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EU Enlargement 2007: A Full Stop?

Vilborg Asa Gudjonsdottir



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Miami- Florida Center of Excellence
University of Miami
1000 Memorial Drive
101 Ferré Building
Coral Gables, FL 33124-2231
Phone: 305-284-3266
Fax: (305) 284 4406
E-Mail: jroy@miami.edu
Web: www.miami.edu/center

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Vilborg Asa Gudjonsdottir*

**Miami-Florida European Union Center of Excellence
University of Miami
Miami, Florida**

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* Vilborg Ása Guðjónsdóttir is a MA student in International Relations at the University of Iceland, studying at the University of Miami as an exchange student 2006-2007. She has her Bachelors of Science in Business Administration from Reykjavík University, Iceland.

EU Enlargement 2007: A Full Stop?

1. Introduction

On the 1st of January 2007 Romania and Bulgaria became members of the European Union. The 2004 enlargement of the EU has had its difficulties and many wonder if these two Eastern European countries are in fact ready to join the EU. Although their economies are growing fast, both countries are poor in income as well as in public spirit. Bribes are routine and officials tend to be badly trained, ill-paid and often corrupt, with the worst corruption in both countries occurring in the customs service. Similar problems exist in the countries' judiciaries.¹ Improvement efforts have not proved efficient enough, especially in Bulgaria where many suspect that changes will not be effective since political will is lacking at the top. Romania is at least willing to prosecute corrupt politicians while in Bulgaria the process has hardly begun. The existing EU members are most worried about the free movement of workers, and it is foreseen that more member states will impose restrictions on the free movement of workers from these countries than did so for the 2004 enlargement.² How bad is the situation in the public sector of these two soon to become EU countries and what other things need to be considered?

2. Romania and the EU

2.1 Accession process

Romania was the first Central and Eastern European country to establish official relations with the European Community back in 1974, with a bilateral agreement on Romania's inclusion in the EC's³ Generalized System of Preferences⁴. Romania established diplomatic relations with the European Union in 1990, and in 1995 a bilateral Europe agreement entered into force. That same year Romania submitted its formal application for EU membership. A decision on the application was not made until December 1997 and the Romania-EU intergovernmental conference meeting in Brussels on the 15th of February 2000 marked the official start of membership negotiations.⁵

EU officials acknowledged from the start that the negotiation process would not be an easy one for Romania. In June 2004 the EU enacted a "safeguard clause" for Romania that would allow accession to be delayed one year if accession goals would not be met on time. The decision to delay accession would require a unanimous vote by the Council of the European Union.⁶ Meanwhile, in May 2004, Romania became a full member of the North Atlantic Treaty Organization (NATO). On the 17th of December 2004 the Council took note of Romania's progress in its accession preparations and expected the country to be ready for the scheduled entry date, the 1st of January 2007. In the spring of 2005, the European Parliament gave its

¹ The Economist, "We're off on a European odyssey", 30 September 2006.

² Ibid.

³ EC: European Community; established in 1957, became the European Union in 1992.

⁴ Generalized System of Preferences (GSP): a formal system of exemption from the more general rules of the World Trade Organization.

⁵ Euractiv I, "EU-Romania Relations", October 2006. <http://www.euractiv.com/en/enlargement/eu-romania-relations/article-129587>

⁶ C. Cottrell, "Enlargement: New Challenges for an Old Process", June 2006. Florida: Miami-Florida European Union Center of Excellence, EUMA. http://www6.miami.edu/eucenter/Cottrell_EUMA1.pdf

overwhelming support to Romania's EU bid and Romania signed its EU Accession Treaty. A few months later the European Commission published its monitoring report on the country's level of preparedness. In its final monitoring report on the 26th of September 2006, the Commission approved Romania's accession in 2007, but insisted on further reforms. If the requirements will not be met, the Commission can invoke safeguard measures, which could lead to the suspension of funds, among other things.⁷ (See more on safeguard measures in section 2.2).

2.2 Complications

Romania has complied with both the political *Copenhagen criteria*⁸ that require stable institutions to guarantee democracy, and the economic accession criteria, maintaining a well functioning market economy. Although the market forces within the EU are much stronger than those currently operating within the Romanian economy, the Enlargement Commission believes that the Romanian economy will be capable of coping with the change. It will however need to address inflation problems in order to maintain competitiveness. Romania's ability to meet the economic criteria is a result of the country's economic turnaround in recent years, from partial negative growth in the 1990s to positive growth in real GDP since 1998.⁹

The problems facing Romania's compliance with the accession criteria have been linked in large part with the country's public administration after 1989, which suffers from a lack of necessary managerial capacity and a lack of political will for reform. On the whole, and despite some progress, the Romanian administrative system is also still suffering from a lack of managerial and strategic thinking at leadership levels. The development of managerial skills based upon flexibility and effectiveness in structuring administrative reform is of crucial importance for Romania's future.

Corruption is also one of the major problems facing Romanian public administration, being a very serious threat against the state of law, democracy, social justice, equity and human rights. Corruption is viewed as impeding social and economic development, undermining the moral principles of society and threatening the stability of democratic institutions. In spite of previous attempts to deal with corruption, it still continues to be a widespread and systemic problem which undermines not only the functioning of the legal system, but also the economy. In addition, corruption has led to a loss of confidence in public authorities which has had negative long-term effects on the development of Romanian democracy.¹⁰

Romania ranks 84th on the *Transparency International 2006 Corruption Perceptions Index*.¹¹ Bribes for basic services like health care are considered commonplace in the country, and the justice system is weak. Contracts and court decisions are not being enforced, which is of great concern to foreign investors. Nevertheless, even within *Transparency International* some say Romania is doing better than the CPI¹² suggests and that the index does not capture the positive reforms Romania has achieved in recent years.

⁷ Euractiv I, "EU-Romania Relations", October 2006. <http://www.euractiv.com/en/enlargement/eu-romania-relations/article-129587>

⁸ Copenhagen Criteria: the rules that define whether a country is eligible to join the European Union. The criteria require that a state has the institutions to preserve democratic governance and human rights, a functioning market economy, and that the state accepts the obligations and intent of the EU.

⁹ C. Cottrell, "Enlargement: New Challenges for an Old Process", June 2006. Florida: Miami-Florida European Union Center of Excellence, EUMA. http://www6.miami.edu/eucenter/Cottrell_EUMA1.pdf

¹⁰ Junjan, V., Sandor, S. and Hintea, C. (2004). Administrative reform in Romania and the European Union. *Driven to Change*. Dimitrova, A. Great Britain: Manchester University Press.

¹¹ Transparency International. (2006). *CPI table*. http://www.transparency.org/news_room/in_focus/cpi_2006/cpi_table

¹² CPI: Corruption Perceptions Index

Foreign direct investment has in fact increased in Romania, according to the *Economist Intelligence Unit*, suggesting businesses find it an increasingly attractive environment to invest in. That is most likely a result of positive anti-corruption measures the country has taken, particularly by introducing a flat tax which has reduced both loop holes and excessive regulations that can hinder action and decision-making.¹³

Romania's accession presents various challenges to the EU, all of which stem from political backwardness, underdevelopment and history. The Western European nations that benefited from democratic rule and market economies for most of the twentieth century had relatively smooth transitions to EU membership compared to that of Romania. Eastern European nations with communist histories will continue to present challenging accession processes to the EU, which will face similar problems if it is to approve more Eastern European nations in the future.¹⁴

The Commission's final monitoring report indicates tough conditions on Romania's entry in 2007. The country will be closely monitored in the remaining areas of concern, such as the justice system, corruption and the integrated administrative control system for agriculture (IACS). Other areas of concern are payments to agencies¹⁵, the transmissible spongiform encephalopathies (TSE)¹⁶ and the interconnectivity of tax systems. (Euractive I, October 2006). The Commission has the possibility to invoke safeguards if the given requirements will not be met. There are three types of safeguard measures under the Accession Treaty: internal market, economic and JHA¹⁷ safeguards, which can be invoked up to three years after accession. The safeguards can affect food export bans and lead to a suspension of EU funds to the country, such as agricultural and structural funds. In addition, there are transitional arrangements, such as the restriction of free movement of workers from new member states. The Commission can also take remedial measures to ensure the functioning of EU policies. This concerns food and air safety, the judiciary, agricultural funds, and the fight against corruption.¹⁸ Both Romania and Bulgaria will have to make six-monthly reports on corruption.¹⁹

3. Bulgaria and the EU

3.1 Accession process

Bulgaria established diplomatic relations with the EU in 1988. In 1993, the European agreement on association was signed, entering into force in 1995. Later that year, Bulgaria submitted its application for EU membership, and two years later preliminary negotiations were launched. The Commission presented its first regular report on Bulgaria's progress towards accession in November 1998 and a second report in 1999, at which point it was recommended that formal negotiations begin. Accession negotiations between Bulgaria and the EU formally started on the 15th of February 2000. Bulgaria concluded its accession talks in June 2004, six months ahead of schedule. The technical closure of talks on the final two negotiating chapters had been

¹³ Gallu, J. (November 2006). New EU Members Score Badly in Corruption Ranking. *Spiegel Online*, 6th of November 2006. <http://www.spiegel.de/international/0,1518,446803,00.html>

¹⁴ C. Cottrell, "Enlargement: New Challenges for an Old Process", June 2006. Florida: Miami-Florida European Union Center of Excellence, EUMA. http://www6.miami.edu/eucenter/Cottrell_EUMA1.pdf

¹⁵ Paying agencies: approved authorities and bodies of EU Member States.

¹⁶ Transmissible spongiform encephalopathies (TSEs): a group of rare degenerative brain disorders characterized by tiny holes that give the brain a "spongy" appearance.

¹⁷ JHA: Justice and Home Affairs

¹⁸ Euractive I, "EU-Romania Relations", October 2006. <http://www.euractiv.com/en/enlargement/eu-romania-relations/article-129587>

¹⁹ The Economist, "We're off on a European odyssey", 30 September 2006.

completed on the 14th of June 2004 and the country's aim was to join the EU as a full member on the 1st of January 2007.²⁰

In April 2005, the European Parliament gave its overwhelming support to Bulgaria's EU bid and soon after Bulgaria signed the country's EU Accession Treaty and the Parliament ratified it. In October 2005, the Commission's monitoring report concluded that Bulgaria had to serve six months of further probation to take "immediate and decisive corrective action" by spring of 2006²¹ in the fields of judiciary reform and the fight against high-level corruption. In the next monitoring report, released on the 16th of May 2006, the Commission confirmed that Bulgaria had continuously fulfilled the *Copenhagen Criteria*. At that time, six policy areas continued to give serious concern and the Commission decided to review Bulgaria's reform progress in October 2006 to determine the feasibility of Bulgaria's EU membership in January 2007. In its final monitoring report in September 2006, the Commission approved Bulgarian accession in 2007, but insisted on further reforms. The Commission can invoke safeguards if the given requirements are not met, just as in the case of Romania.²² (See more on safeguard measures in section 3.2).

3.2 Complications

Like Romania, Bulgaria fulfils the political and economic criteria for EU membership. Since the Commission's October 2005 report, there has been progress in a number of areas, including the reform of the judiciary, measures to fight corruption and progress in the field of public administration. Nevertheless, certain outstanding issues still need to be addressed. The final monitoring report by the Commission indicates tough conditions on Bulgaria's entry in 2007, just as in the case of Romania. The country will be closely monitored in the remaining areas of concern, which in Bulgaria's case include the justice system, corruption in the public sector, police co-operation, organized crime, money-laundering, integrated administrative control system for agriculture (IACS), transmissible spongiform encephalopathies (TSE), and financial control²³.

One of the key chapters in the negotiations of Bulgaria with the EU is the economic and currency union, pertaining to negotiations about the shape of the monetary and financial sector in Bulgaria. In 1996, Bulgaria suffered an economic and financial crisis, which created an enormous setback to its bid for EU membership and seemed for many years impossible to resolve. Because of the lack of financial discipline and clear ownership rights, deficits multiplied, being transferred from firms to banks through bad debts and eventually to the government budget through bailouts or monetization. Although much improvement have been made to Bulgaria's economic system, an array of challenges to the development of financial intermediation in Bulgaria lie ahead in relation to its outward-looking European economic policy.²⁴

Bulgaria is a functioning market economy and according to the Commission's 2005 report the continuation of current reforms should enable the country to cope with competitive pressure and market forces within the Union in the near term. Progress has continued since the 2005

²⁰ Euractive II, "EU-Bulgaria Relations", October 2006. <http://www.euractiv.com/en/enlargement/eu-bulgaria-relations/article-129603>

²¹ Commission of the European Communities, "Commission Staff Working Document, Bulgaria: Monitoring Report", May 2006. Brussels: Commission of the European Communities. http://ec.europa.eu/enlargement/pdf/key_documents/2006/monitoring_report_bg_en.pdf

²² Euractive II, "EU-Bulgaria Relations", October 2006. <http://www.euractiv.com/en/enlargement/eu-bulgaria-relations/article-129603>

²³ Ibid.

²⁴ Vincelette, G. A. (2004). Challenges to Bulgarian monetary policy on its way to United Europe. *Driven to Change*. Dimitrova, A. Great Britain: Manchester University Press.

report but the current account deficit has all the same widened. The functioning of the judicial system needs to improve and the regulatory burden on businesses needs to be eased further for structural reforms to deepen. The regulatory framework for the labor market also needs to be made more flexible.²⁵

Efforts to wipe out corruption in Bulgaria have been stepped up, but at the same time provided some examples of the corrupt mentality in Bulgarian society. Although the country ranks lower than Romania on the *Transparency International's 2006 Corruption Perceptions Index*, being in 57th place, corruption is a very serious problem there as well.²⁶ A former director of the state-owned heating company was recently accused of tax evasion and transferring \$2.85 million to foreign bank accounts. Bribing the police is practically everyday routine, and 150 gangland-killings have occurred over the last five years.²⁷ Furthermore illegal possession of firearms remains a problem and the number of cases prosecuted successfully related to human trafficking, money laundering, drug smuggling, and counterfeiting of goods, currency and documents is still low. Organized crime continues to be a problem and although there have been put in place mechanisms which should facilitate the fight against organized crime there are insufficient tangible results in investigating and prosecuting the cases in question.²⁸

Just as in the case of Romania, the Commission has the possibility to invoke safeguards if given requirements are not met. Same rules apply to Bulgaria regarding the safeguards, the transitional arrangement and remedial measures.²⁹ (See section 2.2). In addition Bulgarian court judgments will not be recognized abroad unless judicial reforms continue.³⁰ Bulgaria will have to prove in its report that it has removed any ambiguity regarding the independence and accountability of the country's judicial system, and it will also have to conduct non-partisan investigations into allegations of high-level corruption. Bulgaria was given a particularly strong warning regarding airspace and, that unless it improves air safety, its planes will be banned from EU airspace.³¹

4. Other Considerations

4.1. The Free Movement of Workers

The greatest fear among the current EU members concerning the latest enlargement is the free movement of workers. Although the accession of the previous eight led as many as two million people to head west, that kind of migration flow is unlikely to happen with migrants from the two Balkan countries. First of all about two million Romanians already work abroad, mostly in Italy and Spain, and it would only be a positive development if the illegal workers would come out in the open. Those Bulgarians who want to migrant have supposedly already done so, according to Bulgaria's Prime Minister Sergei Stanishev. Another worry is migration by ethnic

²⁵ Commission of the European Communities, "Commission Staff Working Document, Bulgaria: Monitoring Report", May 2006. Brussels: Commission of the European Communities. http://ec.europa.eu/enlargement/pdf/key_documents/2006/monitoring_report_bg_en.pdf

²⁶ Transparency International. (2006). *CPI table*. http://www.transparency.org/news_room/in_focus/cpi_2006/cpi_table

²⁷ Bult, J. "Bulgaria and Romania Will Join the EU, But What About the Others?", October 2006. <http://www.worldpress.org/Europe/2524.cfm>

²⁸ Watt, N., "Romania and Bulgaria to join EU". *Guardian Unlimited*, 26th of September 2006. <http://www.guardian.co.uk/eu/story/0,,1881426,00.html>

²⁹ Euractive II, "EU-Bulgaria Relations", October 2006. <http://www.euractiv.com/en/enlargement/eu-bulgaria-relations/article-129603>

³⁰ The Economist, "We're off on a European odyssey", 30 September 2006.

³¹ Watt, N., "Romania and Bulgaria to join EU", *Guardian Unlimited*, 26th of September 2006. <http://www.guardian.co.uk/eu/story/0,,1881426,00.html>

kin from poorer neighbours, with Romanians seeing most Moldovans as potential citizens and Bulgarians feeling the same way about Macedonians.³² Immigration became easier for Romanians and Bulgarians in 2001 after the two countries had visa requirements lifted for entering the EU's Schengen³³ zone. Over 750,000 Bulgarians have already emigrated to the West since the fall of communism in 1989. The Romanian presence is most felt in neighboring Hungary, where 76 percent of all foreign workers are Romanians, 90,000 of whom have work permits.³⁴

Most existing EU countries will impose restrictions on Bulgarians and Romanians working in their country, even countries like Britain, Ireland and Sweden, which did not do so for the eight May 2005 entrants.³⁵ Spain will also restrict access to its labor market for two years as it did with other new entrants in 2004. Spain has one of the highest immigration levels in Europe and about 400,000 Romanians and 160,000 Bulgarians are estimated to already live in Spain, about half of them illegally.³⁶ Many other member states have yet to announce their decision on the matter, including core EU states such as Belgium, Germany, France, and the Netherlands.³⁷ Germany did however decide in March of this year to extend to 2009 the restrictions on eastern European EU workers which were due to expire last May.

Poland, the biggest newcomer in 2004, has announced that it will open its jobs market to workers from all European Union member states, as well as those from EFTA³⁸ members Iceland, Liechtenstein and Norway. Fellow newcomers Slovakia, Estonia, Lithuania and Latvia, plus Finland have also promised uninhibited access for Romanian and Bulgarian workers to their markets next year.³⁹

5. Overall assessment/ Speculations

It is apparent that EU institutions need to be reformed before a 6th enlargement can take place. Quoting the president of the European Commission, José Manuel Barroso; "After the completion of this fifth enlargement with the accession of Bulgaria and Romania, I believe that an institutional settlement should precede any future enlargement...This is the way to ensure that our enlarged union will function in an efficient and harmonious way."⁴⁰ The EU needs to work out what to do with the constitutional treaty before admitting any more members, since EU's rules are currently covered by the Nice Treaty which sets the limit on the number of members at 27.⁴¹

³² The Economist, "We're off on a European odyssey", 30 September 2006.

³³ The Schengen Agreement is an agreement among European states which allows for common policy on the temporary entry of persons (including the Schengen visa) and the harmonization of external border controls. Members: all European Union states except the Republic of Ireland and the United Kingdom, but including non-EU members Iceland, Norway, and Switzerland.

³⁴ Eubusiness, "EU nations mull restrictions on Bulgarian, Romanian workers", October 2006. <http://www.eubusiness.com/Employment/061024154320.3yybsagy>

³⁵ The Economist, "We're off on a European odyssey", 30 September 2006.

³⁶ Burnett, V., Wagstyl, S. and Laitner, S. "Spain curbs Romanian, Bulgarian workers". *Financial Times*, 31st of October 2006. <http://www.ft.com/cms/s/167d1398-6907-11db-b4c2-0000779e2340.html>

³⁷ The Economist, "We're off on a European odyssey", 30 September 2006.

³⁸ EFTA: The European Free Trade Association. Members: Iceland, Norway, Switzerland and Liechtenstein.

³⁹ The Economist, "We're off on a European odyssey", 30 September 2006.

⁴⁰ O'Rourke, B. and Lobjakas, A. (September 2006). "EU: Romania, Bulgaria Given OK To Join In 2007". *Radio Free Europe / Radio Liberty*. <http://www.rferl.org/featuresarticle/2006/09/a47d30e3-7ce7-482b-af13-3056873279d9.html>

⁴¹ Watt, N., "Romania and Bulgaria to join EU", *Guardian Unlimited*, 26th of September 2006. <http://www.guardian.co.uk/eu/story/0,,1881426,00.html>

A carefully managed enlargement can extend and deepen European integration. The EU has taken the concerns on the pace of enlargement seriously and any new steps in the accession process depend on each country's progress in making political and economic reforms. Since the accession process is a long term effort, it is vital to keep the countries motivated to continue reforms and the EU also needs to increase transparency in the process.⁴²

The Western Balkan countries are closely monitoring this newest enlargement, already knowing that the EU is very serious about full compliance with pre-accession conditions. They need to get ready for a long pre-accession process in the course of which the Commission will want to be convinced that "domestic reforms do not only look good on paper but have real impact on the governance of future member states".⁴³ The accession of Bulgaria and Romania demonstrates to current as well as future candidate countries that their ultimate goal to join the EU is achievable. In addition it provides a number of important lessons which are now being incorporated into the pre-accession strategy. An efficient and accountable civil service enables a country to prepare efficiently for accession and subsequently operate as a Member State. This is of course to the benefit of the country in question, and in time hopefully a benefit for a united Europe as well.⁴⁴

⁴² Commission of the European Communities. "Communication from the Commission to the European Parliament and the Council: Enlargement Strategy and Main Challenges 2006 – 2007". Brussels: Commission of the European Communities.

http://ec.europa.eu/enlargement/pdf/key_documents/2006/Nov/com_649_strategy_paper_en.pdf

⁴³ Noutcheva, G., "Analysis: Bulgaria and Romania's accession to the EU - Postponement, safeguards and the rule of law; Policy Brief No. 102/ May 2006". Brussels: Centre for European Policy Studies.

⁴⁴ Commission of the European Communities. "Communication from the Commission to the European Parliament and the Council: Enlargement Strategy and Main Challenges 2006 – 2007". Brussels: Commission of the European Communities.

http://ec.europa.eu/enlargement/pdf/key_documents/2006/Nov/com_649_strategy_paper_en.pdf