Historical Institutionalism and the EU's Eastward Enlargement

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As it enlarges eastward, the European Union may well be presiding over the most successful democracy-promotion program ever implemented by an international actor. This outcome is largely a function of the high levels of integration among EU members and the character of the EU's institutions, as opposed to the deliberate design of EU leaders. In a number of ways, the EU's institutions have channeled and transformed the decisions taken by the European Council to go forward with enlargement. The puzzle is not why EU leaders decided to enlarge eastward: over the medium- and long-term, enlargement is squarely in the economic and geopolitical interest of EU member states (Moravcsik and Vachudova 2003). Instead, the puzzle is one of scale: how did the EU manage by 2000 to have such a long queue of 18 officially recognized candidates and proto-candidates, with even more states knocking at the door? When EU leaders gave the green light for eastward enlargement in 1993, this number of candidates for EU membership was not anticipated, and today the long membership queue is widely connected to the disaffection of EU citizens for the constitutional project.

The answer in this short memo will come in three parts that illuminate the different ways that institutions have shaped the enlargement outcome, paying special attention to asymmetries of power in the operation of institutions, path dependence and unintended consequences (Hall and Taylor 1996). First, I will briefly explore how the EU's institutional development before 1989 set it on a path toward substantial enlargement after 1989 by making exclusion from the EU costly for neighboring states, and making protectionism difficult to reverse. Second, I will consider the obvious: the collapse of communism and its aftermath was an exogenous shock par excellence for the EU. More interesting, while this shock created two separate institutional responses, enlargement and foreign policy, these have unexpectedly become intertwined, creating an additional group of candidates in the

Western Balkans. Third, I will explore why the enlargement process not only attracts more and more candidates, but also promotes democratization and economic reform, making it such a valuable tool for the EU's foreign policy. I will ask whether the European Commission has had a hand in constructing the pre-accession process in such a way as to keep candidates locked into the reform process, keep new states knocking at the door – and keep itself in the enlargement business.

1. Setting the Stage for Enlargement

Enlargement is fundamentally a product of the high levels of integration among EU member states. These high levels of integration make joining the EU attractive, and exclusion costly. The costs of exclusion are also determined by ways that the EU treats economic actors from non-member states to protect domestic producers and labor. Whatever the geopolitical, political, social and cultural attractions of joining the EU (and they are considerable), the lion's share of the EU's power stems from its market (Meunier and Nicolaidis 2005). For the EU's neighbors, market access for agricultural and other sensitive goods remains restricted, while all other exports to the EU run the ongoing risk of incurring various forms of contingent protection. For those that fail to enter an enlarging EU along with their neighbors, a steady flow of aid, expertise, and foreign direct investment is also diverted away from states that do not join the EU toward those that do. The costs of exclusion can weigh heavily on relatively rich states as well as poor ones. Walter Mattli has shown that economic integration can cause three kinds of negative externalities for states left outside: trade diversion, investment diversion, and aid diversion. These costs help explain the applications for EU membership of rich west European states as well as relatively poor states from post-Communist Europe (Mattli 1999).

In the conditions of the Cold War and a divided Europe, it is unlikely that EU leaders ever considered that denser integration among EU members combined with high levels of protectionism could someday create strong incentives for virtually every eligible 'European' state to seek membership. Yet these incentives and the institutionalized nature of the EU, open in theory to all 'European' states and open in practice to new members during the 1970s and 1980s, helped assemble a long queue of candidates after 1989. Some East Central

European leaders identified EU membership as the culmination of their democratic revolution and economic transformation at the very moment of regime change in 1989.

This brings up an elementary but interesting point about enlargement and the sequencing of European integration (Pierson 2004). If there had been no authoritarian regimes in Europe at the time of the signing of the Treaty of Rome, integration would have likely taken quite a different course due to a different constellation of states shaping EU institutions in the early years. As it happened, authoritarian regimes kept Portugal, Spain and Greece out of the EU until the 1980s, and twenty other European states (or potential states) behind the Iron Curtain until 1989. By the time the EU began its leap from twelve members in 1990 to twenty five in 2004 (and rising), EU institutions had become entrenched in important ways.

One aspect of integration that had also become entrenched by 1990 was a high level of protection for certain EU producers. This could be viewed as a path dependent outcome since it has proved very difficult to change course even to help very small, impoverished and potentially destabilizing economies on the EU's borders, or to diffuse the pressure for ongoing enlargement. Even member states that overtly wished to avoid or slow down enlargement found it very difficult to lower the costs of exclusion through improved market access for the EU's neighbors.[1] One irony, for example, is that France, the state most interested in stalling EU enlargement in the early 1990s to prevent "widening" from undermining "deepening," was also the state that hardened the resolve of East Central European governments to attain full EU membership by insisting on the highest levels of protection from ECE imports. Indeed, in the mid-1990s it seemed easier for EU leaders to accept ECE states as candidates than to grant their goods full access to the internal market (see Mayhew 1998, 164). Ultimately, though, this is not surprising as market access threatens to bring at least some immediate political costs while the decision to enlarge deferred visible costs many years into the future, probably beyond the time horizons of most politicians.

2. Responding to the End of Communism and the Yugoslav Wars

[1] On the EU's decision to enlarge, see Schimmelfennig 2003; Sedelmeier 2005; and Torreblanca 2001.

The collapse of communism and the disintegration of the Soviet Union between 1989 and 1991 was a tremendous and unexpected exogenous shock that complicated immensely the geopolitical environment and institutional position of the EU. Throughout the Cold War, the question of EU enlargement and, more simply, the EU's relationship with the economies, polities and citizens of the region was neatly circumscribed by the Iron Curtain that divided Europe in two. Beginning in 1989, the EU was exposed fully to the complexity of its backyard, where nine communist states were rapidly replaced by some twenty-seven non-communist states whose diverging political systems, impoverished economies and regional conflicts demanded attention. EU leaders responded by tasking the European Commission to develop foreign assistance programs for its democratizing neighbors, and eventually to design a process for the region's political and economic frontrunners to qualify for joining the EU (Smith 1999). Soon, the EU's pre-accession process brought potent if uneven conditionality and socialization to bear on domestic policymaking in the candidate states.[2]

But the EU could not respond adequately to the vicious ethnic conflict and war that developed in the Western Balkans as the former Yugoslavia disintegrated in the 1990s. The war in Croatia and especially Bosnia-Herzegovina exposed Europe's impotence, and was in many ways a more painful external shock than the fall of the Iron Curtain. The Yugoslav conflicts became an important impetus for strengthening the EU's common foreign policy. And soon enlargement and foreign policy became closely intertwined as it became clear that the EU's leverage on aspiring members was the most powerful and successful aspect of the EU's emerging foreign policy. Recognizing this, EU leaders made the prospect of EU membership the cornerstone of the EU's foreign policy toward the Western Balkans in the EU-led Stability Pact for Southeastern Europe, launched in 1999. It was in this region, after all, that the EU's credibility as a foreign policy actor was most clearly at stake. The Stability Pact raised the EU's official membership queue to eighteen candidates and proto-candidates.[3]

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[2] The rich studies on this topic include Andonova 2003; Grabbe 2004; Epstein 2006; Jacoby 2004; Kelley 2004; Sisssenich 2004; Vachudova 2005a; and the chapters in the volume edited by Schimmelfennig and Sedelmeier 2005

[3] Poland, Hungary, Slovenia, Slovakia, the Czech Republic, Estonia, Latvia, Lithuania, Cyprus and Malta joined the EU in May 2004, leaving Bulgaria, Romania, Turkey, Croatia, Macedonia, Albania, Serbia-Montenegro and Bosnia-Hercegovina at various points in the membership queue.

Over the course of the 1990s, the enlargement process shifted in scope and in purpose. It is possible to identify three phases. At first, the pre-accession process was presented as a way to keep undesirable states out of the EU. It was not designed to coax and cajole every conceivably "European" state into making itself desirable. Next, EU leaders declared that countries that were already on the list of credible candidates for EU membership could someday join: the question, whatever the setbacks caused by antidemocratic leaders, corrupt economic reforms or mistreated ethnic minorities, was "when" and not "if." It was in this period that the pre-accession process became a democracy-promotion program. Finally, EU leaders made the political decision to designate five Western Balkan states as credible future EU members in 1999, whether the current governments, such as those in Serbia or Croatia, liked it or not.

Thus enlargement became the EU's premier stabilization and democracy-promotion program – and quite a successful one. All of the states that have become credible future EU members over the last decade are making progress toward liberal democracy and a more prosperous, transparent market economy. In the context of the EU's pre-accession process, the *condition* of being a credible future EU member creates incentives for political actors to make their political agendas compatible with liberal democracy and the state's bid for EU membership. Although some Western Balkan states still face tremendous domestic obstacles to qualifying for EU membership, there is growing evidence that political actors are adjusting their political agendas in even the toughest cases such as Serbia-Montenegro and Bosnia – Herzegovina (Vachudova 2005b).

3. Why does enlargement work as a democracy-promotion program?

But the discussion above just begs the question of *why* enlargement has worked as a successful democracy-promotion program, compelling EU leaders to expand its scope to the Western Balkans. Three reasons stand out: First, the high level of integration among EU members produces the sweeping requirements that aspiring members have to satisfy. Second, as discussed above, the benefits of inclusion (and the costs of exclusion) create powerful incentives for states to seek membership and therefore to satisfy all of these requirements. They also create a relationship of profound asymmetric interdependence that

makes membership conditionality credible (Keohane and Nye 1967; Keohane, Nye and Hoffmann 1993).

The requirements and the benefits of EU membership are both an outcome of the institutionalization of the EU over several decades. But third, the aspects of the EU's active leverage that were deliberately designed by the European Commission, including the way that conditionality has been "delivered" through the pre-accession process, have worked remarkably well — not always in absolute terms but certainly in comparison to other democracy-promotion efforts attempted by international actors (Vachudova 2005a). This process has amplified the incentives to comply with the EU's membership requirements, because they make the EU's threat of exclusion as well as its promises of membership more credible (Kelley 2004; Schimmelfennig and Sedelmeier 2005).

Here I want to focus briefly on the rough meritocracy of the process. So far the EU has adopted a roughly merit-based approach to enlargement: an applicant's place in the membership queue has corresponded to the progress it has made toward fulfilling the EU's requirements. While EU members made the decision to enlarge based on interest, the decision when to enlarge to which countries was guided and constrained by this set of rules (Torreblanca 2002). There have been few charges that the Commission's assessments or the Council's decisions have been driven by short-term political interests – for example that a candidate's reforms have been portrayed as lagging behind because (for political, economic or budgetary reasons) some EU member states would prefer to exclude that country from the first wave of enlargement. Governments would cease to devote so much political capital to meeting the requirements of membership if it was obvious that the quality of preparations for any individual candidate could be trumped by domestic politics in EU member states. While strict requirements mean a great deal of work for applicant states, in principle they protect those applicants who, for structural reasons, are difficult for EU member states to absorb. For EU electorates, it would be more popular to admit a state with a low potential to export workers, and for the EU budget, it would be more convenient to admit a state with low demands on the agricultural and cohesions funds – irrespective, in both cases, of how well large swaths of the *acquis* had been adopted. At least in principle, a merit-based accession process creates rules which tie the hands of governments not just in aspiring member states, but also in existing ones. Of course, meritocracy could soon go out the window with the

EU's future treatment of Turkey – though there is a case to be made that the principle has helped Turkey get this far.

But why has the EU's pre-accession process functioned as a meritocracy, at least until now? There is considerable evidence that the European Commission has had a role in creating and defending the meritocratic nature of the pre-accession process, and contributing to such a long membership queue for the EU. Already in 1989, the existence of the Commission was important for the EU's response: EU leaders immediately delegated substantial (perhaps unprecedented) authority to the Commission to design the EU's new economic and political relationships with its democratizing neighbors.[4] There are three different ways to make the argument that the Commission has had an important role in shaping and channeling the EU's enlargement project. First, the Commission helped member states respond to the tremendous external "shock" of the collapse of communism that left many EU governments with confused preferences about EU enlargement. As a policy entrepreneur that supported enlargement, the Commission helped induce cooperation between EU member and candidate states by generating and selling new conceptions of the future of European integration. In this way, it helped set the agenda and exercise control over the pre-accession process. Second, it has served as a powerful broker in that process. Third, that it has promoted a large enlargement to strengthen its own position. This brings in the debate about whether the role of the European Commission in the eastern enlargement is one of a disciplined agent of the EU governments, as intergovernmentalists would expect (Moravcsik 1991, 1998), or of an independent policy entrepreneur, as neofunctionalists would predict (Stone Sweet, Fligstein and Sandholtz 2001).

Some preliminary evidence points to a two-step argument. The European Commission did move on enlargement and design the pre-accession process (particularly Agenda 2000) in line with the wishes of the majority of the member states. It also took a careful sounding of member states preferences at each step. But since dealing with Eastern Europe was such an unexpected, unfamiliar and confusing issue for many EU member states, the Commission was able to benefit from (and perhaps amplify) some of the unintended consequences of the pre-accession process. In particular, the number of candidates that have

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[4] But for a "two-level network manager" theory that allows for limited supranational entrepreneurship by the Commission only when the national aggregation of interests fails for a number of reasons, including capture by producer interests, see Moravcsik (1999).

emerged has made enlargement a very substantial and ongoing project for the EU, and the Commission remains at the heart of the process. It is possible that EU governments did not understand the consequences of a merit-based pre-accession process for the scope of the EU's enlargement to Eastern Europe – quite simply, for the potential number of applicants and the difficulties of turning candidates away once they enter the process. This invites investigation of whether or not the Commission's role in the accession process really did tip the scales in favor of a large enlargement, and whether this has created a "gap" in member state control over the course of European integration (Pierson 1996; Caporaso and Stone Sweet 2001, 224).

Two parts of the answer still lie in the future: First, will the enlargement framework, including the meritocracy-driven pre-accession process, compel EU member states to grant full membership eventually to all states that can jump through all of the hoops of the pre-accession process, even though for short-term political reasons they would rather keep some of them out? Second, how will the EU's new European Neighborhood Policy evolve? There are signs that this may turn out to be a successful attempt on the part of the Commission to extend at least part of its enlargement-related authority to a much larger set of the EU's neighbors – and a rather less successful attempt to make democracy-promotion work using the similar tools but removing an explicit promise of membership from the equation (Kelley 2006; Leigh 2005). Still, with a little imagination, the ENP can be understood as a way for the Commission to help Ukraine begin the long and laborious preparations for EU membership on the gamble that once it is (more) fit to enter, EU leaders will find it impossible to reject it.

Conclusion

However unintended, the large enlargement to ten states in 2004 was not particularly surprising: European integration has from its inception evolved in response to external pressures and shocks, without a long-term plan or a clearly defined goal. The enlargement process is largely an outcome of the collision between the collapse of the Soviet bloc and the benefits and the requirements of EU membership; these benefits and requirements are in turn an outcome of the gradual institutionalization of the EU over many years. And while there is

certainly evidence that the Commission has left its imprint on the pre-accession process, so far enlargement appears to be in the geopolitical and economic interest of EU member states – even if it is not necessarily conducive to deepening integration.

Over the next decade, shelving future EU enlargement altogether will be extremely difficult, largely because it has been so successful as a democracy-promotion program. Romania and Bulgaria have already signed their accession treaties, and will enter in 2007 or 2008. For the western Balkan states of Croatia, Macedonia, Serbia-Montenegro, Albania, and Bosnia-Herzegovina, moving through the process of qualifying to join the EU offers the only real prospect for stability, democracy, and economic revitalization. Integrating the western Balkan states into the EU is the cornerstone of the long-term foreign policy of all international actors toward the region. Today, strict EU conditionality is the most important (if not the only) reason why the Croatian and Serbian governments are turning over war criminals to the International Criminal Tribunal for the former Yugoslavia (ICTY) in the Hague (Vachudova 2005b). For Turkey, Ukraine, Moldova, and other aspiring candidates, however, the current political climate in the EU is a serious setback for their EU membership prospects. Ukraine and particularly Turkey are large states that, for myriad reasons, would be difficult for the EU to absorb, even if the benefits of doing so would be considerable.

Still, it will be hard for the EU to walk away even from Turkey or Ukraine, though walk away it may. The reason is simple: Walking away would forgo the opportunity for the EU to exercise its leverage to promote liberal democracy, minority rights, and the free market. In the case of Turkey, this leverage has already moved mountains in the areas of political and economic reform. Enlargement has turned out to be the EU's most effective foreign policy tool. More by accident than by design, the EU is probably presiding over the most successful democracy-promotion program ever implemented by an international actor. If it can coax the western Balkan states down the path taken by Bulgaria and Romania, there will be no question that this is true. Abandoning enlargement would have visible costs for the credibility of the EU's emerging foreign policy, and for the geopolitical and economic stabilization of its neighboring regions. Yet to strengthen substantially the EU's foreign policy, national leaders and publics would have to accept, as a matter of course, the immediate domestic costs of pursuing the EU's long-term foreign policy goals — and here the winds certainly do seem to be blowing in the other direction.

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