenge of the EU's future enlargement: "United in diversity."

Keywords: EU Enlargement, candidate countries, potential candidate countries, good governance, competitiveness

JEL classification: F6, N44

1. INTRODUCTION

The aim of this article is to explain the basic challenges of the EU's future enlargement.¹ The focus will be on the three challenges: 1. Peace, 2. "good" governance, and 3. economic governance including competitiveness. It will be argued that there is a great difference not only for the countries expected to join the EU in the future, but also for those who are already in the EU. That is why, the EU's motto explains both the vision and the greatest challenge of the EU: "*United in diversity*".

At this point, it should be underlined that these challenges and problems are not only specific to the current and future enlargement process, that is to say, they have been more or less present since the EU's first enlargement. The current and future widening process can only make these challenges more intense, complicated and hard to manage. Nevertheless thanks to the lessons drawn from the past experience embodied in conditionality and accession criteria (such as the Copenhagen Criteria, administrative capacity, absorption capacity etc.), the EU can handle and overcome this complex enlargement process.

¹ By future enlargement of the EU, the study means both candidate countries (Albania, The former Yugoslav Republic of Macedonia, Montenegro, Serbia, and Turkey) and potential candidate countries (Bosnia and Herzegovina and Kosovo) as of October 2013.

2. PEACE AS MISSION, VISION AND CHALLENGE

It is possible to argue that the first and foremost challenge of the EU enlargement is to keep peace alive. That is why, in this study, peace in Europe will also be presented as both mission and vision of the EU. It is considered a mission because one of the reasons for the existence or *raison d'être* of the foundation of The European Coal and Steel Community (ECSC) and/or the European Economic Community (EEC) was to establish peace. The reason why the founding fathers preferred to use an economic medium can be explained with reference to neofunctionalism, which argues that the economy has a spillover effect into other areas for the sake of paving the way for the political union. Indeed, history shows that both military and political union efforts have failed, and that the only successful attempt was in the realm of economic cooperation.² Therefore, considering Monnet and other founding fathers' ideal future, it is possible to argue that peace in Europe was the EU's vision.

Having a vision is of crucial importance because only then it would be possible to take systematic actions to mobilize all necessary resources. Vision is a destination to go, and if no one knows where to go, then a person or an institution is bound to drift away.

The classic novel of Charles Lutwidge Dodgson and famous Disney cartoon "Alice in Wonderland" contains an important message of strategic management regarding having an aim. Once Alice reaches a road leading to two different paths, she asks the Cheshire cat which way she should go. The Cheshire cat's answer is the same as that of strategic management: "That depends a good deal on where you want to get to."

Alfred Chandler was one of the first people to realize the importance of determining long-term goals. According to Chandler, what needs to be done is to allocate necessary (physical, financial, intellectual, human etc.) resources for the sake of a common vision.³

It is a fact that there is a gap between the current situation (or the *status quo*) and the ideal future. At this point, the current situation needs to be changed. One of the key questions related to the change is as follows: Should we take the current situation or the ideal future as a reference point? While the first option brings us to a realist but conservative⁴ vision based on current limitations, by adopting the second approach, it is possible to come up with a "visionary" vision without limitations. Taking the *status quo* as a reference point may bring marginal or incremental change, but having a visionary ideal may result in fundamental and radical change.

Although there is no final answer to this question, Jean Monnet and other founding fathers have chosen the second option and they preferred to be a game

² KJAER, ANNE METTE: *Governance*, 2004, Polity, UK, 99-122.

³ BARCA, MEHMET – BALCI, ASIM: Kamu Politikalarına Nasıl Stratejik Yaklaşılabilir? in *Amme İdaresi Dergisi*, Vol. 39. Issue 2. (2006), 38.

⁴ The meaning of conservative here has nothing to do with conservatism.

changer. They did not limit themselves and they “*demanded the impossible*”: Peace in Europe. For the founding fathers, the ideal future was not an economic union, but rather a political union; they thought that only a political union could bring peace. This was the gap expected to be fulfilled by Jean Monnet and other founding fathers. They dreamed of a peaceful and prosperous Europe. Jean Monnet was one of them: “*Continue, continue, there is no future for the people of Europe other than in union... Peace can be founded only on equality of rights.*”

This is the key point which links vision to the challenges: Having such a visionary ideal can simultaneously be presented as a challenge. It is a great challenge not only because it is hard to achieve, it may take time or even it may not be realized during an average lifetime. Convincing other people to fight for your cause and your vision is also a challenge. European Union is not an exception. The “peace in Europe” idea was a “visionary” vision considering two world wars and others. This was a vision which could not be limited to five years or even their lifetime. Their dream was not a temporary peace, but a “*perpetual peace*,” as Kant would say. The founding fathers wanted to establish an eternal peace, rather than a truce.

It is exactly the same with that of Kant who wanted and dreamed about perpetual peace as early as 1795. According to Kant, “*no treaty of peace shall be held valid in which there is tacitly reserved matter for a future war*” because, “*otherwise a treaty would be only a truce, a suspension of hostilities but not peace, which means the end of all hostilities – so much so that even to attach the word ‘perpetual’ to it is a dubious pleonasm.*”

It should be noted that Kant’s liberal optimism clashed with Lenin’s socialist realism in 1915. Lenin was sure that perpetual peace was not possible within the system of capitalism. The only possible unity of those capitalist states, for Lenin, could be war and colonialism based on brutal force:

“A United States of Europe under capitalism is tantamount to an agreement on the partition of colonies. Under capitalism, however, no other basis and no other principle of division are possible except force. Under capitalism, there are no other means of restoring the periodically disturbed equilibrium than crises in industry and wars in politics.”

All in all, the founding fathers of the EU have seen two world wars, so they had every reason to be hesitant about the peace, but they did not choose to be pessimistic about the future of Europe. They were not satisfied with the then “warfare” *status quo*. There was a gap between the *status quo* and the ideal future, and they have chosen to take their ideal future as a reference point to change the *status quo*. They wanted to change it. They preferred to be a game changer as previously mentioned.

El-Agraa explains the case as follows:

“The founding fathers dreamed of the creation of a United States of Europe. This was because they believed that there was no other means of putting an end to the continent’s woeful history of conflict, bloodshed and suffering – that is, they saw unity as the only way to achieve eternal peace in

*a continent with a long history of deep divisions and devastating wars.*⁵

Although neither founding fathers nor their current colleagues could achieve the United States of Europe, the EU has been relatively successful in bringing peace in the EU borders.⁶ Despite its symbolic and political character, the Nobel Peace Prize should be read as a reward for the founding fathers' visionary ideal of peace. The award of the Nobel Peace Prize is a symbol that the EU has been doing the right thing since its inception in building peace in Europe. There is more than one reason why the Nobel Peace Prize was given to the EU. All of them are related to the making of a peaceful Europe. First of all, the EU was able to transform hostile relations between Germany and France into a partnership. Secondly enlargement was seen as an important tool to widen and strengthen democratic transition, especially for Greece, Spain, Portugal and other ex-communist countries. Thirdly, the EU's future enlargement process was also seen as reconciliation among those countries that have been in conflict with each other. Finally, Turkey's inclusion in the membership process was also read by the committee as part of the advancement of democracy and human rights.

This prize shows that enlargement has been an integral part of the peace project and it also shows that peace is also one of the biggest challenges of the EU. Currently the EU is trying to "*deal with bilateral issues and overcoming the legacy of the past.*"⁷ It is a hard challenge but at least a few positive steps have been taken so far, such as the historic agreement between Belgrade and Pristina agreed on 19 April 2013, or a public apology expressed by Serbia's President Tomislav Nikolic "*for crimes committed in Bosnia and Herzegovina.*" The name issue between FYR of Macedonia and Greece is another important challenge which needs to be solved. The EU is aware of these problems; that is why "*in the case of the countries of the Western Balkans additional conditions for membership, were set out in the so-called 'Stabilisation and Association process', mostly relating to regional cooperation and good neighbourly relations.*"⁸

3. GOOD GOVERNANCE

Another important challenge is related to governance comprehension.⁹ It should

⁵ EL-AGRAA, ALI M.: *The European Union: Economics and Policies*, 2011, Cambridge University Press, UK, 423.

⁶ This proposition cannot be generalized to the European continent.

⁷ EUROPEAN COMMISSION, *Enlargement Strategy and Main Challenges 2013-2014*, 2013, Brussels, 12, available at: http://ec.europa.eu/enlargement/pdf/key_documents/2013/package/strategy_paper_2013_en.pdf [cit. 2014-10-03].

⁸ For further information on enlargement and conditions for membership, see: http://ec.europa.eu/enlargement/policy/conditions-membership/index_en.htm [cit. 2013-10-03]

⁹ For a discussion on the term governance, see RHODES, ROD A. W: *The New Governance: Governing without Government*, in *Political Studies*, Vol. 44. Issue 4. (1996), 652-667, and KJAER: *op. cit.*

be underlined that the term governance is different from the term government. Governance is something broader than government, because it includes non-state actors, implying that government is not the only and dominant actor anymore. It is not the single actor because there are many other levels ranging from EU level to the citizens. So, as Kjaer argues “*the relationship between public and private is blurred and government is not the single dominant actor that can unilaterally impose its will.*”¹⁰ Multi-level governance¹¹ comprehension can be given as an example. Apart from, sub-national levels, even European citizens do have a chance to be involved in the policy making process considering “citizen initiative.” If one million signatures from at least seven countries could be obtained, the European Commission “may” propose legislation based on the European citizen’s initiative.

As Leftwich argues there are at least three possible components or levels of good governance. As is explained above, first of all, the systemic use is that it is wider than government and it refers to “*a looser and wider distribution of*” both political and economic power. Secondly, politically, it refers to a legitimate and democratic “Western” state based on democratic principles such as democratic polity, separation of power, checks and balance system, regular elections etc. Finally, from an administrative point of view, it refers to “*an efficient, open, accountable and audited public service*” including “*independent judicial system to uphold law and resolve disputes arising in a largely free market economy.*”¹² According to Leftwich, the latest use, that is, administrative use of governance is especially the one employed by the World Bank.

Although the definition of these principles may differ from different organizations such as World Bank, OECD or the EU, the WB perspective, as an initiator of the term, explains the use of governance in a brief way as follows:

*“Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.”*¹³

In this context, good governance can be read as a version of classical liberalism or “*model of a liberal-democratic polity*”.¹⁴ What needs to be done in good governance is to create a self-regulating civil society and market economy apart from efficient and effective governments. Originally the term good

¹⁰ KJAER: *op. cit.* 7, 14.

¹¹ HOOGHE, LIESBET – MARKS, GARY: Unravelling the Central State, but How? Types of Multi-Level Governance, in *The American Political Science Review*, Vol. 97. No. 2. (May, 2003), 233-243.

¹² LEFTWICH, ADRIAN: Governance, democracy and development in the Third World, in *Third World Quarterly*, Vol. 14. Issue 3. (1993), 611.

¹³ For a definition and components of governance by World Bank, see: <http://info.worldbank.org/governance/wgi/index.aspx#home> [cit. 2013-10-03].

¹⁴ LEFTWICH: *op. cit.* 605.

governance was proposed as a kind of solution to both democratic and administrative problems of Sub-Saharan African countries by the WB in 1989, but currently the WB indicators are not limited to them.

There are six criteria of the WB “good” governance.

- 1) *Voice and Accountability;*
- 2) *Political Stability and Absence of Violence;*
- 3) *Government Effectiveness;*
- 4) *Regulatory Quality;*
- 5) *Rule of Law;*
- 6) *Control of Corruption.*

Table 1 shows that future enlargement will be even more challenging than the latest enlargement process considering lower average good governance points. Although Bulgaria, Croatia and Romania’s average performance are worse than the Nordic countries, potential candidate and candidates countries are even worse than the newcomers of the EU. Another interesting fact is that although Bulgaria and Romania are in the EU, except for “voice and accountability” and “political stability and absence of violence” criteria, their performance is worse than or similar to Turkey. Montenegro’s average is very close to that of Romania and Bulgaria. What is also clear from the table is that “political stability and absence of violence” criterion should be ameliorated and developed for the countries involved in the future enlargement process.

4. ECONOMIC GOVERNANCE AND COMPETITIVENESS

Governance does have an economic dimension. It is important for the EU because, as was explained above, considering the history of the then EU, the economic union was relatively a success story. It is a fact that economic governance itself is part of the Copenhagen Criteria: “*a functioning market economy and the capacity to cope with competition and market forces in the EU.*” The basic challenge here starts with this criterion because according to the European Commission, “*while Turkey is a functioning market economy, no Western Balkan enlargement country enjoys this status.*”¹⁵

Another challenge can be seen in terms of the Convergence Criteria or the Maastricht Criteria which needs to be satisfied after membership, since an opt-out option will not be given to the newcomers. In the future, members of the EU who are not part of the Euro-zone except for Denmark and the UK, should set a target date. However, only Lithuania and Romania have set a target date for the adoption of the Euro so far.¹⁶

¹⁵ EUROPEAN COMMISSION: *op. cit.*

¹⁶ Bulgaria, Croatia, Czech Republic, Hungary, Poland and Sweden should also determine the target date, but they haven’t set it so far.

Selected Macroeconomic Indicators					
			<i>Selected Maastricht Criteria</i>		
	<i>GDP Growth</i>	<i>Unemployment</i>	<i>Consumer-Price Index</i>	<i>General Government Balance</i>	<i>General Government Gross Debt</i>
	<i>Macroeconomic Performance Indicators</i>				
<i>EU28⁽¹⁾</i>	0,1	10,8	1,5	-3,3	87,1
<i>EU 18⁽¹⁾</i>	-0,4	12,0	1,3	-3,0	92,6
<i>Albania⁽²⁾</i>	0,7	16,2	1,9	-4,9 ⁽⁴⁾	65,2 ⁽⁴⁾
<i>Bosnia and Herzegovina⁽²⁾</i>	1,2	44,5	-0,1	-2,2 ⁽⁴⁾	45,1 ⁽⁴⁾
<i>Macedonia⁽³⁾</i>	3,1	29,0	2,8	-4,1	36
<i>Montenegro⁽³⁾</i>	3,5	19,5	2,2	-2,6	58,0
<i>Serbia⁽³⁾</i>	2,5	22,1	7,8	-5,0	63,7
<i>Turkey⁽³⁾</i>	4,0	9,8	7,5	-1,6	36,3
<i>Kosovo⁽²⁾</i>	2,5	30,9	1,9	-2,6 ⁽⁴⁾ ⁽⁵⁾	8,3 ⁽⁴⁾ ⁽⁵⁾

Table 2: Selected Macroeconomic Indicators, 2013.¹⁷

As table 2 indicates, what is promising for the future enlargement is that GDP growth, government balance and government debt are relatively better than the EU28 average. Considering some of the selected Maastricht Criteria, it is seen that only Bosnia and Herzegovina could pass the criteria concerned. It should also be underscored that Kosovo and Montenegro have already adopted the Euro as their currency. Albania and Serbia are the countries lagging behind who could not pass all of the selected criteria. As for Macedonia, there is a need for amelioration regarding inflation rate and government balance. As to Turkey, only inflation rate seems problematic considering its better position in terms of government balance and debt.

Apart from the Maastricht criteria, macroeconomic performance of the countries gives an alert of an immediate challenge considering the unemployment

¹⁷ Source:

* Grey areas show that the Maastricht Criteria could not be achieved.

⁽¹⁾ Eurostat.

⁽²⁾ IMF, World Economic Outlook, 2014. Available at: <http://www.imf.org/external/pubs/ft/weo/2014/01/pdf/text.pdf> [cit. 2014-10-03].

⁽³⁾ European Commission, European Economic Forecast, Spring, 2014. Available at: http://ec.europa.eu/economy_finance/publications/european_economy/2014/ee3_en.htm [cit. 2014-10-03].

⁽⁴⁾ European Commission, EU Candidate & Potential Candidate Countries' Economic Quarterly, 2014. Available at: http://ec.europa.eu/economy_finance/db_indicators/cpaceq/documents/cceq_2014_q2_en.pdf [cit. 2014-10-03].

⁽⁵⁾ 2013 data is NA. Instead, 2012 data are shown in the table for Kosovo in terms of general government balance and general government gross debt.

rate. When compared to the EU average, it is highly problematic for the countries concerned except for Turkey: “*Structural reforms need to be prioritised and competitiveness enhanced in order to support fiscal consolidation, tackle high external imbalances as well as high unemployment in all countries, averaging over 20% in the Western Balkans.*”¹⁸

The Global Competitiveness Index 2013–2014 rankings	
<i>Future Enlargement</i>	
Albania	95
Bosnia and Herzegovina	87
Kosovo	-
Macedonia, FYR,	73
Montenegro	67
Turkey	44
Serbia	101
<i>Benchmarking</i>	
Bulgaria	57
Croatia	75
Romania	76
Finland	3
Germany	4
Sweden	6

Table 3: The Global Competitiveness Index 2013–2014 rankings.¹⁹

The World Economic Forum’s “*Global Competitiveness Index*” 2013–2014 rankings in table 3 show that the problem is not only related to the unemployment rate. There is another urgent problem regarding their competitive power. Although Turkey seems the most competitive country when compared to the latest enlargement countries and the future enlarging countries, there is a great difference when compared to the members of the EU especially Finland, Germany and Sweden, in that, these three countries are the EU’s most competitive ones.

The difference between the countries can be seen easily in the index with reference to their economic development stage. For example, candidate and potential candidate countries, except for Turkey, are placed under the “stage two: efficiency-driven economies,” while countries such as Germany, Sweden, Denmark and Finland are placed under the “third stage: innovation-driven economies.” Turkey finds itself a place in-between them: the transition stage.

5. CONCLUSION

Considering the challenges, it is out of question not to argue that both current members and future members do have a significant diversity. Not only their

¹⁸ EUROPEAN COMMISSION: *op. cit.* 4.

¹⁹ Source: World Economic Forum, available at: <http://www.weforum.org/reports/global-competitiveness-report-2013-2014> [cit. 2014-10-03].

economy, but also their governance levels are diverse. That is why the motto of the EU is highly suitable for the EU: “United in diversity.” The EU will be united but that does not mean that it will omit differences including economy, culture, traditions and languages etc. That is why, the motto gives us the clue of the basic challenge: To keep the EU united in spite of the members’ and candidates’ great and significant difference.

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<i>Table 1: World Bank Governance Indicators for Selected Countries, 2013</i>							
Country	Voice and Accountability	Political Stability and Absence of Violence	Government Effectiveness	Rule of Law	Regulatory Quality	Control of Corruption	Average
Future Enlargement							
ALBANIA	51,18	48,34	43,54	35,55	57,42	25,84	43,65
BOSNIA AND HERZEGOVINA	43,13	36,02	39,23	50,24	50,72	52,15	45,25
KOSOVO	40,28	18,01	40,67	36,02	52,63	30,62	36,37
MACEDONIA, FYR	46,92	35,07	53,11	49,29	61,24		
MONTENEGRO	55,92	63,51	59,81	54,03	53,59	51,20	56,34
TURKEY	40,76	11,85	65,55	55,92	65,07	61,72	50,15
SERBIA	56,87	42,65	50,24	44,55	51,20	50,72	49,37
<i>Average</i>	<i>47,87</i>	<i>36,49</i>	<i>50,31</i>	<i>46,51</i>	<i>55,98</i>	<i>47,37</i>	<i>47,42</i>
Benchmarking: Latest Enlargements							
BULGARIA	58,29	54,50	59,33	51,18	67,94	49,76	56,83
CROATIA	63,03	66,35	70,81	60,19	66,03	61,24	64,61
ROMANIA	57,35	52,61	52,63	56,40	69,38	52,63	56,83
<i>Average</i>	<i>59,56</i>	<i>57,82</i>	<i>60,92</i>	<i>55,92</i>	<i>67,78</i>	<i>54,54</i>	<i>59,43</i>
Benchmarking: The Nordic Members							
DENMARK	99,53	78,20	99,04	98,38	97,61	100,00	95,49
FINLAND	97,16	97,16	100,00	99,05	98,56	98,09	98,34
SWEDEN	99,05	90,52	98,56	99,33	99,04	99,04	97,62
<i>Average</i>	<i>98,58</i>	<i>88,63</i>	<i>99,20</i>	<i>99,05</i>	<i>98,40</i>	<i>99,04</i>	<i>97,15</i>

Table 1: World Bank Governance Indicators for selected countries, 2013.²⁰

²⁰ Source: <http://info.worldbank.org/governance/wgi/index.aspx#home> [cit. 2014-10-03].