

Enhanced cooperation in the EU and its implications for Lithuania**

The article addresses several issues linked to the enhanced cooperation and its potential impact on new member states. Firstly, the development of the concept of differentiated integration and enhanced cooperation in particular is discussed. Actually, it should be noted that the desire to combine divergent preferences and capacities for deeper integration have been present in Europe during the entire period after the Second World War. The main circumstances and motives to formalize enhanced cooperation in the Treaty of the EU during the last decade are then discussed. Different motives and expectations linked to the concept of enhanced cooperation in the EU and the significant attention given to this issue in the debates on the future of Europe provide a strong ground to argue that developing formal and informal initiatives of enhanced cooperation will be among the main issues which will determine further development of the EU after the enlargement and the benefits of membership to the new member states. Therefore, perspectives for the use of enhanced cooperation after the enlargement of the EU and implications for Lithuania are addressed, focusing on particular issues around which future intergovernmental coalitions might be formed and the stability of such coalitions.

Introduction

In May 2004, eight Central and Eastern European countries, Cyprus and Malta will join the European Union. It is likely that several years later they will be joined by Romania, Bulgaria, probably Croatia, the Balkan countries and maybe Turkey. One of the key features of this EU enlargement will be a markedly increased number of EU member states and particularly increased diversity inside the Union.

The EU is a club of countries which functions on the basis of joint institutions (the European Commission, European Court of Justice and others) and uniform rules (*acquis communautaire*). It is not by accident that EU leaders started discussing the instruments of managing increasing diversity in the EU some time before the official membership talks between the EU and acceding countries were initiated. Formalizing the possibilities of member states willing and able to integrate further at diverse speeds inside the EU has been one of the main issues in these debates. These discussions became increasingly intense with the start of debates on the future of Europe, and here an important role in suggesting models of a core group inside the

* *Dr. Ramūnas Vilpišauskas* - Associate professor of the Institute of International Relations and Political Science of the University of Vilnius, Address: Vokiečių 10, LT-01130 Vilnius, tel. +370-5-2514130, e-mail: ramunas@Irinka.lt

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EU has been played by German and French policy makers¹. Although the options of differentiated integration have been named in a variety of ways – as a “center of gravity (Joschka Fischer), as an “avant-garde” (Jacques Delors) or as a “group of pioneers” (Jacques Chirac) – the main idea of creating a smaller club inside the club has been linked to the perceived need to solve the dilemma between increasing diversity and a need to keep the EU functioning (and to ensure that the process of integration does not slow down significantly after the enlargement).

The motives and effects of using the model of enhanced cooperation (closer cooperation, differentiated integration) could be interpreted differently. For some EU policy makers and analysts, the formal provisions establishing enhanced cooperation (at the time called “closer cooperation”) in the Treaty of Amsterdam and its further development in the Treaty of Nice and the draft EU constitution are necessary in order to ensure that EU does not become fragmented and that its institutions keep functioning effectively after the enlargement. For others, this mainly represents an opportunity to preserve the old habit of cooperating inside the small cozy group without being disturbed by the new members not socialized into the habits of club. This motive is often attributed to French and German elites (“motor”) who have often been at the forefront of integration projects since the creation of the Communities. Formalized enhanced cooperation provides an opportunity to develop such bilateral initiatives by using formal methods institutionalized in the Treaty. However, it should be noted that the model of enhanced cooperation in its current wording (in particular, provisions regarding the openness of these initiatives to other member states and the minimum number of countries required to initiate enhanced cooperation) rather represents a compromise between the reluctant member states (including the European Commission, interested in preserving the dominant Community method and uniformity of institutions) and the member states determined to continue with the process of integration without being slowed down by enlargement.

On the other hand, some current and most future EU member states, including Lithuania, have a rather cautious (or even negative) attitude towards the idea of enhanced cooperation. In its current wording, any project of enhanced cooperation initiated by a group of states is open to any other willing and able member states. However, due to the differences in political preferences, economic and other characteristics between member states in the enlarged EU the prospect of joining the initiatives of enhanced cooperation would create a difficult dilemma between national interests and the desire to be part of the avant-garde of integration minded states, only out of a fear of being left in the political periphery. To put it differently, it is exactly for the same reasons that some member states – France, Germany, Belgium – would like to initiate enhanced cooperation in the areas of taxation, security and defense, while other countries might face a threat of being left out outside the inner circle of decision making. In Lithuania and other future member states, this perspective is sometimes called the creation of a second class membership.

¹ The start of the recent wave of debates on forming the group of core member states favoring further integration (most often original creators of the EEC) inside the EU is usually linked to the text of German Bundestag members Schauble and Lamers „Reflections on Europe“. Later these discussions on differentiated integration have been continued as part of the debates on the future of Europe.

Different motives and expectations linked to the concept of enhanced cooperation in the EU and the significant attention given to this issue in the debates on the future of Europe provide a strong ground to argue that developing formal and informal initiatives of enhanced cooperation will be among the main issues which will determine further development of the EU after the enlargement and the benefits of membership to the new member states take effect. This article addresses several issues linked to the enhanced cooperation and its potential impact on new member states. First, the development of the concept of differentiated integration and enhanced cooperation in particular is discussed. Actually, it should be noted that the desire to combine divergent preferences and capacities for deeper integration have been present in Europe during the entire period after the Second World War. The main circumstances and motives to formalize enhanced cooperation in the Treaty of the EU during the last decade are then discussed. Finally, perspectives for the use of enhanced cooperation after the enlargement of the EU and implications for Lithuania are addressed.

Before discussing the concept of enhanced cooperation, however, several methodological remarks should be made. The subject of enhanced cooperation itself means that it is the intergovernmental cooperation in the EU which is the focus of attention. Enhanced cooperation can only take place among states (their governments), not between regions, interest groups or other actors. It is therefore based on the national preferences and the national capacities, their similarities between the states favoring enhanced cooperation and divergences between those in the core and outside of it². To put it differently, the dynamics of political cooperation in the EU are analyzed from the perspective of international relations.

When the conditions for enhanced cooperation and its impact for outsiders are assessed the key question becomes the question about the factors that determine the preferences of the states to join (or to remain outside of) the initiatives of enhanced cooperation. The literature of international relations and political economy suggests several popular explanations of national preferences. Some of them focus on the structural factors such as the size of a country, the level of economic development, history and others. Others privilege domestic factors such as the dominant ideas among elites, pressure of interest groups and their interaction with policy makers, or the experts and epistemic communities. These questions will be discussed in the last section of this article.

1. Managing differences in the integrating Europe

It is often assumed that debates on enhanced cooperation originated only in 1990s, when the issue of the Economic and Monetary Union (deepening of the EU) and later the prospect of enlargement into the East (widening of the EU) moved to the center of EU attention. However, the divergence of desire and capacity to integrate and the resulting search for the options of differentiated integration could be found since the first steps of creating the European Communities. As it is noted by Wallace, “the history of Western Europe is lettered with attempts to provide the means for the

² As it has been noted by one analyst, „enhanced cooperation reconstitute to a certain extent states as monolithic actors“ (De Areilza, J. M. “Enhanced Cooperation in the Treaty of Amsterdam: Some Critical Comments”, *Jean Monnet Center Working Paper* 13/1998. – P. 5).

more integration-minded governments ahead more quickly than the hesitant in creating tools for intensive policy cooperation”³. The creation of the ECs between integration-minded states and the EFTA group, and those less enthusiastic about integration are the main examples of such attempts.

To be sure, at that time Central and Eastern European countries were in a very different position because their choice to proceed with integration either in a more loose or more integrated group was completely limited by external political constraints. For the same reasons which divided Europe after the Second world war, some other neutral European states (Austria, Finland) could not freely choose to participate in the cooperative projects such the ECs, NATO and WEU. Only after the end of the Cold war and the resulting political changes can we meaningfully talk about the differentiated integration in Europe (and it is exactly for this reason and still relatively fresh memories of being forced outside the projects of Western Europe that the acceding countries react so sensitively to the discussions among the “old member states” about the initiatives of enhanced cooperation which can recreate divisions among the members of enlarged Union).

In Western Europe, although geographically limited for almost half a century, the experience of differentiated integration is rather long. There have always been more and less integration-minded states in economic, security and military cooperation fields. This differentiation has been reflected in the formal membership in regional organizations, and in the informal initiatives among several states which were often developed and formalized by a larger group. It has been only in the 1990’s that the EU has clearly become a dominant regional functional organization in Europe which has faced the prospect of uniting most European countries. Therefore, the question about variable functionally overlapping organizations in Europe becomes a question about the differentiated integration inside an expanding EU. Paradoxically, the success and attraction of the EU created the conditions for the discussions about the differentiated integration inside this organization, which started to be seen as an instrument of distancing some member states from the benefits of membership.

Discussions about flexible (differentiated) integration methods in Europe (and gradually in the EU) intensified particularly in the first half of the 1990’s. At that time many academics and policy makers of the EU started to discuss different forms of differentiated integration – Europe a la carte, “Europe of variable speeds” and “Europe of variable geometry”. These visions, often called by other names and often being confused with rather different scenarios allowing the possibility for some member states to pick and choose participation in some projects, agreeing on the minimum of common objectives (internal market), flexible integration, when a group of willing and able member states are moving ahead faster than others, leaving a possibility for others to join later (EMU), or the differentiated integration with permanent boundaries between the groups of differently integrated states (members and non-members of the WEU)⁴.

³ Wallace, H. “Flexibility: A Tool of Integration or a Restraint on Disintegration?” in Neunreither, K., Wiener, A., eds., *European Integration after Amsterdam*. Oxford: Oxford University Press, 2000, p. 175.

⁴ For the discussion of categories of differentiated integration see: Stubb, A. A., “Categorization of Differentiated Integration”, *Journal of Common Market Studies*, vol. 34, no. 2, July 1996, p. 283-295; Warleigh, A. *Flexible Integration. Which Model for the European Union*, London: Sheffield Academic Press, 2002, p. 9-13.

Each of these visions represented different political preferences and a willingness to move further ahead in deepening integration in certain areas. Each of these models had its practical examples. The monetary union, Schengen area and social charter have been the most significant of them. Still, in the midst of the 1990's, during the preparations for the 1996-1997 IGC, the enhanced cooperation when a group of states can create an inner core open to the others and which takes place on the basis of uniform procedures and institutions became the dominant form of differentiated integration. It is a model of differentiated integration based on uniform rules and institutions, where the differences of willingness and capability to integrate are managed by transition periods (and when the transition periods are not formally foreseen, it is expected that others will join the core later). These principles of differentiated integration were formalized in the Amsterdam Treaty in 1997.

Before discussing the concrete provisions of the EU Treaty regarding the enhanced cooperation, it should be noted that debates on this issue before adopting the Amsterdam Treaty are, in several important aspects, different from previous debates on differentiated integration. First, it took place at the time when it was decided to institutionalize the EMU with its rules which already set the ground for the differentiation (some French and German leaders hoping that the core would be limited to six countries though it started as the project of eleven). Second, after a number of enlargements, many of the new member states continued to be either skeptical about deeper integration projects (Great Britain, Denmark) or were sometimes not able to join them (Greece). Third, bringing the issues of common security and defense into the agenda of the EU was closely linked to the idea of a core group intending to develop common projects in these areas. Fourth, forthcoming enlargement of the EU and NATO strengthened the perception of many EU policy makers about the need to plan the potential ways of managing increased diversity by using enhanced cooperation. Finally, concern about the security of EU (and member states) borders also contributed to the support of the idea of formalizing the enhanced cooperation. Therefore, the combination of these factors contributed to bringing the idea of enhanced cooperation to the agenda of IGC and into the Treaty of the EU.

2. Enhanced cooperation in the EU Treaty

The provisions on enhanced cooperation (at the time called closer cooperation) were introduced into the Treaty of the EU in 1997 in Amsterdam (Art. 15-17) and modified in the Nice Treaty (Art. 43-45 and several provisions linked to specific functional areas). The need to adapt EU institutions for future enlargement was one of the main reasons for the inclusion of these provisions. This issue has also been widely discussed in the debates on the future of Europe. For example, the idea of closer cooperation among the core group of member states, which would play the role of driver towards the federal Union, figured as one of the key proposals in the famous speech of German Foreign Minister J. Fischer⁵. Although the Draft Treaty

⁵ See: Fischer, J. "From Confederacy to Federation: Thoughts on the Finality of European Integration". Speech at the Humboldt University in Berlin. 12 May 2000. Negative attitude towards this proposal was very soon expressed not only by official representatives of other member states but also by academics. See: Zielonka J., eds., "Enlargement and the finality of European integration. Symposium: Responses to Joschka Fischer". *Jean Monnet working paper* 7/2000.

establishing the Constitution for Europe amended some of the provisions by simplifying the procedures of enhanced cooperation and suggesting several amendments (most significantly in the areas of security and defense), the main features of enhanced cooperation remained the same⁶. Below, the main features of enhanced cooperation and their amendments are discussed.

Art. 43 of the EU Treaty provides that enhanced cooperation is aimed at furthering the objectives of the Union and at protecting and serving its interests. It should be noted that among the amendments made by adopting the Treaty of Nice, another aim of enhanced cooperation – the one of reinforcing the process of integration – was added. This new provision was kept in the Draft EU Constitution. It reflects the perception popular among French, German and other policy makers of the original six member states that European integration is a value in itself (rather than a means for achieving other goals).

Respect for the Treaties and the single institutional framework of the Union is among the main conditions for enhanced cooperation. The Amsterdam Treaty provided that closer cooperation can only be used as a last resort, where the objectives of the Treaties could be attained by applying the relevant procedures. This provision, although slightly amended, was kept in the Nice Treaty. Somewhat more amended was the provision regarding the required minimum number of member states for initiating enhanced cooperation. The original provision that at least a majority of member states must take part in it was amended in Nice into a number of eight member states (which actually was a majority – but this proportion was to change after the accession of new members, lowering the threshold for enhanced cooperation). The draft EU Constitution made this requirement more explicit by suggesting that at least one third of member states have to take part for enhanced cooperation to take place (which in the EU of 25 means 8 countries). The procedures of initiating enhanced cooperation have also been relaxed by the Nice Treaty. It was stated that such initiatives require the support of a qualified majority in the Council of Ministers with the exception of foreign and security policy where unanimous support was required (the latter provision was amended by the draft EU Constitution making it easier to initiate enhanced cooperation in security and defense matters).

After the amendments were made, another important requirement for initiating enhanced cooperation was preserved – it can only be used in the areas which are outside the exclusive competence of the EU. Related to this is a requirement that enhanced cooperation should not undermine the internal market or become a barrier to trade and distort competition; it should also not concern the Schengen agreement. The latter provisions were left out in the draft EU Constitution.

Finally, another very important requirement for enhanced cooperation which has been kept since its adoption in Amsterdam – the initiatives of enhanced coopera-

⁶ The amendments and explanations are presented on the working documents of the Convention The European Convention Praesidium, Enhanced cooperation, Brussels, 2003, 14 May, CONV 723/03.

tion are open to all member states. In this respect, important changes have been made in the draft EU Constitution (III-Art. 213) foreseeing specific requirements *for/of* enhanced cooperation in the area of defense giving more leverage for the initiators of enhanced cooperation to establish additional requirements for outsiders willing to join. It is also provided that all EU member states can take part in the deliberations on the subjects in the area of enhanced cooperation; but only states participating in it can take part in the adoption of decisions. The decisions adopted are binding only for those participating in enhanced cooperation. The draft EU constitution provides that *acquis* adopted during the process of enhanced cooperation is not binding for candidate countries. The decisions among the members of enhanced cooperation are adopted by using either qualified majority voting or unanimity depending on the area, while the calculation of qualified majority proportions are determined by using the same principles as laid by the Treaty. It should be noted that after the adoption of the Amsterdam Treaty, the initiation of enhanced cooperation by France or Germany could be used as a way to increase their power in the Council of Ministers, which will become proportionately lower after the enlargement due to the increase in the number of member states and the overall votes⁷.

Thus, it could be argued that despite various proposals which have been discussed during the debates on the future of Europe, the provisions on enhanced cooperation (possibly with the exception of defense) have been changed significantly and reflect a compromise between more and less integration-minded actors. However, it is questionable if this compromise will be satisfactory for some member states (in particular France and Germany) after the enlargement and to what extent they might prefer to initiate new projects of integration outside both the Community method and the method of enhanced cooperation. These questions are closely linked to the issue of the impact of enlargement on the dynamics of intergovernmental bargaining inside the EU and possibly stronger motives for some integration-minded member states to avoid the established procedures of cooperation, even moving beyond enhanced cooperation.

Before discussing this issue, one important remark regarding the use of enhanced cooperation should be made. So far, in a formal sense, the option of enhanced cooperation has not been used in the EU. However, there have been a number of times when suggestions to use it have been made. For example, recently the European Commission has mentioned a number of times a possibility of using it in adopting directives in the area of environment, which could not gather the support of member states required for adopting them by using regular procedures. The possibility of enhanced cooperation has also been discussed in connection with cooperation projects in the areas of defense and taxation.

In such cases, enhanced cooperation becomes a bargaining instrument to force reluctant member states into an agreement on adopting new initiatives of the European Commission. It has been observed that in about half of cases when the European Commission or the Presidency of the EU resorted to the threat of using enhanced cooperation, reluctant countries changed their position and gave in⁸. The-

⁷ De Areilza, *op cit.* (note 2).

⁸ Phillipart, E., "Optimising the Mechanism for "Enhanced Cooperation" within the EU: Recommendations for the Constitutional Treaty". *CEPS Policy Brief*, no. 33, May 2003. The author discusses such cases as the European Company Statute and European arrest warrant.

refore, after the enlargement the “shadow of enhanced cooperation” might be most often used as a bargaining tool in situations when the majority is not large enough to adopt decisions. Although, the new rules of qualified majority voting - changing “triple majority” established in Nice to a “double majority” based on a number of states and population, extending the use of qualified majority voting to new areas – can reduce the need for using enhanced cooperation as a bargaining tool.

3. Cooperation in a larger and more diverse EU

The arguments about the EU becoming larger and more diverse after the enlargement and the resulting need to reform the Union’s institutions and procedures have become conventional wisdom. However, these statements explain little about the impact of enlargement on intergovernmental cooperation among more numerous member states. Forecasts about the dissolution of the Union, stalemate of decision making or the other radical changes resulting from enlargement should be treated with caution. Often, those who publicly express such fears have other motives to use the opportunity of reforming the EU in order to advance their own agenda (for example, to federalize the Union under the slogan of preparing it for the enlargement).

An increase in numbers also makes coordination more difficult and increases the costs of agreements (in indirect sense in terms of time needed to reach a compromise, and directly in terms, of a larger needed to “buy” support from reluctant states by offering them side-payments). However, a larger number of members should not in itself become an institutional or procedural problem; as it has been noted by Wallace, the US system functions even with fifty states⁹. The main challenge for the enlarged EU and its functioning is not so much a larger number of members, but a larger diversity of interests (national preferences) including different preferences regarding further deepening of integration. In other words, this revives the old question about what a group of countries (EU members) want to do together. Also will the preferences of larger group of members become so diverse that enhance cooperation or even integration outside the framework of the Treaty become more attractive methods of cooperation.

The answer to this question depends on the compatibility of intergovernmental preferences inside the enlarged Union and the degree of their divergence. Theories of international relations suggest several approaches for explaining national interests (preferences). They could be grouped into two perspectives: one prioritizing international structures, and the other giving priority to domestic actors. Approaches which focus on structures (neorealism, institutionalism) stress the importance of long term international structures and the features of states which determine their position in the international system. Liberal theories of international relations focus on the role of domestic actors – interest groups, political elites, experts and their interaction – in forming national preferences. The absolute majority of political

⁹ Wallace H. , op cit. (note 3).

economy theories aiming to explain European integration, such as neofunctionalism or liberal intergovernmentalism, acknowledges the importance of domestic actors (and mostly differ on explaining their interaction and the role of supranational institutions in facilitating the agreements among member states and informing their long term preferences)¹⁰.

This article discusses in detail several structural and domestic factors which might determine the nature and composition of intergovernmental coalitions inside the EU after the enlargement. The list of issues or cleavages determining coalitions discussed here is by no means exclusive; its purpose is to illustrate the possible dynamics of intergovernmental bargaining and the potential for the use of enhanced cooperation. Depending on the nature of coalitions (their size, longevity, the degree of overlapping between different coalitions) on the basis of different issues, one can make a proposition about the perspectives of enhanced cooperation and implications for Lithuania.

On the basis of country characteristics in their relation to the international system, several factors determining national preferences are important. They include the size of a country, its geographical position, historical experience and the level of economic development. What potential intergovernmental coalitions could be formed on their basis in the EU after its enlargement?

Coalitions on the basis of the *size of a country* are formed in the EU mostly during the times of institutional reforms: during institutional reforms, the questions of country representation and their relative decision making powers are raised. In other words, institutional reforms raise the question of the long term relative bargaining power which is locked in by the institutional and procedural rules and can be changed by initiating further reforms. It is mostly because of the long term effects of institutional reforms on the relative bargaining power that they become so important for member states. Because the bargaining power is directly linked to a country's population, member states usually form the coalitions of large and small countries during the institutional reforms. This has been evident during the IGC which ended up in the adoption of the Treaty of Nice and in the current IGC discussing the draft EU Constitution.

During the times of institutional reforms, a coalition of three large countries – Germany, France and Great Britain – is formed. It is sometimes joined by Italy and Spain. Meanwhile other countries, mostly medium and small states, often supported by the European Commission, form another coalition. One of the main results of the current EU enlargement will be an increase in the number of small states which might strengthen their bargaining power. In the current process of the IGC a coalition of small countries formed, supported by Spain and Poland – the two that stand to lose the most due to the suggested move from the Nice model of qualified majority to double majority voting. However, this coalition does not include Benelux countries and the European Commission which support proposals to make EU decision making more effective, although looking upon the potential increase of the powers of large members states with caution.

¹⁰ For example, according to Moravcsik, although the national preferences are formed in the process of interaction between domestic interest groups and governments, it is the (a)symmetrical nature of economic interdependence and the size of a state which determines the bargaining power and ability to advance national preferences (see Moravcsik, A. *The Choice for Europe*. Ithaca, NY: Cornell University Press, 1998).

In the second half of 2002, France and Germany, despite their initially diverging positions of the future of Europe, forged a common position on many of the issues debated in the Convention and later during the IGC. Many of these proposals have been reflected in the draft EU Constitution prepared by the Convention (according to some analysts, the draft EU Constitution reflects most closely the preferences of France)¹¹. Several of the most important institutional amendments (size and composition of the European Commission, presidency of the EU and qualified majority voting rules) are regarded with particular skepticism by small countries. It is possible, however, that if eventually the choice will be between adoption of the constitution and the radical revision of the text prepared by the Convention, the coalition of the “small” might dissolve because no country will want to become the one to be blamed for the failure of the IGC. Overall, the coalitions of “big” and “small” are very frequent and form mostly during the periods of institutional reforms (which are not very frequent, although becoming so during the last decade). Besides, the weight of big member states will not be large enough after the enlargement to allow them to make decisions without the support of some small countries. In this respect, the suggestion to reform the qualified majority voting rules could be seen as an attempt to increase the power of large countries and allow them to take decisions reflecting their preferences more effectively.

Geographical position is another factor which influences preferences of countries. It influences foreign policy priorities in several ways. The member states which border non members are interested in bringing the initiatives of cooperation with their neighbors into the EU agenda, while forming groups depending on which part of the EU periphery they belong to. Members geographically in the center of the EU are interested in cooperation among themselves. This factor is linked with *common historical experience*, because often geographically close countries have a long history of mutual relations (with exception of colonies of some European countries). This applies to geographically close Benelux countries which created a customs union before the establishment of the Communities and continue their cooperation inside the EU (a similar group is constituted by Nordic countries). By the way, in the autumn of 2000 a group of “wise men” formed by Nordic countries suggested to intensify cooperation among Nordic states, in particular by forging a common position on important issues on the EU agenda such as the membership in euro-zone or enlargement of the EU¹².

It is likely, therefore, that Lithuania will have a common position with Poland on such issues as infrastructure projects (roads, rail, electricity projects). Both of these countries could also be interested in more intense cooperation of the EU with neighboring non-members such Ukraine, Russia and (depending on political developments) Byelorussia. Such groups of members might in the future compete for the political priorities and resources of the EU to advance projects of cooperation with historically and geographically close third countries: South European EU members

¹¹ Guerot, U., Hughes, K., Lefebvre, M., Egenhoff, T. “France, Germany and the UK in the Convention. Common Interests or Pulling in Different Directions”, *EPIN Working Paper*, no. 7, July 2003, p. 12.

¹² Nordic Council to discuss enhanced cooperation, Euobserver, www.euobserver.com, 09.10.2000.

are likely to continue advocating closer relations with Latin American or Mediterranean countries; Greece, Italy and some Central European EU members could form a coalition advocating support to reforms in Balkan countries; Poland, Baltic states and Nordic EU members will most likely support closer relations with Russia. Importantly, France and Germany in this respect might join different coalitions: the former being more interested in cooperation with South and the latter with East.

The notion of geography and history has another aspect to it. Due partly to those reasons – proximity to Russia and historical memories – (in addition to its size and military resources) acceding member states are more inclined to maintain close relations with the USA and support its presence (and the role of NATO) in Europe than some of the current EU member states. However in this respect, like on other issues, new and old member states are not going to form two separate coalitions but will rather form coalitions including combinations of new and old members. For example, a coalition of EU members supporting closer relations with the USA is likely to include most new members and Great Britain (maybe also Spain, Italy and Denmark). This split between “transatlanticists” and “continentalists” became quite evident during the operations of the US in Iraq in the spring of 2003. Particularly illustrative has been the reaction of President Jacques Chirac to the declared support of the USA by acceding countries. In this sense, it is a sign that France still has aspirations to create a group of European states that could become a balancing force to the US in the world¹³.

This foreign policy goal of France might play an important role in further developing a coalition between France, Germany, Belgium and Luxembourg in creating a defense union, which was first discussed publicly in March 2003. Debates about enhanced cooperation on defense policy matters have been initiated before, mainly due to the revival of the “French-German motor”. After the presidential elections in France which ended the period of “cohabitation” during which the president and the prime minister represented different parties, France and Germany renewed the bilateral axis by presenting joint proposals on institutional reforms of the EU, security and defense, justice and internal affairs, economic policy and financing EU enlargement. They also openly supported the idea of enhanced cooperation in security and defense policy matters, although this idea contradicts the provisions of the Treaty of Nice.

This contradiction could be solved either by undertaking cooperation outside the EU or by amending the Treaty of the EU. It seems that France and Germany so far followed the second path by supporting the inclusion of provisions on structured cooperation in defense matters, including restrictions for other willing to join later, and attaching the declaration with a list of potential participants in this initiative. Also, during the IGC in the second half of 2003, France and Germany started deliberating the idea of a two country core with a common security and defense policy and some other policies to be created after the enlargement of the EU. This idea, which was publicly advanced after France represented Germany in one of the EU summits, is not new and was first suggested about a decade ago but later rejected by France¹⁴. Its

¹³ Grabbe, H. “Shaken to the Core”, *Prospect*, May 2003, p. 12-13.

¹⁴ “Core Franco-German Union considered”, *Euobserver*, www.euobserver.com, 13.11.2003

revival during the process of IGC could be a strategic bargaining move aimed at convincing some reluctant countries to give their support to the draft EU Constitution. The circumstances and the timing of this initiative and the public hints of German and French leaders about financial and other sanctions against states opposing some of the provisions in the draft Constitution confirm this interpretation. However, although the idea of enhanced cooperation (even though among much smaller number of states than provided in the Treaty) is most probably used this time again as a bargaining tool, it also illustrates the possible methods of most integration-minded member states to cope with diversity in the enlarged EU.

In addition to the willingness to advance enhanced cooperation in defense matters, there is another issue involved: the capabilities of initiating countries to advance their objectives. For example, the reports about the participation of Belgium and Luxemburg in this new defense initiative caused a wave of critical comments about the potential input of these countries into the military structures. To put it differently, these types of initiatives will not be credible without the support and participation of Great Britain, which until recently has been reserved about such initiatives. Although recently this attitude has been changing, it is unlikely that Britain would support any initiatives in defense matters which could reduce the role of the USA and NATO in European security. However, if this idea was actually implemented it would create difficult dilemmas for Lithuania and other new members of NATO and the EU¹⁵. The joint initiative of France, Germany and some other countries could have a strong political and symbolic impact on new EU members. Being left outside such initiatives and losing the right to participate in the decision making structure (which has been among the main motive to join the EU), they would have to reexamine their defense and security policy and membership in security alliances.

Finally, the *level of economic development* of a country is another important factor which influences position on redistributive and regulatory issues in the EU. The average income level of acceding states in 2002 was around 40 percent of the EU average. Although some acceding countries (Slovenia) have a per capita GDP above that of some current members (Greece), and some acceding countries (Baltic states) are realizing growth much faster than most EU members, the differences of economic development and income are likely to remain for 15-20 years. Some differences probably will never disappear, but their relative significance should become smaller with the economic growth of the EU and the catching-up of new members.

However, until significant catching-up takes place the differences of national preferences about a number of policy issues are likely to divide member states into groups of rich and poor countries. Two policy issues – redistribution through the EU budget and further approximation of regulatory standards – are going to create divergent positions between countries of different levels of economic development. The

¹⁵ After the last trilateral summit of France, Germany and Great Britain, it has been reported an agreement between the three has been reached that the EU should create joint capacities to plan and undertake operations without recourse to NATO resources and structures. It was also declared that this initiative should be undertaken by all 25 member states. However, if all countries do not reach an agreement on this idea, it could be developed in the “circle of interested partners”. (“UK comes nearer to Franco-German position on defense”, *Euobserver*, www.euobserver.com, 2003.09.23). Later the government of Great Britain denied lending support to this idea.

majority of EU legal norms regulates trade between member states and aim at correcting “market failures”, often by setting detailed minimum quality standards and norms of production process. The same could be said about harmonizing indirect taxes (VAT and excise taxes) by setting minimum EU wide norms. Strict regulatory standards usually reflect preferences of rich member states which try to extend their own domestic norms to the EU level, thereby reducing their own adjustment costs and shifting them on other member states. Although the adjustment costs are often managed by allowing for transition periods, they can become a significant burden on the budgets, companies and consumers of poorer member states reducing their competitiveness. It is exactly for this reason that Lithuania and other acceding countries negotiated about twenty or more transition periods for implementing most expensive EU directives during the accession negotiations.

Most of the proposals which are currently on the EU agenda aim at setting stricter norms in a number of areas (protection of environment, norms of chemical products, etc.). The adoption of these norms would have a negative impact on the competitiveness of Lithuanian companies and would push prices upwards. Therefore, the governments of Lithuania and other acceding countries should ally against raising regulatory standards (assuming, of course, that national position is based on the economic reasoning and is not captured by narrow interest groups, which might use regulatory norms to raise market entry barriers and prevent new competitors from entering the market). Overall, regulatory harmonization should become slower after the enlargement due to the increase in differences of economic development. It is no accident that in recent years the European Commission has been advocating the use of more flexible regulatory methods (framework directives, self-regulation, etc.)¹⁶. It is also for similar reasons that one of the main new items of the EU agenda – implementation of the Lisbon strategy – is based on the open method of coordination, which is based on comparative guidelines of non-obligatory nature leaving the choice of policy instruments to member states.

Redistribution through the EU budget is another area where cleavages and opposing coalitions between net contributors and net recipients are likely to emerge. In this aspect, a coalition of Germany, the Netherlands, possibly Sweden and some other countries on the one hand, and a coalition of net receivers on the other hand, could emerge. The latter group would include mostly new member states. However, even on this issue there would not be a clear division between old and new members, because France, Spain and Italy would probably support increases in budget expenditures or the status quo. At the same time, Slovenia and Estonia would probably join another group led by Germany. On this issue, the differences of positions between Germany and France are likely to diverge (although the degree of divergence would depend on the fate of the Growth and Stability pact, which is currently breached by both countries). The more evident opposing coalitions on budgetary issues will most likely emerge when the new financial perspective of the EU is being decided.

¹⁶ See Commission of the EC, “European Governance. A White Paper”, Brussels, COM(2001) 428, 25.07.2001.

National preferences are formed not only on the basis of structural factors but are also shaped by domestic policy actors. Two groups of actors – interest groups and policy makers – which shape national preferences are discussed below. The analysis is based on the positions of the governments which have been presented during the debates on the future of Europe and the structural characteristics of the respective economies. Possible coalitions on the basis of these two factors are discussed.

Preferences of *interest groups* and their influence on state policies depend on the nature of their activities and the capacity to organize. To be sure, in the multilevel governance system of EU interest groups, in particular those represented by European associations, has other channels of influence which are directed towards EU institutions (in particular European Commission). However, usually both national and supranational channels of influence are used and the national governments remain among the most important targets of domestic interest groups. Therefore, it is important to continue assessing interactions between domestic interest groups and the governments, taking into account that in some cases (such as security and defense policy) the impact of interest groups on national preferences might be insignificant.

Detailed analysis of interest groups' preferences is beyond the objectives of this article, but several remarks will suffice. First, most acceding countries are small and relatively open economies. Taking into account the large share of their foreign trade relative to their GDP, it is likely that many companies in these countries will support the further lowering of barriers to trade with third world countries (as trade inside the EU will become completely liberalized after the accession). In particular, due to the traditional relations with neighboring third world countries, companies in new member states might support liberalizing trade with neighboring markets which will border the Union.

However, the liberalization of international trade within the WTO framework is currently relatively advanced. At present, most important are the non-tariff barriers to trade and tariffs levied on agricultural products (and domestic support to farmers). Regarding the latter issue, several likely coalitions could be expected. They will depend on the importance of the agricultural sector in a country's economy (and employment) and the traditionally strong lobbying of farmers. It is likely that there will be a coalition of protectionist countries led by France which will include Italy, Spain, Greece, Poland, Lithuania, Latvia and Romania. These countries will remain opposed to further liberalization of open agricultural trade among the WTO members and the reform of Common Agricultural Policy in the EU. Though it should be noted that immediately after the accession the new members might advocate reducing support to farmers in the EU only to reduce the differences in the level of direct payments which will be allocated to farmers of current and new member states. But after the discriminatory features of direct payments are eliminated, this motive will disappear and the new members will most likely respond to the lobbying of their farmers and try to increase the level of support.

In the area of non-tariff barriers to trade, the development of regulatory harmonization will be a most important issue. As it was argued above, the differences in the level of economic development will result in harmonization creating most adjustment costs for companies in poorer member states. At the same time, the application of transition periods on cabotage and movement of labor (and measures taken to

protect domestic labor markets) shows that interest groups in current member states are going to search for ways to protect themselves from the competition based on cheaper labor in new member states. In this respect, some richer new member states might join Germany, Nordic countries and other states supporting new regulatory measures; while Greece and some poorer old members might join the coalition of states supporting the status quo or even deregulation.

Finally, when evaluating preferences of governmental elites, two important cleavages could be singled out. First, governments favoring liberalization and those favoring state interventionism. Second, those that favor further deepening of integration and proceeding towards an “ever closer union”, and those opposing it. Although the attitude of national (and supranational) elites is a matter of ideology, we can observe a different trend in Europe. Governments supporting liberalization include British and Spanish, sometimes supported by Italian and Portuguese governments. They are likely to be joined by Estonian and Czech policy makers.

On the other hand, the opposition to liberalization and deregulation comes from French elites sometimes supported by German (although in both countries governments are gradually trying to implement structural reforms), Austrian and Nordic governments (though the latter often support liberalization of the EU’s external trade). It is very likely that they will be joined by Poland, Lithuania and most other new member states’ elites. Although in some of them (for example, Lithuania) external trade policies have been more open than the EU’s external trade policy and privatization is more advanced in some areas than in most current EU members; these are the results of transition reforms and international commitments. Overall, the socialization in the institutions of the EU and the implementation of the Lisbon strategy, which represents a “third way”, will reinforce the culture of compromise in new members rather than policies based on ideology. The more important cleavage, therefore, might be the one based on the preferences regarding further deepening of integration where the original six might form a coalition opposed by most other member states.

Conclusions

With the evaluation of possible issues based on intergovernmental coalitions in the enlarged EU, several observations can be made. First, it is very unlikely that permanent coalitions will be formed uniting current member states and new members. The more likely scenario is the one of issue based fluid coalitions. Similar conclusions are made by other analysts¹⁷. This reduces the possibility of frequent use of enhanced cooperation.

Second, the composition and the endurance of intergovernmental coalitions will also depend on what particular issues are under discussion in the EU. For example, coalitions of big and small member states are formed during the times of institu-

¹⁷ See, for example, Moravcsik, A., Vachudova, M. A., “National Interests, State Power and EU Enlargement”, *East European Politics and Society*. August 2002, draft; Baun, M., “EU Intergovernmental Politics after Enlargement”. Paper presented at the 8th Biennial International Conference of the EUSA, Nashville, March 27-29, 2003.

tional reform. Coalitions of rich and poor countries emerge during the adoption of the financial perspective and the EU budget. Coalitions for and against reform of Common Agricultural policy are formed during budgetary issues. The coalition which comes closest to being permanent and therefore might result in projects of enhanced cooperation is the coalition of countries that support further deepening of integration and moving "towards an ever closer union".

Third, changes in coalitions and the use of side payments by linking different issues will follow similar patterns which have been present in the EU. Although the search for compromises and the length of negotiations might become more time consuming, the patterns of EU politics should not experience radical changes after the enlargement. To be sure, more time consuming bargaining (in particular when the clear leader will be absent) might slow down decision making processes and strengthen incentives for enhanced cooperation. These incentives might be further strengthened by the relative lack of financial resources to make side-payments to reluctant governments after the enlargement. On the other hand, the need for enhanced cooperation could be weakened if the rules of qualified majority voting are reformed according to the principles suggested by the Convention. However, in the areas where unanimity will remain the rule, and where preferences regarding further integration will diverge most strongly, the need for enhanced cooperation will remain strong.

Fourth, the possibility of enhanced cooperation taking place is the strongest in the area of security and defense. This area is not so closely connected to economic policies and therefore issue linkages and side-payments are less likely here. The possible core which might initiate enhanced cooperation in this area is already visible, though it is smaller than that required by the Treaty to make it. All countries supporting this idea could also be characterized as supporters of deeper integration. However, in order to formalize enhanced cooperation, the support of Great Britain and several other states is necessary. Such an incentive would also have to be compatible with the existence of NATO. Finally, it would require resources which might be difficult to allocate during the period of current economic slowdown.

Therefore, it is most likely that the idea of enhanced cooperation will be limited to using it as a bargaining tool to convince reluctant member states rather than becoming an important alternative to Community methods aimed at managing increased diversity in the Union. Most new initiatives will originate in the original six member states that, assisted by the European Commission, will try to use the prospect of enhanced cooperation as a bargaining tool. The possibility for those initiatives to become institutionalized as enhanced cooperation will depend on the degree of divergence of national preferences and its endurance. In the EU, where fluid issue based coalitions are present and the qualified decision making procedures are simplified, the use of enhanced cooperation should not become frequent.

Finally, if enhanced cooperation does take place, what would be the implications for Lithuania? The answer to this question first of all depends on the evaluation of the effects of such initiatives. Enhanced cooperation might be a useful method to deal with persistent divergences of preferences without impairing the effectiveness of the EU because it could allow the respect of differences and preservation of the main achievements of integration (especially the internal market). In this sense it could be beneficial to both those participating in it and those remaining outside. To be sure,

enhanced cooperation would not pose a threat to Lithuania and other potential outsiders if it remained open to them. However, such initiatives would create a permanent pressure on reluctant members – both if they were only used as a bargaining tool and if they actually were implemented. This pressure would originate from the dilemma of having to choose between the national interests if they suggested remaining outside the core, and the desire to be part of the avant-garde and to prevent being left out of important decisions. In order to deal with this dilemma, appropriate understanding of Lithuania's interests and the choosing of coalition partners will be of crucial importance. However, increasing diversity in the enlarged EU will inevitably lead to situations where the choice will be between harmonization (where the outcome would most likely be decided by larger and richer member states), enhanced cooperation in which Lithuania does not take place, or the use of more flexible methods of cooperation.