



European Union Politics

SESSION 8:

INTERNATIONAL TRADE, DEVELOPMENT AND ENLARGEMENT

EU = largest economic bloc in the world in 2017

equal to US and China in GDP (all 3 \approx 16% of World GDP)

Shares in world GDP in PPS (*%*, 2017)



Note: The European Union represents the European Union with 27 Member States after 1 February 2020.

RCEP: Asia-Pacific Forms World's Largest Trade Bloc

Total 2019 GDP of member countries
of selected regional free trade agreements



United States-
Mexico-Canada
Agreement



European
Economic Area



Regional Comprehensive
Economic Partnership

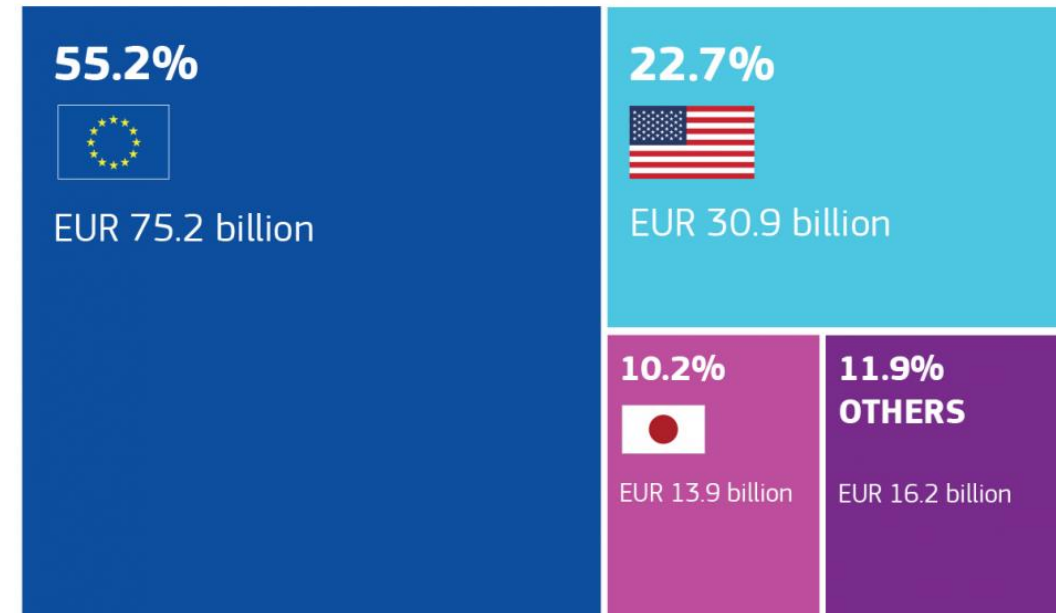
Source: World Bank

Regional trade blocs
in 2019

EU presence in the world

- ▶ Largest donor of development aid/assistance in the world
- ▶ Regional influence:
 - Economic cooperation
 - Enlargement
 - Values – **political presence of a “soft power”**

Official Development Assistance:
the EU is the world's biggest donor



Tensions in EU external relations



EU positions, decisions and actions in the world are produced as a result of:

- ▶ **complex interactions in**
- ▶ **a multi-level system**
- ▶ **involving both member states and EU institutions**
- ▶ **across multiple policy areas**

→ **Problems of coordination and coherence**

Who leads the EU?

...it depends on the policy area...

External relations of the EU

▶ **External relations ≈ economic-technical dimension**

- Trade agreements and partnerships
- Common commercial policy and WTO negotiations
- Enlargement
- Energy, environment, climate
- Development aid, humanitarian aid

...this session

▶ **Foreign-political dimension**

- Foreign-political, diplomatic and security aspects
- Common Foreign and Security Policy
- Common Security and Defence Policy

...last session

Tensions preventing the EU from becoming a major international power

- ▶ Issues with combining its **economic** and **political** weight

“EU is an economic giant, a political dwarf and a military pygmy”

- ▶ **Too many voices, not enough leadership**

→ overlaps and turf wars among states, between MS-EU institutions and among EU institutions themselves – Commission vs the Council

- ▶ More **heterogeneity through “widening”** (enlargement), reluctance towards **“deepening”** and further delegation of powers onto EU institutions
- ▶ **Larger role for the EU** (might be at odds with national preference) or smaller but **100% national interest**
- ▶ **More or less** liberalization (‘managed globalization’)

EU – a somewhat schizophrenic actor

There is often a big gap between rhetoric ...and actual action

...between morals such as human rights and a hard bargaining like other powers

Dealing with unintended consequences of its internal policies



Supranational/common structures

Longest established and most developed

- Tasks of negotiation and conclusion of international trading agreements since 1960s when the customs union was created

Externally, the EU is represented by the European Commission

- DG: Secretariat-General to coordinate (SG), **DG: Trade (TRADE)**, **DG: European Neighbourhood and Enlargement Negotiations (NEAR)**, **DG: European Civil Protection and Humanitarian Aid Operations (ECHO)**...
- Dependent on the **mandate from the Council** of the EU (FAC; trading committee) for example in the WTO negotiations



→ Where internal lines of authority are clear, the EU can be a strong and decisive negotiator

Common Commercial Policy



External manifestation of EU customs union/single market

- fairly liberalized policy: common external tariffs and quotas are low
- except for a few traditional sectors such as **agriculture, audio-visual sectors** (films/music) and **steel**
- third countries complain about **textiles, clothing and cars**
- ▶ **An *exclusive* European Union competence** (the Commission negotiates on behalf of members)
- trade in goods (supranational QMV)
- trade in services and intellectual property rights and foreign direct investment (as of Lisbon) (unanimity)
- ▶ **3rd countries' concerns**
- preferential and regional agreements (duty-free “Everything but Arms” with least developed countries/former colonies)
- trade-restricting impact of **EU regulations** - health, safety and environmental standards (**EU rules are strict**)

Types of agreements



“It’s a big misconception. Everyone thinks hell is all fire. Actually, it’s all paperwork.”

- ▶ **Bilateral:** EU (states) – one state
- ▶ **Multilateral:** EU and other regional organizations (EU-Mercosur)
- ▶ **General:** WTO “rounds”
- ▶ **Economic only:** trade and investment
- ▶ **Mixed:** trade conditioned by political agreements (values)

PROBLEMATIC AREAS TODAY

- ▶ Financial services, Foreign direct investment
- ▶ Subsidies, taxation
- ▶ Digital services (customer protection)

Types of agreements [\[current list of agreements\]](#)

Customs Unions

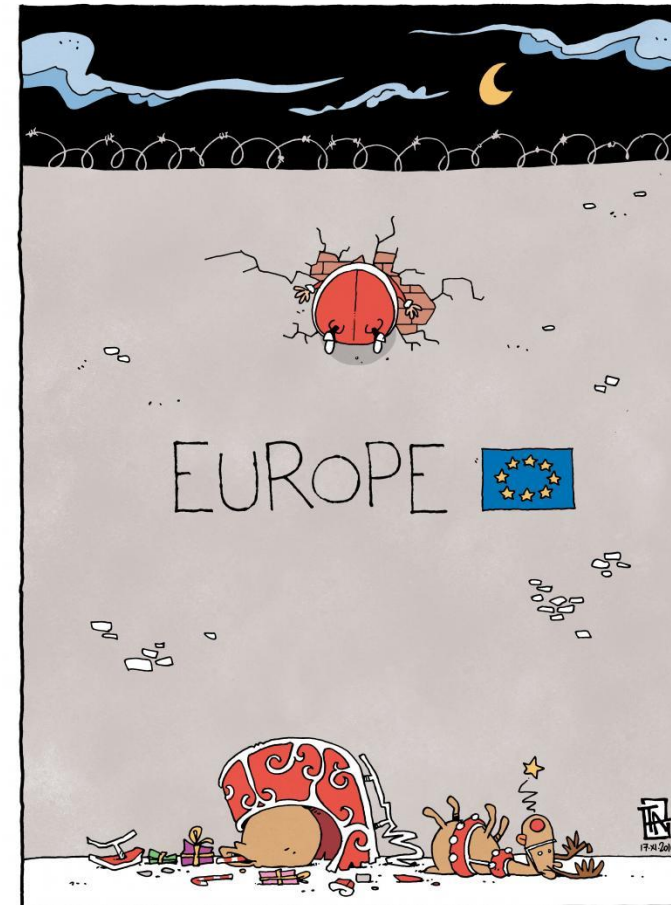
- example: Andorra, San Marino, Turkey

Association Agreements, Stabilisation and Association Agreements, (Deep and Comprehensive) Free Trade Agreements and Economic Partnership Agreements

- **AAs:** Georgia, Ukraine, Moldova, Morocco, Jordan, Israel (most generally EaP and Euro-Med countries)
- **SAAs:** for countries of the W. Balkans such as Albania, Serbia, Bosnia and Herzegovina, Kosovo
- **FTAs:** United Kingdom, Ukraine, Singapore, South Korea, Vietnam
- **EPAs:** Japan, Mexico and ACP countries
- **European Economic Area:** Norway, Iceland, Liechtenstein

Partnership and Cooperation Agreements

- **PCAs:** Azerbaijan, Kazakhstan



EU at the WTO

- ▶ WTO: continuation of intergovernmental forum for *trade liberalization* - GATT
- ▶ **US and EU = WTO heavyweights** ...with BRICS countries breathing down their necks
- ▶ General **liberalization** (after decade-long “rounds”) but also **increase in disputes**

EXAMPLES:

- ▶ **Banana imports:** EU lost a case -> had to allow import of cheaper bananas from Latin America and limit imports from ACP countries under *Lomé/Cotonou Agreement* – EU’s preferential trade agreement with ACP
- ▶ **Information technology:** EU and USA sought an agreement on elimination of tariffs on electronic products – computers, chips & software

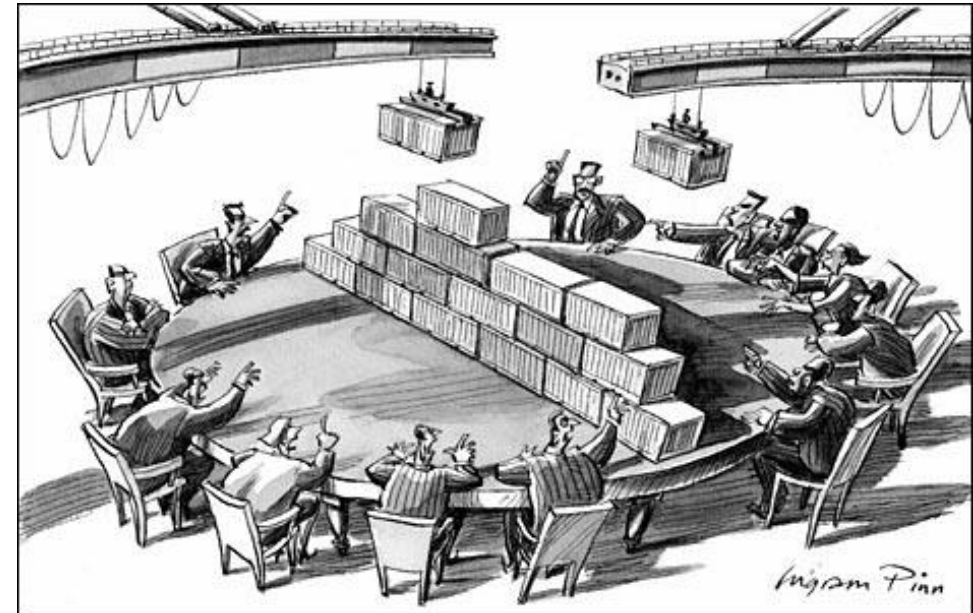
Information Technology Agreement in 1996 – further 70 countries joined (97% market)



WTO Doha round 2001 – today (on ice)

Confrontation between developed and developing countries

- **Agriculture subsidies** working as trade barriers
 - Preferential treatment of the **least developed countries**
 - **Services and intellectual property** issues
 - Dispute settlement mechanism
- ▶ Negotiations have stalled in 2008... with only sporadic meetings (last one in 2017 in Buenos Aires, then Geneva 2022)



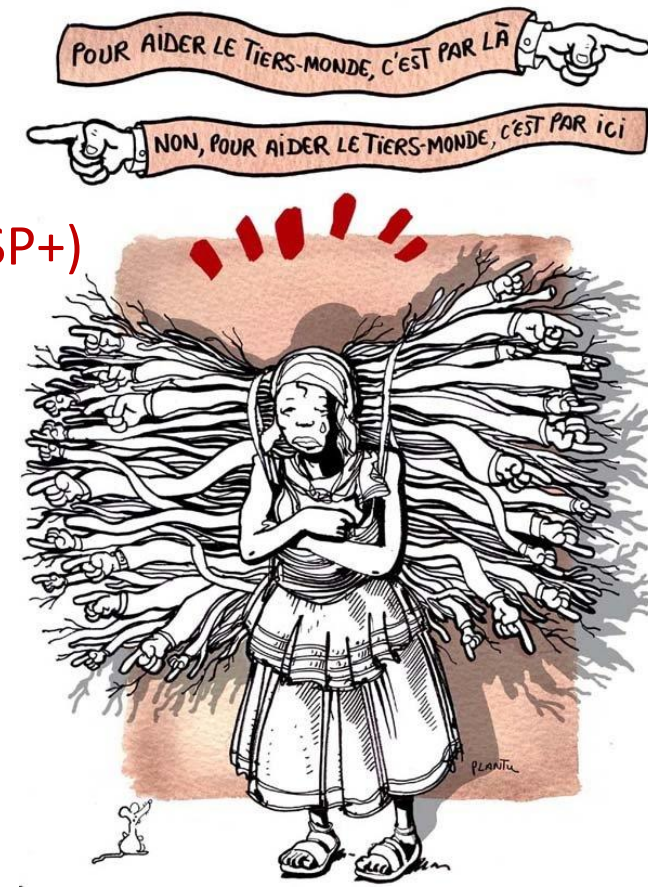
Relations with former colonies



- ▶ ACP countries - **African, Caribbean & Pacific countries** (most of them former FR and UK colonies)
 - ▶ *Yaoundé* agreements since 1963, succeeded by *Lomé agreements I-IV*, succeeded today by the Cotonou agreement 2000 – 2020/3 (with 79 countries), today Samoa Agreement
 - in charge: Commission DG TRADE + EEAS
 - Essentially free-trade agreements ...with strings attached
 - **6 areas:** democracy and human rights, economic growth and development, climate change, social development, peace and security, migration and mobility
- Logic: If liberalization helped alleviate poverty in China and India, why shouldn't it work in ACP?**
- ▶ Early efforts (1970s) to bring these countries under WTO regime – to end EU's **preferential** treatment disadvantaging other countries at a similar level of development
 - EU blamed to be too heavy-handed, ACP distrust
 - EU blames ACPs for being slow – lack of administrative capacities to fulfill EU's technical requirements

Generalized Scheme of Preferences

- ▶ **GSP:** EU grants partially and fully duty-free access for industrial goods and some agricultural produce from **vulnerable** developing countries
- ▶ **GSP+**
 - Additional incentives for countries that comply with international human rights, labour rights and environmental standards and good governance (GSP+)
 - Armenia, Bolivia, Cabo Verde, Kyrgyzstan, Mongolia, Pakistan, The Philippines, Sri Lanka
- ▶ **Everything but Arms**
 - for the LDCs – 47 Least Developed Countries
 - full duty-free access to all imports but arms and ammunition (used to be also bananas, sugar and rice before WTO disputes)



Development Cooperation

- ▶ EU and its MS are the world's largest provider of development aid: food, technical advice, financial assistance ...**mostly to the ACP countries**

GOALS: in line with the UN 2030 Agenda for Sustainable Development

- ✓ No poverty
- ✓ No hunger
- ✓ Good health
- ✓ Quality education
- ✓ Clean water
- ✓ Affordable energy
- ✓ Jobs
- ✓ Innovation and infrastructure
- ✓ Reduced inequalities
- ✓ Responsible consumption
- ✓ Climate action



**Commission DG
International Partnerships**

**European Development
Fund**

- > projects to improve sustainable farming
- > economic investment
- > social and human development
- > fight diseases

Humanitarian Aid

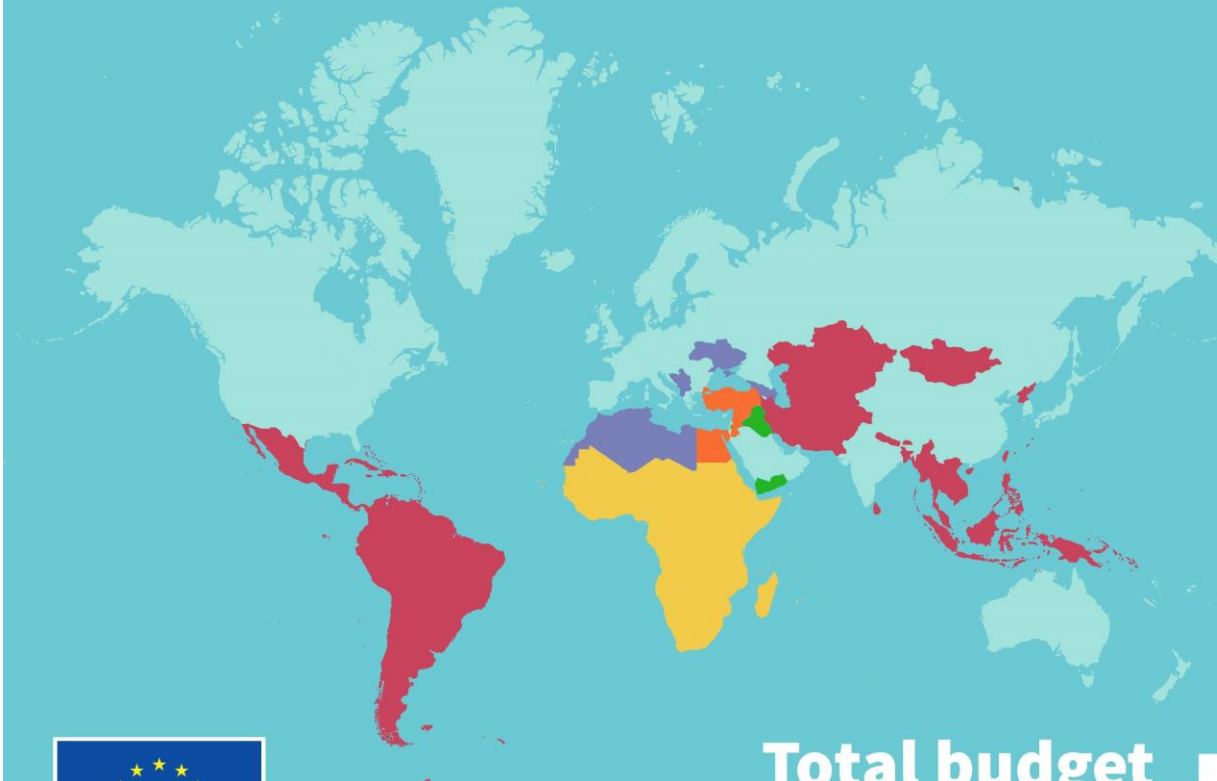
DG ECHO – European Civil Protection and Humanitarian Aid Operations

- ▶ emergency humanitarian food aid all around the world, disaster relief, education in emergencies, health, humanitarian air bridge, resilience and humanitarian development; refugees crisis and displaced persons
- over 2000 projects since inception
- Over 110 countries
- NGO partners, UN agencies (to avoid corrupt local governments)

AREAS: conflicts ([Syria](#), Yemen, [Ukraine](#)), hunger (in Sahel), epidemics (ebola 2014-2016), food shortages (DRC)

Humanitarian Aid

EU's Humanitarian Aid for 2020



€540
million

Sub-Saharan Africa

€822
million

Syria Crisis

€172
million

Iraq, Yemen,
Palestine*

€296
million

Asia,
Latin America,
Pacific and
Caribbean

€54
million

North Africa
and European
Neighbourhood

€113
million

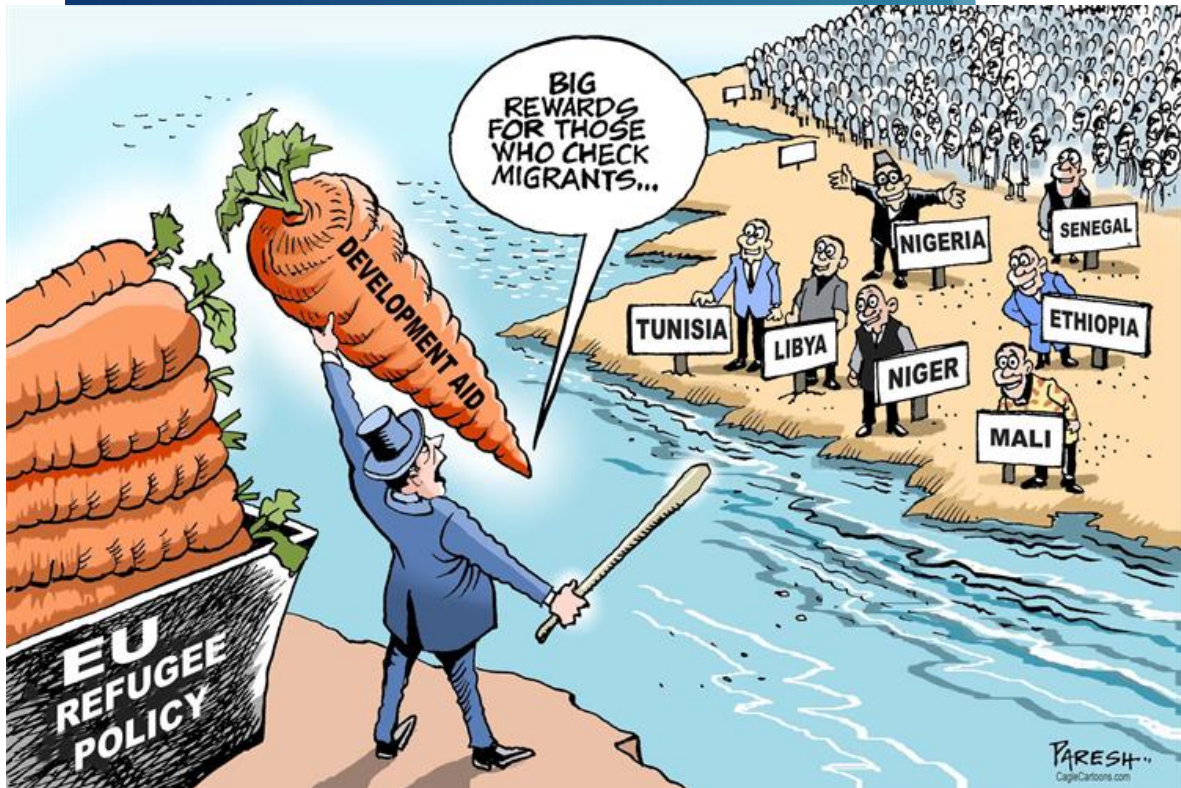
Reserves and
non-geographic
allocations

Total budget → **€2 billion**



* This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

Criticism



- ▶ If the EU spends so much on aid and concludes so many development agreements, why aren't the countries catching up?
- ▶ How can the developing, ACP and other countries get equal with the EU if it's the US/EU who set up the rules - institutional framework - WTO, EPAs...?
- ▶ What is **2bn EUR** humanitarian aid compared to **750bn EUR** New Generation EU recovery package?

Enlargement

- ▶ Why do countries seek membership in the EU?
- ▶ Why does the EU enlarge?
- ▶ How does the EU enlarge?
- ▶ Under what conditions does the EU admit new members?
- ▶ How does enlargement affect the aspiring members?
- ▶ How does enlargement affect the EU?

Historical enlargements:

- **1973** – UK, Ireland, Denmark
- **1981** – Greece
- **1986** – Spain, Portugal
- (1990 – East Germany)
- **1995** – Austria, Sweden, Finland
- **2004** – Czechia, Slovakia, Poland, Hungary, Slovenia, Malta, Cyprus, Estonia, Latvia, Lithuania
- **2007** – Romania, Bulgaria
- **2013** - Croatia

Why do countries seek membership in the EU?



- ▶ **1970s** – for economic reasons - oil crises, Bretton-woods collapse, definitive end of colonialist exploitation
- ▶ **1980s** – end of dictatorships in Southern Europe, CAP subsidies
- ▶ **1990s** – end of the Cold War – unification of the West in the next big integration project - EMU
- ▶ **2000s** – a “return to Europe” for countries from behind the iron curtain, prosperity, security, EU “recipe for reform”
- ▶ **2010s** – economic prosperity, political security

Why does the EU enlarge?

Article 2 (TEU – Lisbon)

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

Article 49 TEU

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

- ▶ EU falls into its own **“rhetorical trap”** but enlargement is also an opportunity to spread values, institutions and influence (and gain economic benefits)
- ▶ **EU soft power** ...driving a **hard bargain!** Enlargement is **conditional** and the EU sets and judges the criteria!
- ▶ Much stronger transfer of rules than just “association” or “partnership”

Future Enlargement?

A map of Europe and the Mediterranean region. Countries currently in the European Union are shaded in dark blue. Countries that are candidates for EU membership are shaded in a lighter blue. Countries that are not candidates are shaded in grey. The map includes Iceland, the United Kingdom, Ireland, France, Germany, Italy, Spain, Portugal, Greece, Turkey, and various countries in Eastern Europe and the Balkans.

Today's Candidate Countries:

- Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, Northern Macedonia (FYROM), Serbia, Ukraine and Turkey (frozen)

Potential Candidates:

- Kosovo

How does the EU enlarge?

- ▶ Tensions between “technical” and “political” process

The Council = main decision-maker driving the process

European Commission’s technical support:

- ▶ Opinions about country readiness
- ▶ Track progress on *acquis* implementation
- ▶ Country reports

European Parliament’s consent



Start. A country submits an application for membership to the European Union's Council of Ministers.

1. The Council asks the Commission for an Opinion.
2. The Commission delivers its Opinion to the Council.
3. The Council confirms the applicant country's candidate status.
4. The Council decides to open accession negotiations, which are conducted in an intergovernmental conference between the EU member states and each applicant individually.
5. The Commission screens (see Box 8.1) the different chapters of the *acquis* with the applicant.
6. For each chapter in the negotiations the EU decides to open, the applicant presents a position; the Commission proposes a 'common position'; the Council approves it for presentation to the applicant.
7. After agreement is reached on a chapter, the EU decides whether to close it.
8. When all chapters are closed, the EU and the applicant agree on a draft Treaty of Accession (which may cover other applicants).
9. The Commission issues its Opinion on the Treaty.
10. The European Parliament gives its consent to the Treaty.
11. The member states and the applicant(s) sign the Treaty.
12. The signatory states ratify the Treaty according to national procedures (which may require referenda).

Finish. The Treaty of Accession comes into force, and the applicant becomes a member state.

Under what conditions does the EU admit new members? **Copenhagen criteria 1993**

► **Political**

Stability of institutions guaranteeing democracy, rule of law, human rights, and respect for and protection of minorities

► **Economic**

Existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the EU

► **Administrative**

Ability to take on the obligations of membership, including the adherence to the aims of political, economic and monetary union

EU's condition

EU's capacity to absorb new members and maintain the integration momentum



CASE: Central and East European Enlargement

1990s = new political climate post Cold War

- ▶ for the **neutral** member states to join in (Austria, Finland, Malta and Sweden) or NATO members (Cyprus, Norway and Turkey)
- ▶ also the **Central and Eastern European countries** (CEECs), former Soviet satellites, declared their aim to join EU/NATO structures

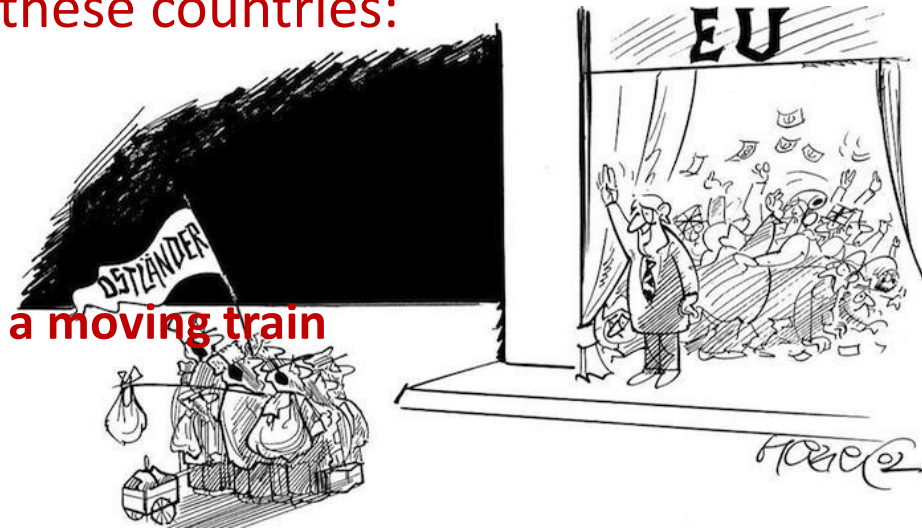
Austria and the Scandinavian countries were a group apart

- ▶ economically developed (...wealthy)
- ▶ politically stable
- ▶ well acquainted with EU's policies and procedures (through EEA)
- Better decision-making opportunities
- Fear of being left out of the next big project – the EMU

CASE: Central and East European Enlargement

Comparable to the 1980s Mediterranean Enlargement, except these countries:

- ▶ emerged from under 40 years of communism
- ▶ they were **poorer, unstable** and there were **too many of them**
- ▶ to meet EU accession demands, **they needed to reform first**
- ▶ meanwhile EU regulations grew in number: **accession = jumping onto a moving train** (EMU and CSFP, new treaties in the 1990s)



TRANSFORM:

Planned economy -> **market economy** (including privatization of 'collectively-owned' companies, introduction of the property rights and business code, attraction of foreign investment)

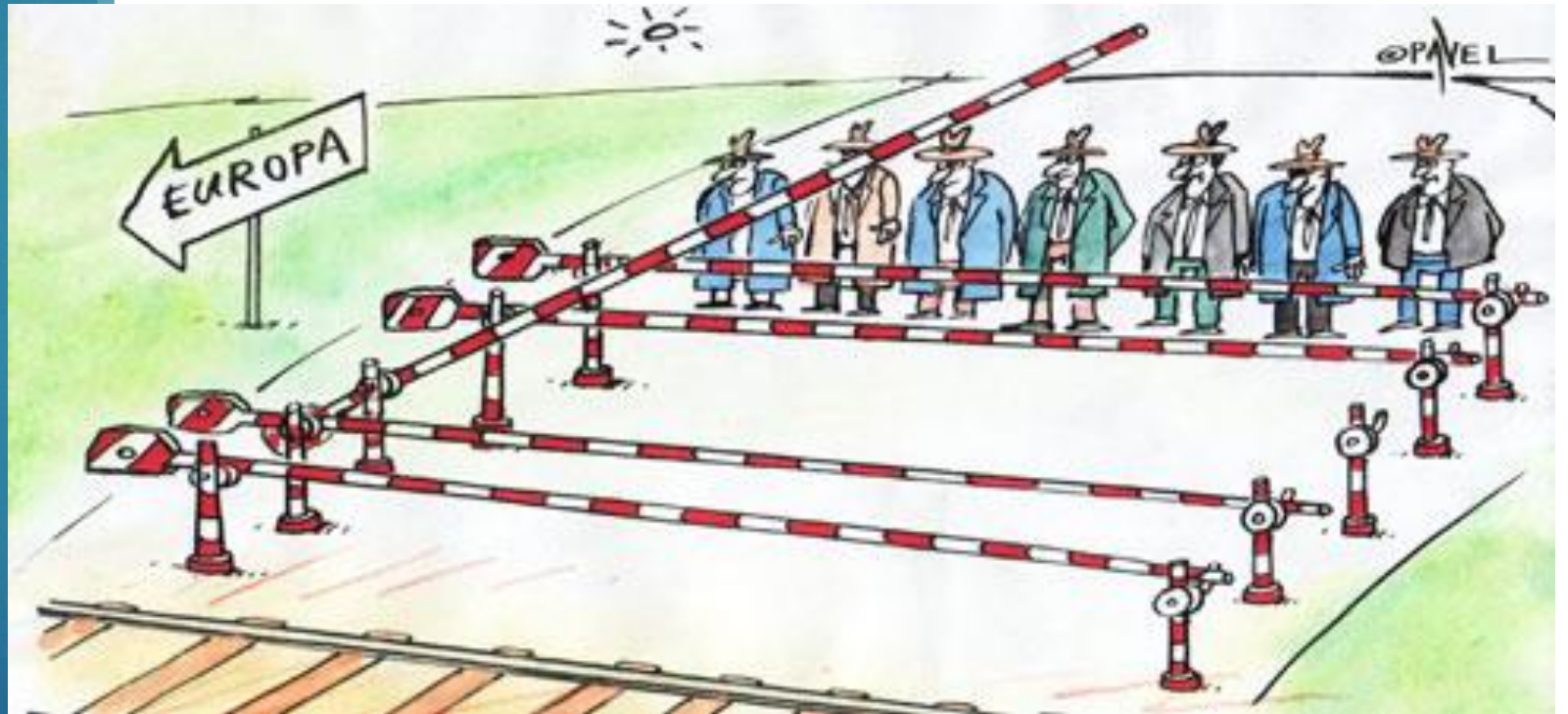
One state party -> **multi-party democracy**, change popular skills and attitudes

Position: European Union

- ▶ Unprecedented situation!!! So many applicants!
 - Needed to coordinate political positions among MS
 - New **DG Enlargement** created within Commission to oversee the process
 - Hesitant about EU's 'capacity to absorb' 10 states at once
- X
- ▶ Opportunity to enlarge the **internal market**
 - ▶ Part of a wider policy challenge – make the **EU more political**
 - ▶ Shape the transformation in CEEC: **enlargement as a foreign policy tool**

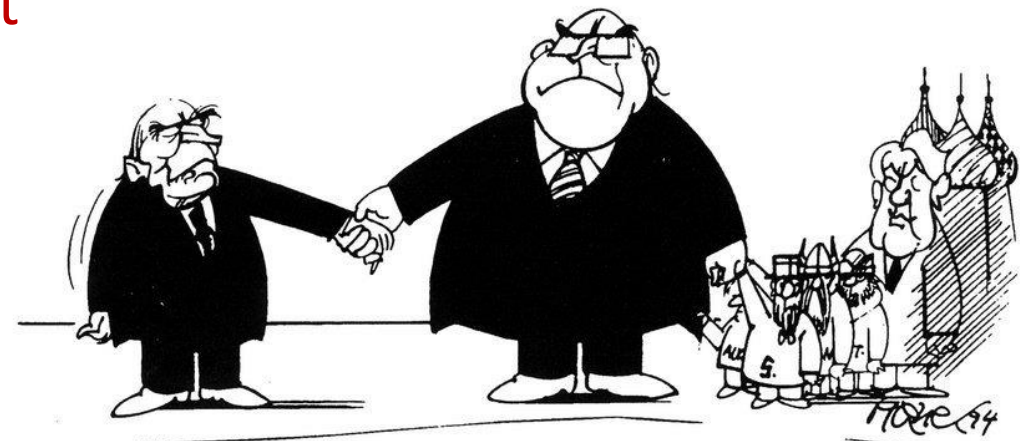
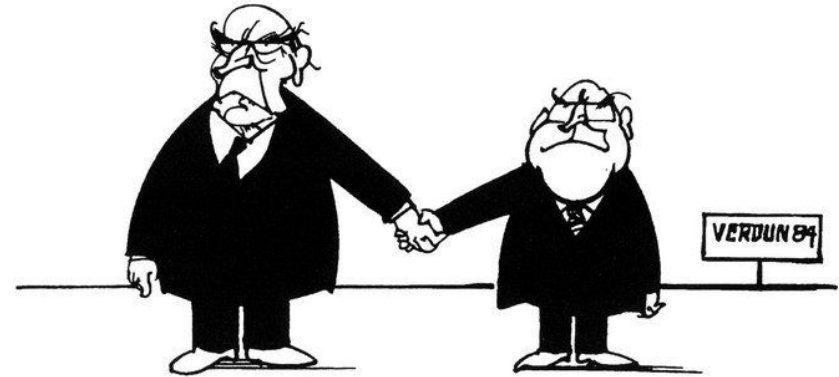
Accession to EU in 3 phases:

1. Association phase – Association “Europe” Agreements
2. Candidacy phase – screening, *acquis* transposition
3. Accession phase



Positions: EU Member States

- ▶ **Germany** – stabilize Eastern border
- ▶ **United Kingdom** – subvert European integration from within → more states = more opinions = weaker political integration
- ▶ **Ireland, Spain, Greece & Portugal** worried about the costs
- ▶ **France** – fear of losing influence to Germany



Gewichtsverteilung

From ASSISTANCE to association

- ▶ **1989 – Commission launched PHARE**
(Poland and Hungary Assistance for the Reconstruction of the Economy)
 - help with development of social-market economies
 - establishment of democratic institutions
 - help public administration + economic convergence

European Bank for Reconstruction and Development

- provide loans for the former Soviet bloc
- ▶ **Integration or market protection?**
 - access to EC market needed for CEEC growth
- X
- agriculture, textiles, steel protected by the EC



From assistance to ASSOCIATION

▶ *Europe Agreements*

- type of *Association Agreement*
- *plus* free trade agreement
- intensive economic cooperation
- institutionalized political relationship
- **no explicit mention of accession**

▶ EAs 1991: Czechoslovakia, Poland and Hungary

- most economically advanced
- strategically important

▶ Until the mid-1990s 10 EA agreements

- ▶ The ten candidates were **too heterogeneous**
- ▶ All applied for membership 1994-96
- ▶ Mid-90s: transformation was underway, but CEE was in bad shape economically, administratively
- ▶ ‘Structural dialogue’ with CEECs

July 1997 – Commission's *Agenda 2000* and opinions on applicants' readiness for accession negotiation

- ▶ ***Democracy and the rule of law***: all had adequate constitutional and institutional arrangements and practices **except Slovakia**, which seemed to be sliding back toward authoritarian rule (Mečiar govt.)
- ***Functioning market economy***: all had made good progress, but structural reforms were still necessary, especially in the financial sector and in social security
- ***EU rules and regulations***: all were in the process of absorbing EU rules and regulations and **all had a long way yet to go**



Candidacy and accession negotiations



MAMA © 1993

- ▶ **European Council endorsed Commission's opinion** -> "two waves" approach
- ▶ **Dec 1997: opening of accession negotiations with:**
 - Czech Republic, Poland, Hungary, Estonia and Slovenia + Cyprus
 - the 'rest' feared emergence of a new 'dividing line'
 - **1999:** Malta, Latvia, Lithuania, Slovakia, Bulgaria and Romania (2000) + Turkey as candidate
- ▶ **Commission: annual reports on progress**
 1. "screening process": detailed analysis of obligations of membership
 2. **Bilateral negotiations:** EU <--> candidate, 30+ "chapters"

Acquis communautaire – chapters (as of 2012)

1. Free movement of goods
2. Free movement of workers
3. Right of establishment and freedom to provide services
4. Free movement of capital
5. Public procurement
6. Company law
7. Intellectual property law
8. Competition policy
9. Financial services
10. Information society and media
11. Agriculture and rural development
12. Food safety, veterinary and phytosanitary policy
13. Fisheries
14. Transport policy
15. Energy
16. Taxation
17. Economic and monetary policy
18. Statistics
19. Social policy and employment
20. Enterprise and industrial policy
21. Trans-European networks
22. Regional policy and coordination of structural instruments
23. Judiciary and fundamental rights
24. Justice, freedom and security
25. Science and research
26. Education and culture
27. Environment
28. Consumer and health protection
29. Customs union
30. External relations
31. Foreign, security and defence policy
32. Financial control
33. Financial and budgetary provisions
34. Institutions
35. Other

Accession negotiations

- ▶ *Acquis communautaire* is non-negotiable!
- ▶ Unilateral **adjustment** to the EU laws by the candidates
- ▶ Things that could be negotiated:
 - **how** and **when** to adopt and implement
 - **financial** arrangements (how much to pay and how much to receive)
 - transitional arrangements – phasing of rules (i.e. free movement of labor)

European Commission oversees implementation and monitors progress

Bryndza and European integration

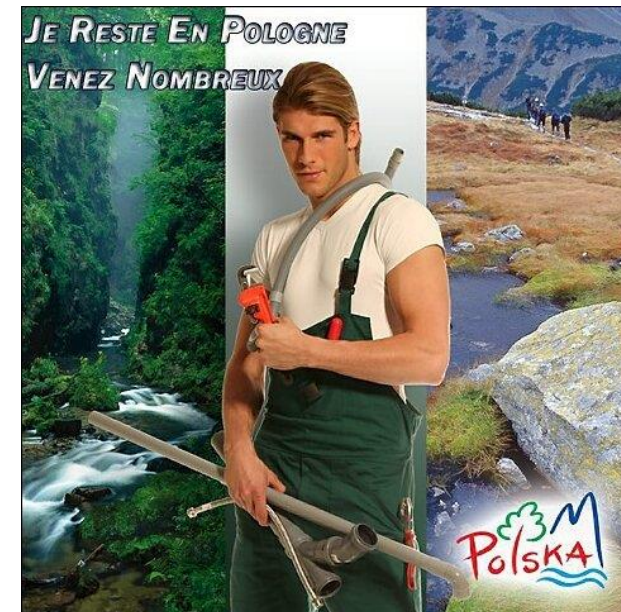


- ▶ Fear of uniformity
- ▶ Fear of losing local delicacy
- ▶ *Register of protected designations of origin and protected geographical indications (2008)*



CEE – transitional periods

- ▶ Restricted free movement of labor up to 7 years (Germany, Austria...)
- ▶ Only gradual increase of CAP payments to equal the 'old members' (over 10 years)
- ▶ Structural payments capped at 4% of the recipient's GDP
- ▶ The CEECs wanted in anyway



Accessions 2004 (2007, 2013)

- ▶ Successful negotiators by 2002
- Membership by **2004**
(also Nice treaty arrangements had to take effect)
- ▶ 2002 Commission recommended accession to **8 CEECs and 2 Mediterranean countries**

PROBLEMS to tackle

- corruption
- economic crime
- independent judiciary
- gaps in implementing EU rules and regulations



How does enlargement affect the EU?



Widening and/or deepening

- ▶ Schimmelfennig and Sedelmeier define Enlargement as:

“a process of gradual and formal horizontal institutionalization” as opposed to “deepening”

- ▶ How to **keep decision-making effective** with more members = more interests?
 - Just remember Amsterdam and Nice treaties!!!
 - Opt-outs, variable geometry, two-speed Europe, flexibility/enhanced cooperation
 - Conferral, subsidiarity, proportionality