Impact of EU Enlargement to CEE Countries on Transatlantic Relations

SCHWOK, René

Abstract

Assessment of the 2004 EU enlargement on Transatlantic Relations.

Reference

12. Impact of EU Enlargement to CEE Countries on Transatlantic Relations

René Schwok

INTRODUCTION

On 1 May 2004, ten new countries joined the EU as fully-fledged members. From the Baltic to the Mediterranean, the eight Central European countries (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary and Slovenia) and two Mediterranean island states (Cyprus and Malta) increased the EU’s population by more than 80 million, from 370 million to over 450 million. The new members represent some 20 per cent of the existing EU population, with only 5 per cent of the actual GDP of those already there.

In order to analyse and conceptualise the debate, we will use in this article the dichotomy between dissociative and associative schools (Schwok, 2001). Dissociative means that analysts belonging to this framework diagnose a deterioration of the transatlantic link. For those researchers, relations between the European Union and the United States – always tense – have been recently aggravated.

To be sure, this approach does not overlook the fact that some relations between the two rims of the Atlantic Ocean can be positive, but the few positive aspects are minimised. For dissociative analysts, today’s situation is characterised by the disappearance of the common communist enemy and by a growth of conflicts between the commercial blocs. According to this view, numerous developments are pushing the world back to transatlantic rifts. One is the rise of Europe, which is acquiring both the economic and political heft necessary to challenge American leadership. The other is the decline of American public support for internationalism that makes it increasingly difficult for the United States to honour commitments and bear the burdens of sustaining the existing order. In such circumstances, the relations between the

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1 The eight Central and Eastern European Countries are labelled here the CEECs-8.
United States and the European Union can only deteriorate even more, towards a kind of dissociation.

In 2002–2004, endless series of books and articles have been published about the 'near-death of the transatlantic alliance' (Pond, 2004), about the irreconcilable natures of the Americans and the Europeans, about the American decline (Kupchan, 2002), about the 'breakdown of the American order', about the arrogance of the American 'hyper-power' (Védrine with Moisi, 2001), etc.

The associative approach, on the other hand, underlines the depth of the transatlantic link. Researchers believing to this framework point out the numerous elements of convergence between Europe and America. Contrary to accepted wisdom, they argue that the end of the Cold War actually enhanced the prospects for partnership between the United States and the European Union (Peterson, 1996). Relations between the European Union and the United States are going not so badly and there is so far no indication that this may change (Ginsberg, 2002). To be sure, the associative approach does not ignore that there have been some clashes between the two actors, but it rejects as an exaggeration claims of a steadfast societal separation between either side of the Atlantic (Serfaty, quoted in Grabbe, 2004). For associative analysts, the relations between the EU and the US have not been radically altered by the George W. Bush administration and wars in Afghanistan and in Iraq (Peterson and Pollack, 2003).

The main objective of this chapter is precisely to assess if the 2004 EU enlargement will strengthen the dissociative approach or the associative approach. In the first part, we deal with the political and strategic dimension. In the second part, we assess the economic sphere. For both parts, we introduce first the arguments that strengthen the dissociative approach, and then the ones that corroborate the associative view.

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2 For instance, the well-known thesis by Robert Kagan (2002): 'On the all-important question of power – the efficacy of power, the morality of power, the desirability of power – American and European perspectives are diverging. Europe is turning away from power, or to put it a little differently, it is moving beyond power into a self-contained world of laws and rules and transnational negotiation and cooperation. It is entering a post-historical paradise of peace and relative prosperity, the realization of Kant's "Perpetual Peace". The United States, meanwhile, remains mired in history, exercising power in the anarchic Hobbesian world where international laws and rules are unreliable and where true security and the defense and promotion of a liberal order still depend on the possession and use of military might. That is why on major strategic and international questions today, Americans are from Mars and Europeans are from Venus: They agree on little and understand one another less and less. And this state of affairs is not transitory – the product of one American election or one catastrophic event. The reasons for the transatlantic divide are deep, long in development, and likely to endure'. See also, Kagan (2003).

POLITICAL AND SECURITY DIMENSION

‘Dissociative’ Approach

First, researchers belonging to the school often argue that one should not exaggerate the Atlanticism of the new members. They will be no simple-minded groupies (Cernoch, 2003). Emotional bonds to the United States in Poland, the Czech Republic and the Baltic countries are strong, but other central European countries have long traditions of left- and right-wing political extremism that include elements of anti-Americanism. It has already been noticed that Slovenia is much more cautious about the US than the other countries.

Moreover, it would be wrong to assume that the CEECs-8 will align themselves with Washington on every issue. The test of loyalty over Iraq in 2003 came at an awkward moment when the US Senate was considering ratification of the second enlargement of NATO. And public opinion in the Central and Eastern European countries was against the war, just as it was in the rest of Europe. Sometimes the actions of the Bush administration reminded of the behaviour of the Soviet Union that used its status of a superpower as a free ticket to use military force without limits.

One has also to keep in mind that EU membership means that the CEECs-8 will be caught up in processes of socialization or Euroisation (Meade, 2003) that will draw them closer to Brussels than to Washington (see theory of constructivism). This means pressures to side with the ‘old’ European countries on multilateral issues with security implications.

Finally, enlargement is increasing the size, relative weight, and cohesion of the EU voting bloc in the UN and other international forums (IMF, World Bank). One can already observe that the new countries generally side with the ‘old’ EU countries on most multilateral questions, with votes in the UN or support for multilateral treaties such as the Rome Statute of the ICC, the death penalty, non-proliferation and the Kyoto protocol on global warming (Grabbe, 2004). They also align themselves with the EU’s common positions on CFSP.

‘Associative’ Approach

Researchers belonging to the ‘associative’ approach underline, on the contrary, the following arguments in support of their thesis:

First, EU enlargement is a historic step towards the long cherished goal of a Europe ‘whole, free, at peace and growing in prosperity’. After generations in which internal conflict in Europe posed one of the most serious security threats to the United States, the Western alliance and world peace, the
unification of Europe by consent is a major strategic prize for the US. EU enlargement ensures that the democratic transition in Central and Eastern Europe is irreversible. This serves US security and geopolitical interests.

Second, there is an emotional dimension that works in support of the US. Most leaders within the eight Central and Eastern European Countries (CEEcs-8) share a so-called 'reflexive pro-Americanism'. This means that they feel that the US support was one of the key elements in their resistance against communism and in their quests for independence (Cernooh, 2003). Memory of the past still plays an important role. And many citizens from Central and Eastern Europe want to remember the actions of the US in their support, such as the Truman Doctrine, the creation of NATO, condemnations of various Soviet actions, support of dissidents, etc. One can find in those countries many intellectuals who broadly agree with the American statement, mostly put forward by 'Republican' that the American arms race of the 1980s led to the failure of the Soviet Union.

Moreover, this emotional dimension works again a rather autonomous Europe led by Germany and France. There are still dark memories of Third Reich's imperialism and racism. And most people in countries such as Poland and the Czech Republic remain cautious about any German move. Recent claims by people from German descent about lost properties in Silesia, Danzig/Gdansk and Sudetenland raised concerns about some kind of German 'revanchism'. At the same time, German pacifism is also considered in Central and Eastern Europe as a kind of danger vis-à-vis serious security challenges.

Feelings about France are also ambivalent. On the one hand, this country does not evoke the same kind of negative remarks as Germany. On the other hand, France is not considered as a credible protector in case of hard times. One can frequently hear negative assessments about traditional French 'cowardice'. French support for the 1938 Munich agreements are sometimes mentioned. Tacit French consent for Soviet moves against Hungary, Czechoslovakia and Poland is sometimes remembered. Attempts by the former French President François Mitterrand to slow down German reunification and Soviet departure from the CEECs also come readily to mind in some countries. Paris's coolness towards EU and NATO enlargements to the CEECs added to this cautious mood about France (Grabbe, 2004). Finally, Paris, has also damaged its popularity in Central and Eastern Europe by dealing condescendingly with the CEECs' governments in condemning their support for the American war in Iraq.

The behaviour of the CEECs-8 over Iraq in 2003 confirmed their 'Atlanticism', especially when they supported the enforcement of UN Security Council Resolution 1441. They seemed to vindicate the idea that
they would be Washington’s loyal allies, opposed to the ‘old Europe’ of Germany and France (Rumsfeld’s).

Finally, it is important to keep in mind that the CEECs-8 are mainly interested in getting protection from a possible Russian threat. And only the US can provide them with credible protection. EU enlargement means indeed keeping pace with NATO enlargement. Their socialization into western security structures is occurring through NATO rather than the EU or ESDP, as the first EU enlargement to CEECs-8 and the second enlargement of NATO are increasing by eight the number of countries that are members of both organizations.

The new EU member states have a strong interest in preserving the viability of the Atlantic alliance, and that the United States remains engaged in European security affairs. It is rather clear that the new members will serve as a brake on tendencies to decouple Europe from the United States.

ECONOMIC DIMENSION

‘Dissociative’ Approach

The dissociative approach is based on the assumption that the world is leaning towards the constitution of protectionist commercial blocs. In one part of the world, the European Union is becoming stronger through the objectives of an internal market and a single currency, and its ramifications are spreading to Central and Eastern Europe, to the EFTA states through the European Economic Area (EEA), to the Eastern and Mediterranean countries through all kinds of association agreements. In the meantime, one finds the United States that has established NAFTA and is active in APEC and other free-trade areas in Central and South America. With so many commercial blocs in the world, there will be, according to this approach, a series of trade clashes.

Neomercantilism is the theory that has the most influenced the dissociative approach. Neomercantilists researchers point to the growth of protectionist barriers. They also show that the end of the Cold War, with the disappearance of the military, political and ideological competition between the two Blocs, constitutes a fertile field for numerous hidden economic protectionist conflicts. They particularly insist on the constitution of economic blocs (enlarged and deepened EU, EEA, FTA, NAFTA, APEC) as the most manifest illustrations of the transformation of national protectionism in bloc protectionism.

The Theory of Hegemonic Stability (Gilpin, 1987) has grown within this neomercantilist theoretical framework. This theory’s key element is the view
that stability in international relations stems from the presence of hegemony or dominance. The absence of hegemony implies a lack of order in the relations between states whether in commercial activities (trade, money), social issues, or security concerns. Its main axiom is to establish a correlation between hegemonic power and stability of international regimes, such as WTO (Petersmann and Pollack, 2003).

As long as a country such the United Kingdom in the 19th century or the United States after the Second World War were capable of assuming power, international regimes remained credible. With their decline or their lack of responsibility (i.e. isolationism), other states (Japan, Europe etc.) will defect more. Applied to international trade, the logical conclusion of the Theory of Hegemonic Stability is that we are going towards a reorganisation of the system towards insular and conflictual trade blocs.

According to the dissociative school, the 2004 enlargement will mean the new members accepting some rules and standards that the United States regards as unfair barriers to trade (genetically modified organisms, GMOs).

Accession of the CEEC-8 could also exacerbate US–EU trade tensions in a few specific industrial sectors, notably steel. The United States might continue to bargain with the Commission over compensation for market losses under GATT 24(6) and the changes in its bilateral investment treaties with the accession countries that the Commission is demanding.

There are also problems that could arise in connection with the fate of the treaties the United States concluded with the Central and Eastern European countries in the early 1990s. In some cases these countries have granted US firms particular tax breaks to encourage large investment projects. For instance, the Commission is insisting that these treaties be abrogated or renegotiated to conform to EU norms.

Enlargement to Central and Eastern Europe could also be negative for US agricultural interests (Cochrane and Seeley, 2004). Analysts belonging to the dissociative school always attack the Common Agricultural Policy (which is on purpose a system of protectionist and planned economy) as being the archetype of the whole European commercial policy.

Previous enlargements had resulted in losses of markets for US agricultural exporters and disputes in the GATT. And an enlarged EU, which includes Poland and other poorer and more heavily agricultural Central and Eastern European states, could find it more difficult to reform the CAP in ways which reduce trade conflicts with the United States and other large agricultural producers.

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4 One can also observe that the Theory of Hegemonic Stability is underlined by a fundamental assumption: of the decline of the United States. This theme was one of the most popular in the American scientific literature in the late 1980s.
The most dramatic changes after accession are likely to be significant increases in output of beef and coarse grains by the Central and Eastern European countries and a small decline in wheat output by the enlarged EU. The United States stands to lose its poultry market in the new member states, but could see slightly larger wheat exports (Cochrane, 2004, p. 78).

'Associative' Approach

For their part, researchers belonging to the associative school consider the 2004 enlargement as positive for transatlantic relations. First, they criticise the Theory of Hegemonic Stability on two fundamental points: (1) they argue that the Theory of Hegemonic Stability is wrong on the conditions which motivate a state to exercise its leadership and (2), that it ignores the true motivations of the followers (Japan, Europe) towards the leader (USA).

In other words, the Theory of Hegemonic Stability underestimates the fact that both Japan and the European Union also have their own interest in keeping, developing and guaranteeing free trade through international regimes, that they are trying to diminish the costs of transaction and of diffusion of information, and they are pressed by their own myopic interest to cooperate and to dismantle their protectionist barriers.

More empirically, associative researchers remark that, despite the perennial hype about the 'rise of Asia' and the significance of NAFTA, Europe and the United States remain by far each other's most important commercial partners. Contrary to a widespread myth, European and American economies and societies have not drifted apart since the end of the Cold War; on the contrary they have become even more interdependent. For instance, the combined US GDP and EU GDP is around 60 per cent of the world total on a market exchange rate basis. Together, they command 40 per cent of world trade, and their bilateral economic relationship is worth just short of $3 billion per day in trade of goods, services and foreign direct investment.

Even more interesting is their cumulative mutual investment stake in each other's economy. In 2000, Europe's investment stake in the US represented 75 per cent of all European investment abroad and roughly 60 per cent of all foreign direct investment in the United States (Hamilton and Quinlan, 2003). Meanwhile, the US investment stake in Europe grew to roughly half of all US investment abroad. In 2001, this investment yielded half of all foreign earnings for US companies.

Despite transatlantic tensions over Iraq, corporate America pumped nearly $87 billion in foreign direct investment (FDI) into Europe in 2003. That represents a jump of 30.5 per cent from 2002. Europe accounted for nearly 65 per cent of total US foreign direct investment in 2003. US investment in
Ireland alone in 2003 ($4.7 billion) was more than two-and-a-half times greater than US investment in China ($1.7 billion). The $19.2 billion of US investment in the Netherlands alone in 2003 was not far behind total US investment in all of Asia ($22.4 billion) (Hamilton and Quinlan, 2004).

As for the specific impact of the 2004 EU enlargement, associative researchers remind us that the new EU countries are clearly secondary markets for US firms. No CEEC ranks among the top 50 US overseas markets. US exports to the eight CEECs were approximately $3.12 billion in 2001, only 0.4 per cent of total US exports (Hamilton and Quinlan, 2004)! In other words, the US does not take many risks in this enlargement, as its trade in Central and Eastern Europe is so small.

The relatively modest share of the CEECs in US trade is a consequence of two factors: the higher tariffs that apply to US exports under pre-accession agreements with the EU countries, and the natural advantages of proximity and historic ties that EU exporters enjoy in the region.

Therefore, 'associative' researchers argue that enlargement will benefit US exporters for the following reasons:

First, economic growth in the CEECs will mean a larger and more affluent market with increased investment opportunities and exports for US firms (Van Oudenaren, 2003, pp. 56–60). The accession countries have growth rates of between 5 per cent and 8 per cent of GDP, far outstripping those of the current EU-15, and are likely to do so for the next decade.

Second, the new members are adopting the Common External Tariff, which generally is lower than the current MFN tariffs applied to the US by the candidate countries. This will lead to a decrease of their current average tariff of 9 per cent to an average of 4 per cent (Burghardt, 2004).

Moreover, the enlarged EU has a single tariff system and a single set of customs and administrative procedures. Thus, the system whereby US exporters were faced with various import regimes has disappeared.

One has to add that the new Member States are applying the commitments undertaken by the EU in its trade relations with third countries such as the WTO, or directly with the US. This applies notably on the mutual recognition of standards and conformity assessment procedures, on co-operation on

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5 Eventual adoption of the euro by another eight countries will have some effects on US interests. The new member countries are not yet permitted to adopt the euro, but they are bound by the same convergence criteria that the old member states.

It will increase the demand for euros and accelerate somewhat the rebalancing of reserves from the dollar to the euro as these countries shift public foreign and private debt from dollars to euros (a process already well underway).

The added effect of CEECs' participation in the euro is however likely to be quite modest. Ultimately the relative performance of the dollar and the euro will be determined by other factors, above all the strength of the US and the major western European economies.
customs and competition issues, as well as the arrangement of regulatory cooperation.

The 2004 enlargement will be a net benefit for US investors. To the extent that investment requires more protection against corruption, well-established property rights, and impartial mechanisms for dispute resolution, EU enlargement is in the interest of US investors.

Nor is agriculture considered as a major difficulty for future EU–US relations. US agricultural trade with the CEECs is indeed very limited. American farmers export to the CEECs-8 is less than 4 per cent of their exports to the EU-15 and roughly 0.4 per cent of their world exports (Cochrane, 2004, pp. 78–85). There is a generally downward trend in US agricultural exports to the region since 1993 and this has to do with the fact that the CEECs-8 have adopted EU and national health and food safety regulations that exclude US products.

The positive point is that the American farm industry does not have a lot to lose from CAP’s enlargement to the newcomers. The situation is very different from the mid-1990s when the US complained bitterly about Spain and Portugal’s accessions to the EC as these countries were important agricultural markets.

CONCLUSION

We have tried to analyse the impact of the 2004 EU enlargement to the CEECs-8 using the theoretical framework dissociative / associative. This predicates a dichotomy in the way that different interpretations have been expressed about the relationship between the European Union and the United States. By pointing out the divergences between the two approaches, we hope to offer better concepts to the debate and to contribute to a better understanding of the most important issues of interpretation.

Our observations clearly support more the associative rather than the dissociative school. This may explain why opponents of the US and of the current transatlantic relationship expressed negative views about EU enlargement. As they anticipated a dissociation between Europe and the US and as they used for many years ‘scientific’ arguments to prove that it will happen, they are very frustrated by the 2004 enlargement because it goes in the other direction.

For instance many leftist anti-American intellectuals and scholars wrote very negative pieces about the CEECs’ accession to the EU. Especially in France, this enlargement has been seen as an American plot because the Atlanticist Central and Eastern European countries might serve as a ‘Trojan horse’ for US interests in Europe. As Pascal Boniface wrote: ‘l’élargissement
le plus significatif, le plus réel, n’est donc pas celui de l’Europe, mais celui de la puissance américaine en Europe’ (Boniface, 2004). Bernard Cassen, one of ATTAC’s leaders, even claimed that Europe became less European by accepting the CEECs-8 (Cassen, 2003 and Schreiber, 2004).

We still lack distance from events to help us come to any definitive conclusions about the impact of the 2004 enlargement on transatlantic relations. One key question is the depth of the pro-US attitude of the new members. Is the collective memory of history a lasting factor or will it vanish relatively quickly with the change of generations? Do the new members see their pro-US attitude as an addition to their general commitment within the EU and an integrated CFSP? Another point to be followed is the impact of the EU process of socialisation on the CEECs-8. Will they be less pro-American or will they go into a kind of a British path?

Finally, to what extent will these countries be ready to follow any possible future American unilateralism? Is there a point where American unilateralism could push those countries to distance themselves from Washington? One can wonder if the 2003 war was the most pro-Americanism that can be expected from them.

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Adjusting to EU Enlargement
Recurring Issues in a New Setting

Edited by

Constantine A. Stephanou,
Jean Monnet Chair in European Organisation,
Panteion University, Athens, Greece;
Vice-President of ECSA-Europe.

Edward Elgar
Cheltenham, UK • Northampton, MA, USA