

**THE MAKING OF FOREIGN POLICY
IN THE EUROPEAN COMMUNITY/UNION:
THE CASE OF EASTERN EUROPE, 1988-1995**

by

Karen Elizabeth Smith

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ABSTRACT

This thesis will argue that since the late 1980s, the Community/Union has formulated and implemented an active, consistent, common policy towards Eastern Europe. The policy's principal aim has been to support the economic and political transformation in the former communist countries. As circumstances have changed in Eastern Europe, the Community/Union has used different policy instruments to try to fulfill that aim. By 1995, the EU had agreed to enlarge itself to include the East European countries, had approved an innovative and unprecedented pre-accession strategy to facilitate enlargement, and had launched the Pact on Stability in Europe to prevent conflicts among the potential new members.

The question at the heart of the thesis is why the EU member states agreed to a joint policy towards Eastern Europe. Several theories of cooperation will be evaluated in terms of their usefulness in explaining this particular case of cooperation. Explanations derived from International Relations theory generally offer inadequate explanations of cooperation within the sui generis EU. Rationalist theories cannot explain the member states' continual compromising, or the sense of collective interest and identity, made manifest in the process of making a common policy towards Eastern Europe. Neo-functionalism and constructivism are much more useful for explaining why the EU formulated and implemented a common policy. In particular, neo-functional insights into spillover, externalization, the supranational style of decision-making, and the Commission's role help explain the making of the policy. The constructivist emphasis on how the process of interaction among the member states can transform their perceived interests and identities contributes to that explanation, illuminating why the Community/Union could formulate a joint policy reflecting its (collective) interests, principles and goals.

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CHAPTER 1

INTRODUCTION

This thesis will analyze the extent to which the Community/Union has formulated and implemented a common foreign policy towards the countries of Eastern Europe and why the EC/EU member states have cooperated on the policy. It will argue that since the late 1980s, the Community/Union has functioned as an effective international actor, conducting a common policy towards Eastern Europe. The thesis will seek to explain why the member states agreed to, lobbied for, or simply accepted tacitly a common policy towards Eastern Europe, and how the policy reflected the consensus. A number of different explanations for foreign policy cooperation will be evaluated in terms of their usefulness for explaining this particular case of cooperation.

"Eastern Europe" refers to the following countries: Bulgaria, the Czech republic, Hungary, Poland, Romania, and Slovakia.¹ All of these countries were former members of the CMEA (Czechoslovakia, of course, was one country then), and all have now become EU associates. By focussing on these six countries, the thesis can emphasize the development of the Community/Union's relations with them from the Cold War to the present. The Community's relations with the former East Germany, also previously a CMEA member, will be covered up

¹Several of these countries prefer to be considered "Central European"; the Community/Union does in fact refer to these countries (and others) as the "Central and East European Countries" (or CEECs). The term "Eastern Europe", however, will be used in this thesis as a convenient shorthand for Central and Eastern Europe.

until German unification. Recently, the newly independent Baltic republics (Estonia, Latvia, and Lithuania) and Slovenia have negotiated association agreements with the EU, but the thesis will not discuss the EU's relations with them in any depth.² Nor will relations with Albania (in autarkic isolation throughout the Cold War), or the other former Soviet republics, be covered to a significant extent. In all but the case of the former Soviet republics, the EU's policy has followed the same lines developed in the policy towards the first six East European associates.

The thesis will focus on the period between 1988 and 1995. Before 1988, the Community did not play a significant role in relations with Eastern Europe because the member states limited its role and because relations between Eastern and Western Europe were constrained by the Cold War. In 1988, the Community began to conclude trade and cooperation agreements with the CMEA states, as they implemented reforms; the Community was conducting a (limited) foreign policy, based on the principle of conditionality, with the objective of encouraging economic and political reform. In 1989, when communism crumbled in country after country behind the Iron Curtain, the Community assumed a leadership role in Europe and conducted a much more active policy, based on the same objectives and principles. Over the next few years, the Community had to adapt the policy to reflect the extent of the

²Yugoslavia was a CMEA associate prior to its disintegration, but the Community's relations with Yugoslavia will be discussed only briefly in this thesis; its involvement in trying to end the war in the former Yugoslavia could be the subject of another thesis, and will not be covered here.

transformation in Eastern Europe; it eventually accepted the prospect of enlargement to the east. In December 1994, the EU set out a far-reaching and unprecedented pre-accession strategy to prepare the associates for membership.

The thesis will analyze this remarkable evolution from mere trading relations with the East European countries in 1988 to preparation for enlargement by late 1994. Because conflict prevention has become a more important part of the EU's policy, several initiatives which continued through 1995 will also be discussed. Hence the period under consideration in this thesis will extend into 1995.

During this period, the Maastricht Treaty was negotiated and entered into force (on 1 November 1993). The European Community became one of three pillars of the European Union, and the Common Foreign and Security Policy (CFSP), another EU pillar, replaced European Political Cooperation (EPC). This of course creates several difficulties with terminology (which are compounded by the extent to which the line separating the "pillars" or separate policy-making mechanisms has blurred in the case of the policy towards Eastern Europe). As far as is possible, the terms "Community"³ (or "EC") and "Union" (or "EU") will be used, depending on the period and issue under discussion, but sometimes it will be necessary to use the

³Again, the use of "Community" sometimes implies the EEC as originally established by the Rome Treaty (leaving aside the evolution of the three European Communities, including the European Economic Community, into the European Community), and sometimes it implies the Community and the member states, acting within the bounds of the Rome Treaty and EPC. The problem in the case of the policy towards Eastern Europe is that any such differentiation becomes increasingly harder to make. The EC also still exists - and it has international status, whereas the EU does not.

awkward "Community/Union", in the interests of accuracy.

"Foreign policy" is yet another problematic term. As Brian White has noted, "policy" has two very different connotations. Policy can mean an explicit plan of action, designed to serve specific objectives (an activist conception). Or it can mean a series of habitual responses to events in the international realm.⁴ The Community/Union has frequently been criticized as capable only of reacting to outside events, rather than initiating active policies, in the sense of long-term strategies to pursue its interests.⁵ (Its reactions could, though, still be considered "policy".) To a certain extent, the policy towards Eastern Europe has arisen in response to external events and demands, but the Community/Union has also specified its policy objectives and principles, and actively utilized a variety of instruments in an attempt to fulfill its aims.

The meaning of "foreign", on the other hand, is fairly clear-cut: the East European countries are "third countries" (in EU jargon), or non-members, and thus the object of policy. Interestingly, however, the policy towards Eastern Europe has evolved from one directed towards third countries to one increasingly directed towards near-members. The associates, however, are still clearly "third countries".

⁴Brian White, "Analysing Foreign Policy: Problems and Approaches", in Michael Clarke and Brian White, eds., Understanding Foreign Policy: The Foreign Policy Systems Approach (Aldershot: Edward Elgar, 1989), pp. 6-7.

⁵Eberhard Rhein, "The Community's External Reach", in Reinhardt Rummel, ed., Towards Political Union: Planning a Common Foreign and Security Policy (Boulder: Westview, 1992), p. 36.

Put the two terms ("foreign" and "policy") together in the context of the Community/Union, and further problems arise. All foreign policies encompass both economic and political aspects. But analyzing the formulation and implementation of foreign policy in the Community/Union is complicated by the institutional division between the frameworks for making "foreign economic policy" and for coordinating "foreign policy". Responsibility for foreign economic policy (or "external economic relations" as it is more accurately called) has been largely entrusted to EC bodies (pre- and post-Maastricht), while the member states have formulated some common positions on some foreign policy issues in an intergovernmental framework (EPC, now CFSP).

For this "collectivity" (member states and EC bodies acting within these frameworks) to function as an international actor, that is, actively and deliberately in relation to other actors in the international system⁶, numerous obstacles have to be overcome: agreement on a policy or position must be reached by the member states within either framework (depending on the issue at hand) or both; if necessary, coordination problems between the intergovernmental framework and EC framework (which has jurisdiction over many useful policy instruments) must be resolved and "consistency" ensured; and the limits posed by the lack of many of the traditional foreign policy accoutrements, such as diplomatic and military services, surpassed or circumvented. In the case of Eastern Europe, these obstacles have largely been overcome:

⁶Gunnar Sjöstedt, The External Role of the European Community (Westmead: Saxon House, 1977), p. 15.

the member states have agreed on an active, common foreign policy; there has been an extensive "blurring of the line" between the two frameworks; and the EU/EC has possessed or acquired appropriate instruments to implement the policy.

1.1 FOREIGN POLICY VS. EXTERNAL ECONOMIC RELATIONS

To expand on the problem of international actorness, and thus help illuminate why the case of cooperation on a policy towards Eastern Europe is unique, this section will briefly discuss the formal procedures and rules on making foreign policy and foreign economic policy in the Community/Union.

In the Treaty of Rome, there are several provisions under which the EC can conduct relations with non-member countries. These provisions were modified only slightly by the Maastricht Treaty. The Community can conclude association agreements with other states (article 238) and it can extend membership to other European states (article 237). Under articles 110-116, the Community is to establish a Common Commercial Policy (CCP), which is based on a common external tariff. Under article 112, member states are to harmonize their export credit systems. Article 113 states that the CCP is to be based on uniform principles, regarding changes in tariff rates, the conclusion of tariff and trade agreements, liberalization measures, export policy, and anti-dumping and anti-subsidies measures. Agreements with third countries are to be negotiated by the Commission, according to Council directives.⁷ Such agreements are to be concluded by the

⁷During negotiations, the Commission consults with a special committee (the "Article 113 committee") of government officials appointed by the Council.

Council by a qualified majority vote.⁸ Agreements not specifically covered by the CCP could still be negotiated with third parties by the Commission, under article 228 (Rome Treaty and Maastricht Treaty).⁹ Only the Community has the power to conclude international treaties; the Maastricht Treaty did not endow the EU with similar international status.

As will be discussed further in the thesis, the member states have not readily accepted EC jurisdiction over commercial policy, especially with respect to Eastern Europe. Only in 1975 were member states' trade treaties with East European states replaced by a Community framework; even then, they concluded "cooperation" agreements which were virtually trade agreements in all but name. The member states have still not agreed that export credit policy should be subjected to Community rules.

Under the Rome Treaty, the European Parliament (EP) had few formal powers with respect to the CCP or to association and membership agreements. With the 1987 Single European Act (SEA), the EP acquired the right to approve association and membership agreements. This was extended under the Maastricht Treaty to all but very simple trade agreements (of which the EC concludes very few, nowadays); but even before Maastricht, the EP had been asked to approve trade and cooperation

⁸Under the original article 114, replaced by the Maastricht Treaty's provisions of article 228.

⁹The European Court of Justice (ECJ) in the 1970 ERTA case ruled that the EC could conclude agreements with outsiders in any area where it exercised power internally; later, it ruled that the EC could do so whenever it was necessary to attain one of the EC's specific objectives. Paul Taylor, The Limits of European Integration (New York: Columbia University Press, 1983), pp. 123-124.

agreements with the East European states (see chapter 4).

These legal powers allow the EC to send and receive diplomatic representatives, participate in international organizations and conferences, carry out a wide-ranging development policy, run an extensive network of trading relations, promote regional cooperation, and implement trade sanctions.¹⁰ The EC's stature has increased with the enormous growth of the EC into the world's largest trader¹¹: the importance of trade and economic ties in an era of interdependence reinforces the EC's influence.

The EC's relations with other countries, however, are generally called "external economic relations", to distinguish them from "foreign policy", even if in practice (particularly in a world characterized by interdependence) the difference is often hard to make out. This division perpetuates and validates the rather artificial distinction between "low politics" (economic relations) and "high politics" (matters of security and defense).¹²

EPC was formed in 1970 for a number of reasons: to

¹⁰Roy Ginsberg, Foreign Policy Actions of the European Community: The Politics of Scale (Boulder: Lynne Rienner, 1989), p. 42. See also Rhein 1992.

¹¹In 1991, the EC's share of world imports was 22.4% and its share of world exports was 19.9% (excluding intra-EC trade); the US, the next largest trader, had a 17.8% share of world imports and a 16% share of world exports. Commission of the European Communities, Europe in a Changing World: The External Relations of the European Community (Luxembourg: OOEPC, 1993), p. 8.

¹²See David Allen, "Foreign Policy at the European Level: Beyond the Nation State?", in William Wallace and W.E. Paterson, eds., Foreign Policy Making in Western Europe: A Comparative Approach (Farnborough: Saxon House, 1978), pp. 139-140.

balance the EC's economic weight, to allow member states to speak with one voice in world affairs, and as a step towards political union.¹³ Philippe de Schoutheete delineated three objectives for EPC. First, "une communauté d'information" would be created, by means of frequent meetings, in which information would be exchanged and serve as the basis for a common analysis of foreign policy issues. Second, "une communauté de vues" would be built, in which a consensus of positions would be sought. Finally, the consensus would be translated into common declarations, the creation of "une communauté d'action".¹⁴

Until 1987, EPC was based on three reports, which set out its principles and procedures: the 1970 Luxembourg Report, the 1973 Copenhagen Report, and the 1981 London Report. EPC was separate from the EC: of the EC's institutions, only the Commission played any role at all in the decision-making process. The SEA consolidated many of the practices and customs which had developed over the years (the "acquis politique")¹⁵, but did so under a separate title and referred to the member states as 'high contracting parties' - thus upholding the EC-EPC division.

At the top of the decision-making machinery was the

¹³See Simon Nuttall, European Political Cooperation (Oxford: Clarendon Press, 1992), chapter 2 for an account of the origins of EPC.

¹⁴Philippe de Schoutheete, La Coopération Politique Européenne (Brussels: Labor, 1980), p. 45.

¹⁵See Renaud Dehousse and Joseph H.H. Weiler, "EPC and the Single Act: From Soft Law to Hard Law?", in Martin Holland, ed., The Future of European Political Cooperation: Essays on Theory and Practice (London: Macmillan, 1991), p. 132.

European Council (summits of the heads of state or government, set up in 1974), the only framework within which both EC and EPC matters could formally be handled.¹⁶ The foreign ministers met regularly, sometimes "at the margins" of meetings of the EC General Affairs Council (the foreign ministers). The agendas of EPC and EC Council meetings were separate until 1990, when the Irish and Italian presidencies merged them.¹⁷ EPC discussions were prepared by the Political Committee (the political directors of the foreign ministries), while EC discussions are prepared by the Committee of Permanent Representatives (Coreper). The Political Committee directed the EPC working groups, made up of national heads of departments and organized geographically or by subject matter. The Group of European Correspondents (middle-grade foreign ministry officials) drafted the Political Committee's conclusions. Although initially excluded, the Commission was soon fully associated with EPC (officially so since 1981), participating in meetings at all levels.

The Presidency¹⁸ managed it all, setting agendas, circulating position papers, and acting as a spokesman for all the member states. To lessen the load, particularly in contacts with third countries, the Presidency has been accompanied by representatives of the previous presidency and

¹⁶Rarely, however, did the European Council play a major role in EPC. From 1974, "Gymnich-type" meetings were held, informal gatherings of the foreign ministers at which both EPC and EC business was discussed, but no decisions were taken and no official record was made. Nuttall 1992, pp. 14-15.

¹⁷Nuttall 1992, p. 15.

¹⁸Member states held the presidency of the EC and EPC, and of the EU's three pillars now, simultaneously.

the next, and the Commission: the Troika.¹⁹ The SEA established a small, minimal secretariat, housed in the EC Council's headquarters in Brussels.²⁰ There is no central planning and analysis body.²¹ A confidential telex network known as Coreu connects the foreign ministries, the EPC secretariat (now the CFSP unit in the Council Secretariat), and the Commission.

The SEA declared that the member states will "endeavour jointly to formulate and implement a European foreign policy" (article 30.1). But since all decisions were taken by consensus, often the member states could not reach agreement on international issues or could agree to only modest proposals.²² EPC's own instruments were basically limited to declarations and demarches. Security was even a touchy subject in EPC (because of Ireland's neutrality, and the desire not to encroach on NATO's jurisdiction), but the SEA included the political and economic aspects of security as areas that could be discussed within EPC (article 30.6).

The SEA stipulated that the EC's external policies and the EPC's policies must be consistent, which is generally understood to mean that the measures and actions taken in both

¹⁹Nuttall 1992, p. 19.

²⁰It helped draft replies to questions from members of the EP about EPC (just about the EP's only involvement in EPC).

²¹The 1996 Intergovernmental Conference, however, looks set to make provisions for one.

²²Simon Nuttall maintains that where EPC could set its own agenda, decisions did not represent the lowest common denominator, but a median of the range of national views. Nuttall 1992, pp. 314-315.

frameworks must not conflict with one another.²³ The Presidency and the Commission were responsible for ensuring that such consistency was sought and maintained (article 30.5). EPC and EC policies increasingly complemented one another; the EC's economic instruments were used to "reinforce" EPC declarations. To that end, the EC could impose trade sanctions²⁴; it could adopt positive trade measures (dropping import restrictions or lowering tariffs); it could cut off development aid²⁵; and it could offer more generous aid packages. Sometimes EPC organized a political dialogue alongside the Community's economic dialogue with third countries and organizations. In addition, the Community's association agreements with third countries provide for regular meetings of an Association Council, during which EC foreign ministers may, informally, discuss political issues with the country concerned.²⁶ The Community was a "civilian power" - dependent on economic and diplomatic instruments - in contrast to the superpowers with their vast

²³Nuttall points out that it is unlikely that EPC and Community policies would cancel each other out anyway. He notes two further meanings of consistency: where EPC dictates the political framework within which the Community then operates; and where Community instruments are used to reach foreign policy objectives. Nuttall 1992, pp. 319-320.

²⁴This practice took a while to develop, and was controversial through the early 1980s. See section 3.3.2.

²⁵In the case of the Lomé countries such measures were long taken only in the case of extreme violations of human rights.

²⁶Simon Nuttall, "Interaction between European Political Co-operation and the European Community", Yearbook of European Law, no. 7, 1987, pp. 244-245.

military arsenals and emphasis on power politics.²⁷

Although the distinction between EC and EPC gradually blurred more and more, the two frameworks have remained separate. Under the Maastricht Treaty, CFSP is a separate pillar²⁸, although there has been some institutional synthesis. The Commission is to be even more involved: it can submit CFSP proposals²⁹, a privilege hitherto permitted only of the member states. An enlarged EPC Secretariat has been merged into the Council Secretariat, but the Political Committee and Coreper are still separate bodies. Several EPC and Council working groups have been combined, including those on Eastern Europe (the two groups had already been cooperating closely).³⁰ The European Council is to define CFSP's principles and guidelines; the Council of foreign ministers

²⁷François Duchêne first developed the concept, in 1973, but emphasized that it reflected the Community's aim of "domesticating" relations between states, much as relations between EC member states resembled "home affairs" rather than inter-state foreign relations. See Panos Tsakaloyannis, "The EC: From Civilian Power to Military Integration", in Juliet Lodge, ed., The European Community and the Challenge of the Future (London: Pinter, 1989), and Christopher Hill, "European Foreign Policy: Power Bloc, Civilian Model - or Flop?", in Reinhardt Rummel, ed., The Evolution of an International Actor: Western Europe's New Assertiveness (Boulder: Westview, 1990).

²⁸The first pillar is the EC, the second is CFSP, and third consists of provisions for intergovernmental cooperation in justice and home affairs.

²⁹Because of its new role, the Commission in early 1993 divided DG I (External Relations) into DG I, for External Economic Relations, and DG IA, for External Political Relations. This perpetuated a 'high politics-low politics' dichotomy. The Commission president from January 1995, Jacques Santer, attempted to move away from that division, by giving responsibility for political and economic relations with Eastern Europe to only one Commissioner.

³⁰See Geoffrey Edwards, "Common Foreign and Security Policy", Yearbook of European Law, no. 13, 1993, p. 499.

will take decisions. The Presidency represents the EU in CFSP matters. The Council and the Commission are to ensure the consistency of the EU's external activities (article C).

Under the CFSP, the member states are to ensure that "their combined influence is exerted as effectively as possible by means of concerted and convergent action" (article J.2). For that end, the CFSP provides for a new policy-making instrument, Joint Action. Member states are bound to follow the position agreed in the Joint Action, although there are provisions for opting out of it. This is the first time such an obligation has been agreed. The Council could decide unanimously that further decisions on a Joint Action be taken by a qualified majority vote.

Perhaps the most significant development contained in the CFSP relates to defense. All areas of foreign and security policy, including those with defense implications, can be discussed. The Western European Union (WEU) can be asked to carry out CFSP decisions that have defense implications. The EU seems to be considering the possibility of becoming a military power.

The CFSP did not actually transform the way in which the EU formulated and implemented policy towards Eastern Europe. The Maastricht Treaty did not reduce the need to ensure consistency because the EC and CFSP are separate pillars, and both before and after the Treaty entered into force, consistency in relations with Eastern Europe had already been achieved. The Commission's powers to submit CFSP initiatives codify practice: it continually made proposals regarding economic and political relations with Eastern Europe before

Maastricht. Only one Joint Action, the Stability Pact, has been taken with respect to Eastern Europe. The EU has instead set up the structured relationship, to integrate the associates into all three pillars. The policy towards Eastern Europe has not had defence implications; the EU-WEU link has, however, been used to provide the EU's associates with a framework for security and defense integration.

The policy towards Eastern Europe is unique in that formal rules were neither a constraint (an excuse for inaction or ineffectiveness) nor a spur (in and of themselves) for policy-making. The institutional frameworks were important in a wider dimension, as fora for cooperation among the member states. And in this particular case of cooperation, the member states agreed to "supersede" the rules and procedures.

1.2 CONTRIBUTION OF THE THESIS

There is no dearth of literature on the Community's relations with Eastern Europe before or after the Cold War. Since the 1970s, numerous works have been written on the subject. Peter Marsh, John Maslen (a Commission official), Charles Ransom, and John Pinder, for example, wrote extensively on EC-East European relations during the Cold War, as the footnotes in chapter 3 make manifest. Since communism collapsed and the Community began to play a significant role in Eastern Europe, there has been considerably more interest in the subject, but articles greatly outnumber longer works.³¹

³¹The exceptions to this include: John Pinder, The European Community and Eastern Europe (London: Pinter, 1991), and Susan Senior Nello, The New Europe: Changing Economic Relations Between East and West (New York: Harvester Wheatsheaf, 1991). Richard Baldwin's book, Towards an Integrated Europe (London: Centre for Economic Policy

Only a few of the recent works, however, use EC-East European relations as a "case study" with implications for theory. Peter van Ham uses neorealism and neoliberal institutionalism, but with respect more to the European integration process than to the Community's relations with Eastern Europe.³² Robin Niblett, in his 1995 DPhil (Oxford) thesis, The European Community and the Central European Three 1989-1992: A Study of the Community as an International Actor, uses several theoretical approaches (namely realism, institutionalism, domestic politics, and a "three-level game") to illuminate the constraints on the EC's ability to formulate and implement a consistent foreign policy and the resources that could allow it to overcome some of those constraints.

This thesis will contribute to the literature on the Community/Union's relations with Eastern Europe and to the literature on foreign policy cooperation within the EU. Firstly it will seek to demonstrate that the Community/Union formulated a common policy towards Eastern Europe. This contrasts with the views of some authors. Heinz Kramer, for example, argues that the Community's response to the fall of communism was "more a conglomeration of discrete activities than the result of a well-developed coherent strategy. The Member States proved unable to overcome their political

Research, 1994), deals almost solely with economic relations. A number of edited works have also been published, including Jean-Claude Gautron, ed., Les Relations Communauté Européenne - Europe de l'Est (Paris: Economica, 1991).

³²Peter van Ham, The EC, Eastern Europe and European Unity: Discord, Collaboration and Integration Since 1947 (London: Pinter, 1993).

differences over the appropriate course of action."³³ Critical interpretations of the Community's response to the events in Eastern Europe center on the long internal debate over enlargement or the extent to which the Community agreed to open its markets to East European goods.³⁴ Many observers have been disappointed with the content of the Community's policy.

Other authors, however, have been impressed with the Community's response, particularly in the immediate aftermath of the collapse of communism. Françoise de La Serre argues that the Community responded to developments in Eastern Europe with a remarkably consistent policy, at the level of actors and procedures, and of substance.³⁵ Jacques Pelkmans and Anna Murphy maintain that the Community acted quickly and effectively in Eastern Europe in 1989-1990.³⁶ This thesis will greatly expand on and update these arguments.

Secondly, this thesis will contribute to the more general literature on foreign policy cooperation within the EU. The

³³Heinz Kramer, "The European Community's Response to the 'New Eastern Europe'", Journal of Common Market Studies, vol. 31, no. 2, June 1993, p. 221.

³⁴John Redmond, for example, maintains that the Community could not formulate a coherent long-term strategy towards Eastern Europe as long as it "avoided" the membership issue. John Redmond, "The Wider Europe: Extending the Membership of the EC", in Alan Cafruny and Glenda Rosenthal, eds., The State of the European Community Vol. 2: The Maastricht Debates and Beyond (London: Lynne Rienner, 1993), p. 221.

³⁵Françoise de La Serre (1991b), "La Politique de la Communauté Européenne vis-à-vis de l'Est: Vers Une Approche Globale?", in Gautron, ed. 1991, especially pp. 593-598.

³⁶Jacques Pelkmans and Anna Murphy, "Catapulted into Leadership: The Community's Trade and Aid Policies Vis-à-Vis Eastern Europe", Journal of European Integration, vol. 14, nos. 2-3, 1991.

key questions posed in this thesis concern why the member states cooperate, and several different theoretical approaches will be evaluated as to their usefulness in answering those questions. In particular, the thesis will bring elements of neo-functionalism and constructivism into an analysis of foreign policy-making in the EU. As Martin Holland has argued, "the case for the re-evaluation of neofunctionalism with respect to foreign policy is strong"³⁷; but as yet, there have not been many attempts to do so.³⁸ There has also been relatively little use of constructivism, as developed particularly by Alexander Wendt, in analyses of cooperation within the EU. This thesis will argue that insights from both of those approaches are particularly helpful in explaining why the member states cooperated on the policy towards Eastern Europe, and how that policy was made.

1.3 THESIS OUTLINE

In Chapter 2, several theories of cooperation will be reviewed, to see which might help solve the puzzle of why the member states cooperated on the policy towards Eastern Europe. Most International Relations theories offer inadequate explanations of cooperation within the sui generis EU. Sociological approaches and "home-grown" theories (most notably neo-functionalism) are much more promising and

³⁷Martin Holland, European Community Integration (London: Pinter, 1993), p. 130.

³⁸One of the aims of The European Community in World Politics (London: Pinter, 1993), edited by Ole Norgaard, Thomas Pedersen and Nikolaj Petersen, is to assess Philippe Schmitter's externalization hypothesis. But neither of the book's two chapters on EC-East European relations actually does so.

helpful. Questions generated by these theories will guide the empirical research in chapters 3-6.

In Chapter 3, the Community's relations with Eastern Europe through 1988 will be analyzed. Although Community-East European relations remained quite limited, a certain legacy of cooperation was established, which could be drawn on as the communist regimes collapsed.

In chapters 4-6, the Community/Union's policy towards Eastern Europe between 1988 and 1995 will be analyzed. The policy will be sub-divided into the three chapters according to the policy instruments used. Chapter 4 discusses the development of a framework for relations with Eastern Europe in 1988-1989, and two policy instruments, trade agreements and aid, which the Community initially used to support reform in Eastern Europe. Chapter 5 covers the development of association and integration as policy instruments. Chapter 6 examines the Community/Union's efforts to prevent conflict in Eastern Europe.

The final chapter will reconsider the questions raised in chapter 2 and draw out the theoretical implications of the responses to those questions. Neo-functionalism and constructivism will be shown to be the most useful for explaining why the member states cooperated on the common policy.

CHAPTER 2

EXPLAINING COOPERATION IN INTERNATIONAL RELATIONS: THE SPECIAL CASE OF THE EUROPEAN UNION

The "puzzle" of this thesis is why and how the Community/Union formulated a common policy towards Eastern Europe in the period 1988-1995. Rather than concentrate on the limits to formulating a common EU foreign policy, the emphasis will be placed on explaining the joint policy-making that did occur.

Clearly, conventional foreign policy models, developed to explain national policies or policy-making, are inadequate in analyzing the making of foreign policy in the EU.¹ Even if the EU conducted an active foreign policy in pursuit of defined objectives, it would still be difficult to envisage the EU as a "rational actor". One must perforce be concerned with how the policy was made: its goals, principles, and instruments would have been decided in a process of interaction among the member states and EU institutions. An analogy with some "administrative process models", such as bureaucratic politics, might help explain policy-making, but the member states are not bureaucracies (however much autonomy one considers bureaucracies to have) and this would beg the question of why they could be likened to inter-state entities.

¹For a very clear guide to foreign policy models, see Michael Clarke, "Foreign Policy Analysis: A Theoretical Guide", in Stelios Stavridis and Christopher Hill, eds., Domestic Sources of Foreign Policy: West European Reactions to the Falklands Conflict (Oxford: Berg, 1996). The classic works on foreign policy analysis are Graham Allison, Essence of Decision: Explaining the Cuban Missile Crisis (Boston: Little, Brown and Co., 1971) and John D. Steinbruner, The Cybernetic Theory of Decision: New Dimensions of Political Analysis (Princeton: Princeton University Press, 1974).

For although the EC, now EU, is increasingly a supranational organization, no EU policy can be approved without at least the implicit consent of most, if not all, of its members, and most CFSP measures must be approved unanimously. Hence the questions at the heart of this thesis are why the member states agreed to, lobbied for, or accepted tacitly a joint policy towards Eastern Europe, and how that policy reflected the consensus.

Some observers charge that the academic community has been "unable either to relate EPC into any meaningful system theory, integration theory or international relations theory let alone create a new EPC general theory."² But as David Allen pointed out almost 20 years ago, European foreign policy-making is a process that "defies immediate categorization": it involves elements of integration, intergovernmentalism, transnationalism and bureaucratic politics, all against a background of interdependence.³ Martin Holland warns that no single theory of EPC should be promoted because "different conceptual approaches will be appropriate for different theoretical questions and illuminate a different set of empirical facts."⁴

There are a number of competing theories to explain why states may or may not cooperate. Several theorists have

²Joseph Weiler and Wolfgang Wessels, "EPC and the Challenge of Theory", in Alfred Pijpers, Elfriede Regelsberger, and Wolfgang Wessels, eds., European Political Cooperation in the 1980s: A Common Foreign Policy for Western Europe? (Dordrecht: Martinus Nijhoff, 1988), p. 229.

³Allen 1978, p. 135.

⁴Martin Holland, "Introduction: EPC Theory and Empiricism", in Holland, ed. 1991, p. 5.

addressed the particular question of why the EC member states cooperate, and why they might engage in joint foreign policy activity. This thesis will not 'test' one theory in particular. Instead, questions generated by several of these theories - particularly those that seem most promising and useful - will guide the empirical work in chapters 3-6. The first part of this chapter will cover International Relations (IR) theories of cooperation, divided into three broad groups: systemic theories, unit-level theories, and approaches which examine the symbiosis between international institutions and states. The second part will discuss theories of cooperation within the EC. Some of these are IR theories applied to the Community; others are theories that have been developed within the EC context. Most IR theories offer inadequate explanations of cooperation within the sui generis EU, while sociological approaches and "home-grown" theories seem more helpful (but may not be so useful outside of the EU context).

2.1 IR THEORY AND COOPERATION

2.1.1 Systemic Theories

The current mainstream American debate on cooperation is dominated by neorealists and neoliberal institutionalists. Both sides agree on a definition of cooperation: it occurs "when actors adjust their behavior to the actual or anticipated preferences of others, through a process of policy coordination."⁵ Policy coordination requires the actors to negotiate to bring their actions into conformity with one

⁵Robert Keohane, After Hegemony: Cooperation and Discord in the World Political Economy (Princeton, NJ: Princeton University Press, 1984), p. 51.

another. As Helen Milner points out, this definition assumes that each actor is behaving rationally, and implies that by cooperating, the actors reap gains or rewards.⁶ Neorealists and neoliberal institutionalists differ over the conditions (namely, the distribution of gains) under which cooperation is likely, and over whether institutions can foster cooperation.

Kenneth Waltz's reformulation of realism into a parsimonious systemic theory⁷ has been termed **neorealism**. According to Joseph Grieco, three assumptions lie at the hard core of the neorealist research program (in the Lakatosian sense): "states are the key actors in world politics; they are substantively and instrumentally rational; and their preferences and choices are largely shaped by the absence of effective centralized international authority, i.e., inter-state anarchy."⁸ Anarchy causes states to be interested above all in their security and independence. States will thus seek to balance stronger states, either by internal means (increasing their military capability) or by external means

⁶Helen Milner, "International Theories of Cooperation among Nations: Strengths and Weaknesses", World Politics, vol. 44, no. 3, April 1992, p. 468.

⁷Kenneth Waltz, Theory of International Politics (Reading, MA: Addison-Wesley, 1979).

⁸Joseph M. Grieco, "The Maastricht Treaty, Economic and Monetary Union and the Neo-realist Research Programme", Review of International Studies, vol. 21, no. 1, 1995, p. 26. Robert Keohane points out that the rationality assumption is crucial in neorealism: if actors weren't rational, "state behavior might have to be accounted for by variations in the calculating ability of states." Keohane (1989b), "Theory of World Politics: Structural Realism and Beyond", in Keohane, International Institutions and State Power (Boulder: Westview, 1989), p. 41.

(joining or strengthening an alliance).⁹

Cooperation, according to neorealists, is difficult because states are primarily concerned with relative gains, or whether or not other states will gain more than they do in any cooperative venture. Friends won't necessarily remain friendly, so states must ensure that even they don't become relatively more powerful: "[t]here is even the danger, however remote, that today's ally will become tomorrow's enemy."¹⁰ Because states are uncertain about the future intentions of other states, "they pay close attention to how cooperation might affect relative capabilities in the future."¹¹

States thus accord international institutions only minimal importance. Regimes are merely epiphenomenal and do not affect states' behavior. The international system is defined by states' own interests, power, and interaction.¹²

⁹See Kenneth Waltz, "Anarchic Orders and Balances of Power", in Robert Keohane, ed., Neorealism and Its Critics (New York: Columbia University Press, 1986).

¹⁰Joseph Grieco, Cooperation Among Nations: Europe, America, and Non-Tariff Barriers to Trade (Ithaca: Cornell University Press, 1990), p. 47.

¹¹Joseph Grieco (1993a), "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism", in David Baldwin, ed., Neorealism and Neoliberalism: The Contemporary Debate (New York: Columbia University Press, 1993), p. 128. Grieco, however, does admit that a state's sensitivity to relative gains varies, depending on, for example, whether the state's relationships approximate a state of war or whether the issue is a security or economic one. See Grieco (1993b) "Understanding the Problem of International Cooperation: The Limits of Neoliberal Institutionalism and the Future of Realist Theory", in Baldwin, ed. 1993, pp. 323-324.

¹²Stephen Krasner (1983a), "Structural Causes and Regime Consequences: Regimes as Intervening Variables", in Stephen Krasner, ed., International Regimes (Ithaca, NY: Cornell University Press, 1983), p. 6.

Bargains between states determine "who gets what" in the international economy.¹³ Related to this argument is the hegemonic stability theory, which posits that order in world politics is created by a single dominant power, and the maintenance of order requires continued hegemony.

Neoliberal institutionalists¹⁴, in contrast, claim that cooperation among self-interested, rational states with shared interests is more possible, and prevalent, than neorealists acknowledge. Neoliberal institutionalists base their case on neorealist assumptions; in some respects the difference between the two camps is insignificant.¹⁵

Neoliberal institutionalists cite findings from iterated Prisoner's Dilemma.¹⁶ When states must continue to deal with

¹³Susan Strange, "Cave! Hic Dragones: A Critique of Regime Analysis", in Krasner, ed. 1983, p. 354.

¹⁴The term "neo-liberal institutionalism" seems to have been coined by Robert Keohane. See "Neoliberal Institutionalism: A Perspective on World Politics" (1989a), in Keohane 1989. Keohane later opts to be labelled just an "institutionalist": he wants to avoid the "unfortunate connotation of 'liberal' and the ambiguity of 'neoliberal'". See his "Institutional Theory and the Realist Challenge after the Cold War", in Baldwin, ed. 1993, p. 298, fn. 3. This confirms the change in his theoretical orientation from transnationalism and interdependence theory to a much more rational-choice perspective.

¹⁵Liberalism's heritage is difficult to trace in neoliberal institutionalism - long gone is any emphasis on the peace-engendering effect of democracies and free trade. David Long also criticizes the neoliberal emphasis on the state: "many strands of liberalism go beyond the Harvard School's understanding of state-centric international relations to envision a world politics of individuals and groups..." See "The Harvard School of Liberal International Theory: A Case for Closure", Millennium, vol. 24, no. 3, Winter 1995, p. 503.

¹⁶See in particular Robert Axelrod and Robert Keohane, "Achieving Cooperation Under Anarchy: Strategies and Institutions", in Baldwin, ed. 1993. Axelrod had found that when individuals have a sufficiently large chance of meeting again, they have a stake in future interaction and will

each other and their governments place a high value on future payoffs, then cooperation can emerge. Neoliberal institutionalists also stress that cooperation is possible because states are primarily concerned with absolute gains, not relative ones. States' egoism means that "the preferences of actors in world politics are based on their assessments of their own welfare, not that of others."¹⁷ More recently, neoliberal institutionalists have acknowledged that "states worry more about relative gains of enemies than of allies."¹⁸ This further obscures the distinction with neorealism.

Institutions significantly affect the prospects for cooperation. Increasing economic and ecological interdependence creates a demand for rules and institutions to try to control the phenomenon. Institutions may be formal intergovernmental or cross-national nongovernmental organizations, regimes, or informal conventions.¹⁹ Much of the literature deals with regimes. Regimes are "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations."²⁰ They are more than temporary arrangements, based on short-term calculations

cooperate. Robert Axelrod, The Evolution of Cooperation (New York: Basic Books, 1984).

¹⁷Keohane 1984, p. 66.

¹⁸David Baldwin, "Neoliberalism, Neorealism, and World Politics", in Baldwin, ed. 1993, p. 7.

¹⁹Keohane 1989a, pp. 3-4. Keohane defines institutions as "persistent and connected sets of rules (formal and informal) that prescribe behavioral roles, constrain activity, and shape expectations." (p. 3)

²⁰Krasner 1983a, p. 2.

of interest. Regime participants feel obligated to comply with the regime.²¹

Regimes help overcome the obstacles posed by collective action.²² They facilitate cooperation by helping to solve defection problems and increase information about the behavior of the players. "By establishing legitimate standards of behavior for states to follow and by providing ways to monitor compliance, [regimes] create the basis for decentralized enforcement founded on the principle of reciprocity."²³ States will sacrifice short-term interests because they expect that others will reciprocate in the future.²⁴ The inclusion of many related issues under one regime also helps cooperation by facilitating side-payments.²⁵

Armed with these findings, neoliberal institutionalists demonstrate that cooperation can develop without a hegemon:

Whether a hegemon exists or not, international regimes depend on the existence of patterns of common or complementary interests that are perceived or capable of being perceived by political actors. This makes common action to produce joint gains rational. A hegemon may help to create shared interests by providing rewards for cooperation and

²¹Krasner 1983a, pp. 2-5. GATT and the Law of the Sea (prior to its ratification) are the most oft-cited examples of a regime.

²²Mancur Olson brought attention to this problem: unless the number of individuals in a group is quite small, or unless there is coercion or some separate incentive to make individuals act in their common interest, rational, self-interested individuals will not act to achieve their common or group interests. Olson, The Logic of Collective Action: Public Goods and the Theory of Groups (Cambridge, MA: Harvard University Press, 1971), p. 2.

²³Keohane 1984, p. 245.

²⁴Krasner 1983a, pp. 2-3.

²⁵Keohane 1984, p. 91.

punishments for defection, but where no hegemon exists, similar rewards and punishments can be provided if conditions are favorable.²⁶

Both neorealism and neoliberal institutionalism can be criticized on numerous fronts, only some of which are relevant here. Both approaches treat state preferences as exogenous (see section 2.1.3); they assume states are rational, self-interested actors; and they portray the international system as a self-help, anarchic one. These criticisms illuminate why both theories may not be useful in explaining why the EU member states cooperate.

Both approaches are based on the rational actor model, made manifest in the use of game theory. But as James Rosenau argues, "the rational actor who only calculates interests or recognizes preferences is an ideal type."²⁷ Keohane has argued that cooperation is even more likely if Herbert Simon's notion of "bounded rationality" is used. Actors "find it difficult to use available information to calculate the costs and benefits of every alternative course of action. They therefore use shortcuts such as rules of thumb in order to "satisfice" - achieving a satisfactory level of performance rather than an optimal one."²⁸ Keohane argues that the construction and maintenance of international regimes becomes even easier if we assume bounded rationality: "Regimes merely substitute multilateral rules (presumably somewhat less

²⁶Keohane 1984, p. 78.

²⁷James Rosenau, "Before Cooperation: Hegemons, Regimes, and Habit-Driven Actors in World Politics", International Organization, vol. 40, no. 4, Autumn 1986, p. 862.

²⁸Robert O. Keohane, "Realism, Neorealism and the Study of World Politics" in Keohane, ed. 1986, p. 12.

congenial per se) for unilateral ones, with the advantage that other actors' behavior thereby becomes more predictably cooperative."²⁹

Both theories also assume an actor pursues its self-interest. If actors are human beings, this notion reflects a rather limited view about the human character. James Caporaso argues that it would be just as plausible to start with the "idea of a socialized person, concerned with fairness, equity and the welfare of others."³⁰ Robert Jervis notes:

Considerations of morality, fairness, and obligation are almost surely large parts of the explanation for the fact that individuals in society cooperate much more than the Prisoners' Dilemma would lead us to expect. Only economists behave as the theory says they should; others are likely to contribute to public goods, especially when they believe that fairness calls for them to do so.³¹

As discussed further below, considerations of fairness and obligation certainly influence cooperation within the EU.

Keohane has also relaxed the egoism assumption. He lists four ways in which actors see their own interests relative to those of others: 1) actors may be indifferent to the welfare of others; 2) actors may be interested in others' welfare only insofar as others take action that affects them; 3) actors may be interested in others' welfare because improvements in others' welfare improve their own welfare; and 4) actors may

²⁹Keohane 1984, p. 115.

³⁰James Caporaso, "Microeconomics and International Political Economy: The Neoclassical Approach to Institutions" in Ernst-Otto Czempiel and James Rosenau, eds., Global Changes and Theoretical Challenges: Approaches to World Politics for the 1990s (Toronto: Lexington, 1989), p.152.

³¹Robert Jervis, "Realism, Game Theory, and Cooperation", World Politics, vol. 40, no. 3, April 1988, p. 348.

be interested in the welfare of others for their own sake (what he calls empathetic interdependence).³² "Governments that regard themselves as empathetically interdependent will be more inclined than egoists to reach for greater joint gains - solutions to international problems that lead to larger overall value - even at the expense of direct gains to themselves."³³ Significantly, Keohane has cited the EC as an entity in which actors may feel empathetically interdependent.

Robert Jervis has also noted that the "self" may be larger than the state. "It is a central tenet in international politics that people value the security and well-being of their own state more than they do that of others."³⁴ But "why should our attitudes toward others be based on their geographic location rather than the values they hold?...The degree of value integration, and therefore the scope of the relevant self, may sometimes be larger than we assume."³⁵

It is difficult to understand why neoliberal

³²Keohane 1984, pp. 122-123. These categories are similar to Alexander Wendt's continuum of security systems. The competitive system is at one end, in which states identify negatively with each other's security and are concerned about relative gains. In the middle is the individualistic security system in which states are indifferent to others and are concerned with absolute gains. At the other end is the cooperative security system, in which states identify positively with one other so that each state's security is seen as the responsibility of all. Alexander Wendt, "Anarchy is What States Make of It: The Social Construction of Power Politics", International Organization, vol. 46, no. 2, Spring 1992, pp. 400-401.

³³Keohane 1984, p. 125.

³⁴Jervis 1988, p. 341.

³⁵Jervis 1988, p. 342.

institutionalists continue to assume states are rational egoists, an ideal (nay, utopian) type if there ever was one. Empathetic interdependence, for example, seems to come closer to capturing the nature of cooperation and interaction in the EU (granted, a special case) than a more traditional neoliberal institutional approach. But as Andrew Hurrell points out, "Can one relax the basic assumption of rational egoism and accept the role of empathetic interdependence, without the overall force of the rationalist project being undermined?"³⁶ Constructivists (section 2.1.3) would argue that such a rationalist approach to cooperation is flawed.

Anarchy is another problematic assumption. Robert Powell argues that the neorealist-neoliberal debate over relative gains is misconceived:

Cooperation and concern for relative gains may co-vary, but one does not cause the other. The causes for both are the underlying features of the states' strategic environment that jointly induce a concern for relative gains and thereby make cooperation difficult.³⁷

Anarchy, a constant feature of the international system, cannot account for any variation in a state's concern for relative or absolute gains.³⁸ As Helen Milner argues, the

³⁶Andrew Hurrell, "International Society and the Study of Regimes: A Reflective Approach", in Volker Rittberger, ed., Regime Theory and International Relations (Oxford: Clarendon Press, 1995), p. 67.

³⁷Robert Powell, "Anarchy in International Relations Theory: The Neorealist-Neoliberal Debate", International Organization, vol. 48, no. 2, Spring 1994, p. 337.

³⁸Powell 1994, p. 337.

international system is interdependent as well as anarchic.³⁹

Interdependence theory offers a different view of the international system than that of neorealists. But neoliberal institutionalists also seem to ignore the theory, although it shows why states may not be concerned with relative gains and therefore, in the neoliberal view, more inclined to cooperate.

In Power and Interdependence, Robert Keohane and Joseph Nye developed the concept of complex interdependence. Interdependence is a broad term referring to situations characterized by reciprocal effects among actors; complex interdependence is an ideal type of international system, the opposite of realism. It has three characteristics: multiple channels (interstate, transgovernmental, and transnational) connect societies; the agenda of interstate relations consists of many issues that are not arranged in a clear hierarchy; and military force is not used towards other governments in a region or on issues when complex interdependence prevails. The many issues on the agenda mean that the distinction between foreign policy and domestic policy blurs: economic issues are no longer subordinated to national security issues and trade and economic growth become priorities. Relations among transnational actors and government bureaucracies affect political outcomes. International organizations help set the international agenda, bring officials together, and serve as

³⁹Helen Milner, "The Assumption of Anarchy in International Relations Theory: A Critique", in Baldwin, ed. 1993.

fora for initiatives and issue linkage by weak states.⁴⁰

International society theorists also envisage international relations differently.⁴¹ Hedley Bull maintains that there is an international society, which exists when states, "conscious of certain common interests and common values, form a society in the sense that they conceive themselves to be bound by a common set of rules in their relations with one another, and share in the working of common institutions."⁴² As Andrew Hurrell argues, "states follow specific rules, even when inconvenient, because they have a longer-term interest in the maintenance of law-impregnated international community."⁴³

An international society perspective contrasts not only with neorealism, but also with much regime theory, which considers "that a less-than-universal society may exist in pockets or areas of actual agreement amongst states".⁴⁴ For

⁴⁰Robert Keohane and Joseph Nye, Power and Interdependence, 2nd ed. (Glenview, IL: Scott, Foresman and Co., 1989), pp. 23-36. See also Robert Keohane and Joseph Nye, "Power and Interdependence Revisited", International Organization, vol. 41, no. 4, Autumn 1987.

⁴¹Rather than deal with cooperation, however, "the English school seeks to account for the prevalence of order, and especially for the prevalence of order in international society as a whole." Tony Evans and Peter Wilson, "Regime Theory and the English School of International Relations: A Comparison", Millennium, vol. 21, no. 3, Winter 1992, p. 339.

⁴²Hedley Bull, The Anarchical Society: A Study of Order in World Politics (London: Macmillan, 1977), p. 13.

⁴³Hurrell 1995, p. 59.

⁴⁴A. Claire Cutler, "The 'Grotian Tradition' in International Relations", Review of International Studies, vol. 17, no. 1, January 1991, p. 59 (emphasis added). Oran Young, Raymond Hopkins and Donald Puchala are regime theorists who maintain that regimes are widespread. See Puchala and Hopkins, "International Regimes: Lessons from Inductive

the same reason, the approach may not be so useful in analyzing cooperation within a regional organization, in which states evidently have a deeper sense of community.

Chris Brown argues that the international society approach also contrasts with the notion of an incipient world community, based not on sovereign states but on a "cosmopolitan belief in the oneness of humanity".⁴⁵ "Within the world composed of advanced industrial, liberal-democratic states, something like an international society does exist."⁴⁶ But it may be more than a society. Sovereignty is not so important: EU members have given up elements of their sovereignty; the use of force is not a serious option in relations between the advanced world's states; and complex interdependence is a reality. "The states of the advanced world may not yet form a community in the full sense of the term - common identity is not yet fully present - but they seem to be heading in that direction..."⁴⁷ The EU could be even further along in that direction; a rationalist approach to cooperation (based on self-interested actors) in the EU would thus be inadequate.

2.1.2 The Unit Level

Although systemic-level theories produce a "comprehensive

Analysis", and Young, "Regime Dynamics: The Rise and Fall of International Regimes" in Krasner, ed. 1983.

⁴⁵Chris Brown, "International Theory and International Society: The Viability of the Middle Way?", Review of International Studies, vol. 21, no. 2, April 1995, p. 185.

⁴⁶Brown 1995, p. 195.

⁴⁷Brown 1995, p. 195.

and total picture of international relations"⁴⁸, they exaggerate the impact of the system on national actors. Peter Gourevitch remarks:

However compelling external pressures may be, they are unlikely to be fully determining, save for the case of outright occupation. Some leeway of response to pressure is always possible, at least conceptually. The choice of response therefore requires explanation. Such an explanation necessarily entails an examination of politics: the struggle among competing responses.⁴⁹

Several theorists maintain that the domestic sources of preferences regarding cooperation must be investigated; the "black box" of the state must be opened. Geoffrey Garrett argues that to explain why states choose to cooperate on a given issue or in a particular way, the political interests of national governments must be taken into account.⁵⁰ Helen Milner asserts that consideration of domestic politics would tell us how preferences are aggregated and national interests determined; it would shed light on the strategies states adopt to realize their goals. International negotiators also know that domestic actors have to agree with the terms negotiated since agreements must be ratified domestically.⁵¹

Robert Jervis notes several sources of preferences. The

⁴⁸J. David Singer, "The Level-of-Analysis Problem in International Relations", in Klaus Knorr and Sidney Verba, eds., The International System: Theoretical Essays (Westport, CT: Greenwood Press, 1961), p. 89.

⁴⁹Peter Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics", International Organization, vol. 32, no. 4, Autumn 1978, p. 911.

⁵⁰Geoffrey Garrett, "International Cooperation and Institutional Choice: The European Community's Internal Market", International Organization, vol. 46, no. 2, Spring 1992, p. 541.

⁵¹Milner 1992, p. 493.

nature of the state itself can affect "the goals states seek, the costs they are willing to pay, and the instruments that are believed to be appropriate..."⁵² Transnational forces can influence preferences. The beliefs of individual decision-makers will affect states' choices. Preferences can change when decision-makers are replaced by other officials, when the external situation changes, through the process of interaction itself, and with experience and knowledge.⁵³

Milner lists four theories of domestic politics which could be used to generate hypotheses about international cooperation: pluralist theories, which highlight interest groups and party politics; elite theories, which concentrate on the nature of national decision-makers; institutional theories, such as bureaucratic or organizational politics; and Marxism, which states that the national interest is determined by the interests of capital.⁵⁴ Wayne Sandholtz, however, warns that a neat, unitary theory of national preferences is impossible: a combination of propositions is needed.⁵⁵

Robert Putnam has proposed that international negotiations be conceived of as a two-level game, thus incorporating interests formed domestically. At the national level, or level II, domestic groups pursue their interests by pressing their government to adopt favorable policies, and

⁵²Jervis 1988, p. 325.

⁵³Jervis 1988, pp. 325-328.

⁵⁴Milner 1992, pp. 494-495.

⁵⁵Wayne Sandholtz, "Choosing Union: Monetary Politics and Maastricht", International Organization, vol. 47, no. 1, Winter 1993.

politicians seek power by constructing coalitions among these groups. At the international level, or level I, national governments seek to maximize their own ability to satisfy domestic pressures while minimizing the adverse consequences of foreign developments. Any agreement reached at level I must be ratified at level II. The two levels cannot be "modeled" independently because international pressures reverberate within domestic politics and issues can be linked synergistically.⁵⁶

Putnam acknowledged, however, that transnational relations do not figure in his model. Two-level games in the EC, for example, are influenced by direct ties among level II participants.⁵⁷ Putnam also left out supranational actors, such as the Commission, which has played a major role in the EC's policy towards Eastern Europe.

2.1.3 Sociological Liberalism and Constructivism

Increasingly academics are considering the ways in which interaction between states can change states' interests, a more pertinent question in the context of the EU. Joseph Nye calls this approach sociological liberalism, "which asserts the transformative effect of transnational contacts and coalitions on national attitudes and definitions of interests."⁵⁸ He encourages academics to look again at the

⁵⁶Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games", International Organization, vol. 42, no. 3, Summer 1988.

⁵⁷Putnam 1988, p. 459.

⁵⁸Joseph Nye, "Neorealism and Neoliberalism", World Politics, vol. 40, no. 2, January 1988, p. 246. This is to be added to traditional liberal theory.

early work of Karl Deutsch and Ernst Haas, which emphasized "the political processes of learning and of redefining national interests, as encouraged by institutional frameworks and regimes."⁵⁹

In Power and Interdependence, Keohane and Nye illuminated how international institutions affect state interests, under complex interdependence.⁶⁰ Although they may be established in conformity with the distribution of capabilities among states, international institutions subsequently

influence actors' abilities to use these capabilities....Power over outcomes will be conferred by organizationally dependent capabilities, such as voting power, ability to form coalitions, and control of elite networks; that is, by capabilities that are affected by the norms, networks, and institutions associated with international organization as we have defined it.⁶¹

They later suggested that regimes play a big role in state learning because they can: change the standard operating procedures of national bureaucracies; present new coalition opportunities for subnational actors; change the attitudes of participants through contacts within institutions; provide information on the behavior of others; and facilitate learning

⁵⁹Nye 1988, p. 239.

⁶⁰According to the international organization model, one of four models Keohane and Nye test to try to explain regime change. They later acknowledged that complex interdependence posits that state policy goals are not arranged in a hierarchy and that policy instruments are limited. Because the approach is defined in terms of state goals, it cannot explain how state goals and instruments are affected by complex interdependence. They urge that greater attention be directed towards understanding how state aims change. Keohane and Nye 1987, p. 740.

⁶¹Keohane and Nye 1989, p. 55.

within specialized groups of negotiators.⁶²

Stephen Krasner has argued that once established, regimes may change states' calculations of how they can maximize their interests, by changing the incentives and opportunities presented to states. They may alter states' interests, by increasing transaction flows, which promotes the interests of some domestic groups and damages those of others, or by creating property rights, and thus an interest in those rights. Regimes facilitate knowledge, which could change the way actors perceive their interests. Regimes could become a source of power, or they could alter the power capabilities of different actors.⁶³

Alexander Wendt calls for "mainstream" theorists interested in the way international institutions affect state interests and learning to join forces with "constructivist" theorists. Rationalist theories treat interests as exogenously given and focus on how agents' behavior generates outcomes.⁶⁴ Institutions therefore change behavior, not identities and interests. Those liberal theorists who want to

⁶²Keohane and Nye 1987, p. 751.

⁶³Krasner (1983b), "Regimes and the Limits of Realism", in Krasner 1983, pp. 361-363. Stephen Haggard and Beth Simmons argue that to verify whether regimes have actually changed states' interests or preferences, one would need to focus on domestic decision-making. See "Theories of International Regimes", International Organization, vol. 41, no. 3, Summer 1987, p. 514.

⁶⁴Neorealism and neoliberal institutionalism take the preferences of states as given. Robert Jervis argues that neorealists cannot make precise deductions about states' preferences in any given situation, except possibly when national security is at stake. Jervis 1988, p. 325. Neoliberal institutionalists do not question the neorealist assumption that in an anarchic international system, states are 'at base' motivated to survive. Powell 1994, pp. 320-321.

go beyond this, however, face a contradiction. "Regimes cannot change identities and interests if the latter are taken as given."⁶⁵ Constructivists, in contrast, are interested in how practice constitutes subjects; they consider identities and interests to be endogenous to interaction, to process.

Wendt draws on Anthony Giddens' structuration theory to make his argument. Structuration theory is an attempt to "resolve" the agent-structure problem at the meta-theoretical level. It "conceptualizes agents and structures as mutually constituted or co-determined entities."⁶⁶ "Social structures are the result of the intended and unintended consequences of human action, just as those actions presuppose or are mediated by an irreducible structural context."⁶⁷

Wendt tries to demonstrate that self-help and power politics, which neorealists claim is caused by anarchy, are

⁶⁵Wendt 1992, p. 393. Earlier, Friedrich Kratochwil and John Gerard Ruggie contended that the "emphasis on convergent expectations as the constitutive basis of regimes gives regimes an inescapable intersubjective quality" (p. 764). The positivist epistemology prevailing in regime analysis is problematic because insofar as it considers intersubjective meaning, it does so by inferring it from behavior. In addition, "norms" are not easily explained by positivism, given that they do not cause behavior, but guide, inspire or justify it. Friedrich Kratochwil and John Gerard Ruggie, "International Organization: A State of the Art on an Art of the State", International Organization, vol. 40, no. 4, Autumn 1986.

⁶⁶Alexander Wendt, "The Agent-Structure Problem in International Relations Theory", International Organization, vol. 41, no. 3, Summer 1987, p. 350.

⁶⁷Wendt 1987, p. 360. David Dessler likewise suggests two connections between action and structure: "First, structure both enables action and constrains its possibilities. Second, structure is the outcome as well as the medium of action." David Dessler, "What's At Stake in the Agent-Structure Debate?", International Organization, vol. 43, no. 3, Summer 1989, p. 452.

institutions that states have created. He points out that states "act differently toward enemies than they do toward friends because enemies are threatening and friends are not. Anarchy and the distribution of power are insufficient to tell us which is which."⁶⁸

Actors acquire identities by participating in "collective meanings", or intersubjective understandings and expectations. An institution is a stable set of identities and interests. "[I]nstitutionalization is a process of internalizing new identities and interests, not something occurring outside them and affecting only behavior; socialization is a cognitive process, not just a behavioral one."⁶⁹ Institutions are created through reciprocal interaction. "Self-help security systems evolve from cycles of interaction in which each party acts in ways that the other feels are threatening to the self, creating expectations that the other is not to be trusted."⁷⁰ Once such a social system is constituted, it may be difficult to change it, because the system appears as "an objective social fact" to actors, and actors may want to maintain "stable role identities."⁷¹

Systemic change is possible, however. Wendt illustrates a number of ways a self-help system can be changed, one of which is through cooperation. Whereas rationalists use game theory to analyze the interaction which can lead to

⁶⁸Wendt 1992, p. 397.

⁶⁹Wendt 1992, p. 399.

⁷⁰Wendt 1992, p. 406.

⁷¹Wendt 1992, p. 411.

cooperation, constructivists

would concentrate on how the expectations produced by behavior affect identities and interests....[T]he process by which egoists learn to cooperate is at the same time a process of reconstructing their interests in terms of shared commitments to social norms. Over time, this will tend to transform a positive interdependence of outcomes into a positive interdependence of utilities or collective interest organized around the norms in question.⁷²

Wendt argues that through interaction, states might even form collective identities and interests, thus redefining Olson's logic of collective action, which takes rational, self-interested actors as constant (see footnote 22).⁷³ He points to the example of European cooperation: "four decades of cooperation may have transformed a positive interdependence of outcomes into a collective 'European identity' in terms of which states increasingly define their 'self'-interests."⁷⁴

Collective identity "refers to positive identification with the welfare of another", a situation of empathetic interdependence: "This is a basis for feelings of solidarity, community, and loyalty, and thus for collective definitions of interest."⁷⁵ Wendt does not suggest that collective identity supplants egoistic identity: there can be conflicts over

⁷²Wendt 1992, p. 417. The last sentence refers to game-theoretic analyses of cooperation, in which cooperation will take place only if the outcomes are positively interdependent, meaning that cooperation could lead to gains that could not be realized by unilateral action. Wendt 1992, p. 416.

⁷³See Alexander Wendt, "Collective Identity Formation and the International State", American Political Science Review, vol. 88, no. 2, June 1994.

⁷⁴Wendt 1992, p. 417.

⁷⁵Wendt 1994, p. 386.



'multiple loyalties'.⁷⁶ He does argue that "to the extent that mechanisms are at work that promote collective identities, models that ignore them will understate the chances for international cooperation and misrepresent why it occurs."⁷⁷

Wendt maintains there are two ways in which empirical work could disprove the constructivist approach. If domestic factors are found to be more important determinants of states' interests, then a rationalist approach is appropriate because interests are in fact exogenous to interaction. If interests change only very slowly, then it may be appropriate to consider interests as given.⁷⁸

Wendt's approach is state-centric, focusing on the interaction of states; yet transnational ties and interdependence (below the state level) may also influence identities and interests, as may the transnational convergence of domestic values such as democracy.⁷⁹ As William Wallace argues, the diffuse sense of identity and community in the EU's core has evolved as much from the processes of informal social integration as from formal political integration.⁸⁰

Karl Deutsch's work and functionalism take less of a

⁷⁶Wendt 1994, p. 387.

⁷⁷Wendt 1994, p. 391.

⁷⁸Wendt 1992, p. 423.

⁷⁹Wendt notes that such systemic processes can encourage collective identity formation, but that "in the last analysis, agents and structures are produced or reproduced by what actors do." Wendt 1994, p. 390.

⁸⁰William Wallace, The Transformation of Western Europe (London: Pinter, 1990), p. 104.

statist view, and focus on the development of community feeling amongst peoples in different states. As Hurrell argues, a sense of community is an especially important factor in creating and maintaining regimes that deeply affect state sovereignty (as foreign policy cooperation is seen to do).⁸¹

Deutsch and his colleagues developed the concept of "security community", in which there was a sense of community and of institutions and practices strong enough to assure long-term expectations that problems would be resolved peacefully. There are two kinds of security community: amalgamated, meaning the formal merger of two or more previously independent units into one unit, with a common government; or pluralistic, where the units retain their legal independence. To form both kinds of community, values must be compatible, the units must be able to respond to each other's needs and actions quickly, and their behavior must be mutually predictable. Amalgamated communities further require unbroken links of social communication, high mobility of people, and multiple ranges of communication and transactions.⁸² Deutsch did not ask, however, how supranational institutions might foster security communities.

For functionalism, the development of a socio-psychological community is the dynamic of integration, and functional institutions further that development. Institutions could acquire powers only if they were capable of

⁸¹Hurrell 1995, pp. 61-65.

⁸²Karl Deutsch, et al., Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience (Princeton: Princeton University Press, 1957), pp. 44-67.

attracting the loyalties of people, by providing benefits to them. States would then be forced to grant more power to the institutions.⁸³ This is not so easy to translate to institutions for foreign policy cooperation, however, since public influence on foreign policy is unclear and the benefits provided often nebulous.

2.2 EXPLAINING COOPERATION WITHIN THE EU

The EU is very much a sui generis institution, neither an intergovernmental organization nor a completely supranational one. There is a diffusion of authority in the EU: sovereignty does not clearly lie either with the member states or with the EU.⁸⁴ As William Wallace has argued, the European policy-making system is a halfway house "between sovereignty and integration, between the management of interdependence and the acceptance of central decision-making, between an international regime and a federation."⁸⁵

Furthermore, the EU is undoubtedly a "security community", and may be becoming a "community" in Chris Brown's sense of the word. Recent Eurobarometer polls show that many people in the EU are at least adding a European identity 'on

⁸³See Taylor 1983, chapter 1. David Mitrany, the leading functionalist, did not want to see a European super-state created, and focused on institution-building in specific functional areas.

⁸⁴See Thomas Christiansen, European Integration between Political Science and International Relations Theory: The End of Sovereignty, EUI Working Paper RSC no. 94/4 (Florence: European University Institute, 1994).

⁸⁵William Wallace (1983b), "Less than a Federation, More than a Regime: The Community as a Political System", in Helen Wallace, William Wallace and Carole Webb, eds., Policy-making in the European Community (Chichester: John Wiley and Sons, 1983), pp. 433-434.

top' of their national (and regional) identities.⁸⁶ Polls also show "functionalist" support for joint foreign policy decision-making.⁸⁷ William Wallace notes that the "notion of community implies and involves shared commitment and shared benefits and sacrifices."⁸⁸ Within the EU, he argues, this largely applies, as the redistribution of resources between rich and poor member states demonstrates. It is difficult, however, to translate this sense of community into explanations of cooperation (or the lack of it) in the area of foreign policy, but it is an important underpinning for such cooperation.

Questions generated solely by rationalist theories thus seem inadequate for explaining foreign policy cooperation in the EU. The rationalist definition of cooperation (section 2.1.1) is too limited, even for foreign policy issues (an area where member states have more jealously guarded their prerogatives). On some foreign policy issues, the separate national policies of the member states are merely coordinated, within EPC/CFSP. On others, such as the policy towards Eastern Europe, a joint policy is hammered out: the member states agree to act together as a bloc to achieve common objectives, often using EC policy instruments (trade, aid). This seems to indicate that they share a sense of collective

⁸⁶See "More-or-less European union", The Economist, 26 August 1995. To what extent the EU is responsible for this is a matter for debate.

⁸⁷Eurobarometer 42, Spring 1995, p. 56. Of those polled in the 12 EU member states, 70% said that they supported joint EU decision-making in foreign policy; 51% supported joint decision-making in defence.

⁸⁸Wallace 1990, p. 104.

identity and interests.

Robert Keohane, however, argues that the "reflective" school (including constructivism) is weak because it lacks "a clear reflective research program that could be employed by students of world politics."⁸⁹ This rather esoteric form of dichotomy between the rationalist and constructivist frameworks does not really help guide empirical work on cooperation, particularly within the EU. In fact, much of the work on the Community lies between these extremes.

In the following sections, several approaches that might help explain foreign policy cooperation within the EU will be discussed. Because the EU is so particular, IR theories are difficult to use to explain a common foreign policy. While neoliberal institutionalism and unit-level approaches are somewhat useful, approaches that examine the symbiosis between the Union and its member states appear more helpful.

2.2.1 Systemic Theories

Neorealism and Neoliberal Institutionalism

The rather pessimistic neorealist view of international institutions obviously extends to the Community/Union. Kenneth Waltz asserts that cooperation among the West European states only became possible with the advent of bipolarity:

The emergence of the Russian and American superpowers created a situation that permitted wider ranging and more effective cooperation among the states of Western Europe. They became consumers of security...For the first time in modern history, the determinants of war and peace lay outside the arena of European states, and the means of their

⁸⁹Robert Keohane (1989c), "International Institutions: Two Approaches", in Keohane 1989, p. 173.

preservation were provided by others.⁹⁰

John Mearsheimer argues that intra-EC relations flourished because of the Cold War: Western democracies had to cooperate to balance the Soviet Union. Relative gains were not an obstacle to cooperation because each Western country wanted its alliance partners to be strong.⁹¹

With the end of the Cold War, which is taken to mean the end of bipolarity as well⁹², neo-realists assert that it will be very difficult for the EC to remain together. If the Soviet threat disappears and US forces withdraw from Europe (and so are no longer there 'to keep the situation under control'), then relations among the EC member states will deteriorate: mutual fear and suspicion will grow; relative gains will once again become a problem; and, therefore, cooperation will decline.⁹³

The Maastricht Treaty has caused neo-realists some discomfort. Joseph Grieco has even suggested that neo-realism's auxiliary hypothesis regarding international institutions must be amended. He proposes a "voice

⁹⁰Kenneth Waltz, "Reductionist and Systemic Theories", in Keohane 1986, pp. 58-59.

⁹¹John J. Mearsheimer, "Back to the Future: Instability in Europe After the Cold War", in Sean M. Lynn-Jones, ed., The Cold War and After: Prospects for Peace (Cambridge, MA: The MIT Press, 1991), pp. 182-183.

⁹²Whether the structure of the international system was bipolar during the entire Cold War is a matter of some debate. Certainly the two countries with the biggest arsenals were the US and the Soviet Union (although their military might could not prevail in Vietnam or Afghanistan), but on most issues of international salience, be they political or economic, "power" was more diffuse.

⁹³The by now classic exposition of this view is Mearsheimer 1991, p. 183.

opportunities" hypothesis: if states negotiate rules constituting a collaborative arrangement, "then the weaker but still influential partners will seek to ensure that the rules so constructed will provide for sufficient opportunities for them to voice their concerns and interests and thereby prevent or at least ameliorate their domination by stronger partners."⁹⁴

Grieco's new hypothesis still leaves open the question of why the stronger partners would agree to allow such a change in the rules. Neorealism simply does not apply to the EU. Relative gains cannot capture the nature of negotiation and cooperation in the EU. Implicit in Grieco's approach is an acknowledgement that the member states have voluntarily limited their sovereignty and independence, by accepting binding rules: this begins to resemble neoliberal institutionalism!

With respect to foreign policy cooperation in the Community, neorealists stress the limits that member states place on such cooperation. Alfred Pijpers uses neorealism to explain developments in EC foreign policy.⁹⁵ Pijpers notes that the Community has not eroded national foreign policy competences. The EC's instruments of foreign policy, aid and trade, are limited in scope and efficiency, whereas states have armed forces and foreign ministries at their disposition. There was no common European defense because Europe wanted to

⁹⁴Grieco 1995, p. 34.

⁹⁵Alfred Pijpers, "European Political Cooperation and the Realist Paradigm", in Holland, ed. 1991. Although Pijpers considers his theory realist, his approach is systemic and thus neorealist.

maintain the power equilibrium between East and West and did not want to upset NATO. There was therefore no "spillover" from the economic field into the military field.

To a certain degree, Pijpers' argument makes sense. But his approach (and neorealism in general) will not help us to explain why the line dividing EC and EPC may disappear on occasion, why the member states may allow the Community to conduct foreign policy, or why they may act together to pursue collective goals. The emphasis is on the limits to cooperation, not the factors that may encourage it. In fact, neorealism stresses only two such factors: a common enemy and/or a hegemon. And what neorealism says about the limits to cooperation (concern for relative gains) doesn't fit well with intra-EU politics, quite apart from the difficulty of trying to measure and compare gains and losses. As a result, neorealism does not appear very helpful in analyzing the case of a common policy towards Eastern Europe.

Integration and cooperation within the EC are obviously less of a theoretical problem for neoliberal institutionalists. Neoliberal institutionalism's statist and rationalist approach to cooperation, however, clearly limits its usefulness in the context of the EU.

In general, neoliberal institutionalists consider the EC to be "more than a regime".⁶ Keohane and Stanley Hoffman state that "the flexible and dynamic Community is much more centralized and institutionalized than an international regime and receives a much higher level of commitment from its

⁶As in William Wallace's title (1983b): "Less than a Federation, More than a Regime".

members."⁹⁷

Keohane and Hoffman argue that institutional changes in the EC, particularly those embodied in the SEA, mainly result from intergovernmental bargaining and the convergence of preferences among the major member states. The EC itself, however, did not provoke the new definition of French and British economic interests which made the SEA possible; domestic and international pressures did.⁹⁸ Likewise, Andrew Moravscik finds that the factors which help greater European unity are "the convergence of national interests, the pro-European idealism of heads of government, and the decisive role of the large member states."⁹⁹

The member states can limit integration: Keohane and Hoffman argue that for this reason, cooperation will probably not extend from the economic sphere to defense policy.¹⁰⁰ Thirty years ago, Hoffman also argued that a "logic of diversity" would limit the spillover process envisaged by neo-

⁹⁷Robert O. Keohane and Stanley Hoffman, "Institutional Change in Europe in the 1980s", in Robert O. Keohane and Stanley Hoffman, eds., The New European Community: Decisionmaking and Institutional Change (Boulder, CO: Westview Press, 1991), p. 10. In 1982, however, Stanley Hoffman had argued that the continuing resilience of the nation-state in Western Europe was evidence that the EC was an international regime. Regimes, "in exchange for curtailing the states' capacity for unilateral action, serve to preserve the nation-state as the basic unit in world affairs and actually help governments perform their domestic tasks." See Stanley Hoffman, "Reflections on the Nation-State in Western Europe Today", Journal of Common Market Studies, vol. 21, nos. 1 and 2, September/December 1982, p. 35.

⁹⁸Keohane and Hoffman 1991.

⁹⁹Andrew Moravscik, "Negotiating the Single European Act", in Keohane and Hoffman, eds. 1991, p. 67. He calls this approach "intergovernmental institutionalism".

¹⁰⁰Keohane and Hoffman 1991, p. 28.

functionalists (see below): the member states would block integration in the political ("high politics") sphere. The "logic of integration" could only work in the economic ("low politics") sphere.¹⁰¹ Hoffman largely bases his argument on domestic-level factors: the member states' different histories, cultures, and foreign policy traditions would prevent cooperation in foreign policy, because external developments and pressures would generate different responses.

The above approaches are intergovernmental: states are the key actors; they pursue self-interested goals (which can be derived from within the state, rather than from the state's position in the international power structure, as neorealism would maintain); the Community is the forum in which they bargain to try to achieve those goals more effectively; and states can block cooperation or prevent outcomes that are anything more than the "lowest common denominator". The approaches are similar to what Roy Ginsberg has defined as a **national interests theory**, which contends that decision-makers in the EU member states determine whether there will be joint foreign policy action. Decision-makers try to maximize benefits for and minimize costs to the state: when cooperation brings mutual benefits, member states will support joint foreign policy actions. The theory de-emphasizes the influences of domestic politics, public opinion, regional integration processes, and international pressures on joint

¹⁰¹Stanley Hoffman, "Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe", Daedalus, Summer 1966, especially pp. 881-882. Hoffman's approach differs from realism principally in the importance assigned to domestic factors, and to the Community in economic affairs.

foreign policy making.¹⁰²

Moravscik has tried to weave domestic politics into a theory of intra-EU negotiations (similar to what Putnam proposed). He calls his approach liberal intergovernmentalism, which has three essential elements: "the assumption of rational state behaviour, a liberal theory of national preference formation, and an intergovernmentalist analysis of interstate negotiation."¹⁰³ He maintains that "governments first define a set of interests, then bargain among themselves in an effort to realize those interests."¹⁰⁴ Moravscik argues that "the EC is best seen as an international regime for policy co-ordination, the substantive and institutional development of which may be explained through the sequential analysis of national preference formation and intergovernmental strategic interaction."¹⁰⁵

Moravscik admits that this approach does not illuminate foreign policy cooperation. Interest groups took little interest in EPC, and it is impossible to calculate gains and losses to such groups in this policy area. He attempts to explain EPC as the reflection of ideologies and personal commitments of leading politicians, and "interest-based conceptions of the national interest", whatever that may

¹⁰²Ginsberg 1989, pp. 13-15.

¹⁰³Andrew Moravscik, "Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach", Journal of Common Market Studies, vol. 31, no. 4, December 1993, p. 480.

¹⁰⁴Moravscik 1993, p. 481.

¹⁰⁵Moravscik 1993, p. 480.

be.¹⁰⁶ Interest groups are clearly interested in trade, however, and to the extent that EU foreign policies rely on EC trade instruments, their influence must be taken into account.

Christopher Hill has criticized the 'Harvard' school's "highly materialist and rationalist" approach. "It does not promise to translate well into the foreign policy field, where past trauma, common values, institutional evolution and ideological earthquakes are more likely to provide convincing explanations of the changing patterns of diplomacy."¹⁰⁷

None of the Harvard approaches consider that interaction within the Community has changed national interests, which could transform the dynamics of cooperation (even on foreign policy issues). Alexander Wendt (citing Jeffrey Legro) describes them as the "rationalist 'two-step'": "first interests are formed outside the interaction context, and then the latter is treated as though it only affected behavior."¹⁰⁸ By sticking to a rationalist approach, Keohane and Hoffman cannot fully explore their proposition that the EC is a network, in which actors "have a preference for interaction with one another rather than with outsiders, in part because intense interactions create incentives for self-interested cooperation and for the maintenance of reputations for reliability."¹⁰⁹ As they acknowledge only in an endnote,

¹⁰⁶Moravscik 1993, p. 494.

¹⁰⁷Christopher Hill, "The Capability-Expectations Gap, or Conceptualizing Europe's International Role", Journal of Common Market Studies, vol. 31, no. 3, September 1993, p. 308.

¹⁰⁸Wendt 1994, p. 384.

¹⁰⁹Keohane and Hoffman 1991, p. 14.

in networks, "shared identities can become important; a sense of solidarity may develop among elites..."¹¹⁰

"Neo-liberal" institutionalism also ignores aspects that traditional liberal internationalism might highlight. Yet Keohane himself cites liberal tenets to back up his optimism about the EU's future:

As commercial liberalism or interdependence theory emphasizes, the EC has provided substantial economic and political gains for its members. Its members are all resolutely democratic, in their social as well as their political institutions: republican liberalism stresses the significance of this fact....[E]xtensive transnational ties and coalitions criss-cross the Continent. Finally, the institutions of the EC are firmly entrenched and it continues to perform crucial functions. Thus there is a "synergy" among these four aspects of liberalism, which are arguably mutually reinforcing.¹¹¹

While neoliberal institutionalist and intergovernmental approaches demonstrate how cooperation can be fostered by institutions and why states abide by an institution's norms and rules, they are still insufficient explanations of cooperation within the EU. They do not examine how the EC/EU could affect the interests and identities of the member states (through the influence of supranational actors or the process of interaction), and thus change the dynamics and context of cooperation. Concepts such as empathetic interdependence and networks seem more useful, but do not fit well into a rationalist theory such as neoliberal institutionalism.

Interdependence Theory

¹¹⁰Keohane and Hoffman 1991, p. 36, fn. 21.

¹¹¹Keohane 1993, p. 289. In the same article, however, Keohane dismisses commercial and republican liberalism as "naive" (p. 285).

The three characteristics of complex interdependence certainly seem to fit intra-EU relations, but this may not get us very far in explaining intra-EU politics. William Wallace has argued that the dynamics of European integration stem from informal flows of interaction, and economic and social trends (both internal and external to Europe), as well as from political integration 'from above' (and integration may be a response to interdependence within Europe).¹¹²

Interdependence may make it difficult for the member states to act as a unit. Ernst Haas noted that because global politics is "turbulent", actors within the region could, for example, prefer to cooperate with non-regional actors on certain issues.¹¹³ Global interdependence could act as a centrifugal force on the EU.¹¹⁴ Or, it may force them to act together. Roy Ginsberg's "interdependence logic" (one of his three logics explaining EC joint foreign policy activity) posits that EC joint foreign policies are an attempt to reduce the adverse costs of global interdependence.¹¹⁵ The policy towards Eastern Europe does not really fit into such an explanation (not least because ties between Eastern and Western Europe were strengthened only post-Cold War, although

¹¹²Wallace 1990, especially chapters 4-6.

¹¹³Turbulence refers to "the confused and clashing perceptions of organizational actors which find themselves in a setting of great social complexity." Ernst Haas, "Turbulent Fields and the Theory of Regional Integration", International Organization, vol. 30, no. 2, Spring 1976, p. 179.

¹¹⁴Regional interdependence (in Europe), however, would become less and less of a dividing force as the Community/Union enlarged.

¹¹⁵Ginsberg 1989, pp. 29-32.

the West European states tried to increase interdependence with Eastern Europe during the Cold War, for political purposes). Nor does interdependence theory help explain why member states and outsiders felt the Community/Union should take the lead in Eastern Europe.

Ginsberg also points out, however, that interdependence illuminates how a civilian power such as the EC may pull economic and diplomatic levers to effect political change. This does help explain the goals, principles and instruments of the Community's policy towards Eastern Europe.

World Systems Theory

Before moving on to unit-level theories, an interesting application of another systemic theory should be mentioned. Stephen George has used a world systems perspective to analyze EPC. This perspective posits that the world system is a capitalist system, which perpetuates inequalities among a core of wealthy countries, a semi-periphery, and a periphery of weak and dependent countries. George maintains that Eastern Europe is one area where the EC has taken a distinctive stance in opposition to the US, because economic relations with Eastern Europe are much more important to the EC than to the US. Particularly in the early 1980s, the EC tried to prevent the more abrasive US policy towards the Soviet Union and its allies from damaging European detente (see chapter 3).¹¹⁶

While this approach may help explain the Community's behavior during the Cold War, it does not seem to fit well with what happened post-1989. The US generally supported the

¹¹⁶Stephen George, "European Political Cooperation: A World Systems Perspective", in Holland, ed. 1991, pp. 63-64.

EC's leading role in Eastern Europe. Given the economic costs of opening markets to East European goods, and the enormous economic and political problems that are posed by the promised enlargement to the east, the policy towards Eastern Europe does not easily fit into an explanation based solely on the economic interests of the member states. As a systemic theory, a world systems approach does not take into account the very political process of policy-making.

2.2.2 Unit-Level Theories

A number of unit-level theories (similar to Milner's suggestions) have been advanced to explain cooperation (or more often, the lack of it) within the EC. As Roy Ginsberg defines it, the elite actor theory holds that to understand why the EC progresses or stagnates one must understand the perceptions and motivations of political and interest-group elites.¹¹⁷ Andrew Moravscik, for example, tries to explain EPC as the reflection of the ideologies and personal commitments of leading politicians.¹¹⁸

A few theorists maintain that consociational theory - a theory of elites - is promising for analyzing the Community and/or EPC. Paul Taylor argues that consociationalism helps explain why at the regional level, "the state and international organisation are capable of being mutually reinforcing."¹¹⁹ EC elites are interested in increasing "the

¹¹⁷Ginsberg 1989, pp. 15-16.

¹¹⁸Moravscik 1993, p. 494.

¹¹⁹Paul Taylor, "The European Community and the State: Assumptions, Theories and Propositions", Review of International Studies, vol. 17, no. 2, April 1991, p. 109.

size of the pie", but also want to protect the distinctiveness of their constituency in comparison with others. Increasing the size of the pie, however, could encourage transnational links and affect their authority. National elites will thus try to manipulate regional integration so as to consolidate their power base, by giving them resources with which to buy off sub-national groups.¹²⁰

Wessels and Weiler use the consociational approach to explain the stability of EPC.¹²¹ They note that EPC reflects an elite consensus, and that change - particularly in the direction of supranationalism - is unlikely.

Consociationalism's emphasis on elites has been criticized. Christopher Hill, for example, notes that public opinion on international affairs is growing, and that it could be "at once a powerful stimulus to EPC and a major complication for it."¹²² It would be difficult to take initiatives unless they were grounded in the domestic base (witness the problems in ratifying the Maastricht Treaty). On the other hand, the influence of public opinion on policy-making in international affairs is still patchy.

Ginsberg's domestic politics theory maintains that the foreign policy interests of parochial, subnational, and intranational units determine foreign policy action (or

¹²⁰Taylor 1991, pp. 114-115. The consociational approach, for all its emphasis on elites, seems quite similar to intergovernmentalism described above.

¹²¹Wessels and Weiler 1988, pp. 243-258.

¹²²Christopher Hill, "Research into EPC: Tasks for the Future", in Pijpers, Regelsberger, and Wessels, eds. 1988, pp. 216-217.

inaction). Governments have to be concerned with whether they risk losing votes by cooperating on certain issues.¹²³ The influence of domestic interest groups may be crucial particularly with respect to trade policy (an important element in any EU foreign policy), where sectoral economic interest groups tend to be well organized.

A bureaucratic politics approach stresses the influence that civil servants have on the implementation and management of policy.¹²⁴ Policy decisions could be the outcome of bargaining between national government bureaucracies, each of which has a different view of the state's interests. Given the importance of trade and other economic instruments, EU foreign policy-making is bound to involve some bargaining between foreign ministries and economic ministries before agreement on a common policy can be reached.

Ginsberg cautions that unit-level models are not very useful for explaining what triggered joint action. They disregard the process by which the separate national positions are hammered into joint actions and the international pressures on the EC to act as a unit despite opposition from domestic actors. "They are more likely to be turned to as explanations for the breakdown of common action or untried attempts at common action than as explanations of what triggers action."¹²⁵ One could add that they also disregard

¹²³Ginsberg 1989, pp. 16-17.

¹²⁴Ginsberg includes EC bureaucrats in this model, so that the model helps to explain the Commission's role in policy-making, but this is really closer to neo-functionalism. Ginsberg 1989, pp. 17-18.

¹²⁵Ginsberg 1989, p. 18.

cross-national ties and influences, and any development of a "European" identity.

Domestic-level pressures do, however, help explain why member states resisted some aspects of the policy towards Eastern Europe (particularly trade concessions). This thesis will thus consider whether and how domestic-level pressures affected the policy towards Eastern Europe.

2.2.3 Neo-Functionalism and Constructivism

Neither unit-level or the systemic approaches outlined above are fully satisfactory accounts of cooperation within the Community. Wayne Sandholtz argues that "[n]ational governments influence EC policies but are themselves influenced by EC institutions and law."¹²⁶ There "is a link between international institutions and state interest formation in the EC. Community decisions are bargains that reflect state interests, but those interests are shaped in part by membership in the EC....States define their interests in a different way as members of the EC than they would without it."¹²⁷ Hill has also argued that the EC member states have clearly been forced "to reformulate their national interests in the sphere of foreign policy."¹²⁸

One form of integration theory, neo-functionalism, developed specifically in the context of European integration, focuses on how interaction can change state interests. It

¹²⁶Sandholtz 1993, p. 3.

¹²⁷Sandholtz 1993, p. 3.

¹²⁸Christopher Hill, "National Interests - The Insuperable Obstacles?" in Christopher Hill, ed., National Foreign Policies and European Political Cooperation (London: George Allen and Unwin, 1983), p. 200.

generates a number of useful questions as to why the EU formulates joint foreign policies.

Ernst Haas (a leading neo-functionalist) contended that for a political community to exist, there must be political institutions which can translate the various ideologies of interest groups into law. He defined 'political community' as "a condition in which specific groups and individuals show more loyalty to their central political institutions than to any other political authority in a specific period of time and in a definable geographical space."¹²⁹ In looking for evidence of a political community, Haas stressed the importance of interest groups, political parties, and governments. When interest groups and political parties endorsed supranational action over national action and organized on a supranational level so as to participate in the supranational decision-making process, community sentiment was flourishing. They and governments also had to accept supranational law. Governments in the supranational forum had to try to reach agreement, and be willing to drop their opposition to a decision when they were in a minority.¹³⁰

Political integration, according to Haas, is a "process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing national

¹²⁹Ernst Haas, The Uniting of Europe: Political, Social and Economic Forces 1950-1957 (London: Stevens and Sons, 1958), p. 5.

¹³⁰Haas 1958, pp. 9-10.

states."¹³¹ Haas assumes that as integration proceeds, values will undergo change, interests will be redefined in regional terms rather than national orientation, and separate national group values will be superseded by a new and geographically larger set of beliefs. Although the decision to establish or join an integrative institution is determined on the basis of national values, and those national values influence the officials in the new institution, there will also be a reverse process in which the new central decision-makers will influence the national ones.¹³²

Sector integration, as in that of the coal and steel sectors, will beget its own impetus toward an extension, or "spillover", to the entire economy.¹³³ Philippe Schmitter states neo-functionalism's spillover hypothesis succinctly:

the process whereby members of an integration scheme - agreed on some collective goals for a variety of motives but unequally satisfied with their attainment of these goals - attempt to resolve their dissatisfaction either by resorting to collaboration in another, related sector (expanding the scope of the mutual commitment) or by intensifying their commitment to the original sector (increasing the

¹³¹Haas 1958, p. 16. Leon Lindberg refined this definition, still considering it a process but not referring to an end point. He defined political integration as: "1) the process whereby nations forego the desire and ability to conduct foreign and key domestic policies independently of each other, seeking instead to make *joint decisions* or to *delegate* the decision-making process to new central organs; and 2) the process whereby political actors in several distinct settings are persuaded to shift their expectations and political activities to a new center." Leon Lindberg, The Political Dynamics of European Economic Integration (Stanford: Stanford University Press, 1963), p. 6.

¹³²Haas 1958, pp. 13-19.

¹³³Haas 1958, pp. 311-313.

level of mutual commitment) or both.¹³⁴

Two factors contribute to the process: the interdependence of the functional tasks, latent in the original convergence, but capable of being mobilized by pressure groups, parties, or governmental agencies; and the 'creative talents' of political elites who seize opportunities to redefine and expand regional organization tasks. Jeppe Tranholm-Mikkelsen defines three kinds of spillover: functional, inherent in the functional tasks themselves; political, deriving from the socialization of national elites; and cultivated, emphasizing the Commission's role in upgrading the common interest.¹³⁵

This spillover hypothesis was often understood, especially by critics, to entail an automatic, even, conflict-free expansion of tasks. Schmitter, however, points out that

conflict between national actors is very likely to be forthcoming but that it is likely to be resolved by expanding the scope or level of central institutions....Alone functional interdependence based on high rates of mutual transactions is impotent. It must be perceived, interpreted, and translated into expressions of interest, strategies of influence, and viable decisionmaking styles.¹³⁶

At a certain point, spillover could become quite controversial, as joint policy-making expands to more salient areas. This "politicization" could trigger a widening of the audience interested in integration, a transcendence of the original objectives of integration, and a shift in actor

¹³⁴Philippe Schmitter, "Three Neo-Functional Hypotheses About International Integration", International Organization, vol. 23, no. 1, Winter 1969, p. 162.

¹³⁵Jeppe Tranholm-Mikkelsen, "Neofunctionalism: Obstinate or Obsolete? A Reappraisal in the Light of the New Dynamism of the EC", Millennium, vol. 20, no. 1, Spring 1991, pp. 4-6.

¹³⁶Schmitter 1969, p. 164.

expectations and loyalty toward the regional center.¹³⁷

Haas found in 1957 that a "supranational" style of decision-making had begun to take shape in the ECSC. In the Council of Ministers, national interests were almost always compromised. An 'atmosphere of cooperation' prevailed. Governments preferred not to be the sole negative vote, although in other international fora they might be willing to veto decisions. Governments considered themselves 'engaged' by the results of collective decision-making, identified with the purposes and procedures of the ECSC, and were dedicated to the informal code of conduct among the member states. They were willing to negotiate until a consensus was obtained.¹³⁸

Likewise, in his study of the EEC, Leon Lindberg maintained that the Council considered itself a Community institution - rather than an intergovernmental conference of ministers. There was a clear awareness of running a common project. Member states were sensitive to each other's needs, and no single member state was habitually obstructive. All made significant compromises to try to achieve a Community solution to joint problems.¹³⁹ Most of the solutions were not the "lowest common denominator" (determined by the most stubborn member state), but represented an "upgrading of the common interest".

¹³⁷Schmitter 1969, p. 166.

¹³⁸Haas 1958, pp. 490-527. Tony Barber has pointed out that, in contrast to the adversarial style of British politics, "on the Continent, coalition governments and consensus politics are far more prevalent. This translates into greater harmony at EU level." Tony Barber, "Always the Bad Europeans", The Independent on Sunday, 7 April 1996.

¹³⁹Lindberg 1963, pp. 74-76.

Significant national powers have been thrust into a new institutional setting in which powerful pressures are exerted for 'Community' solutions: that is, solutions which approximate the upgrading-of-common-interests type. Our case studies have revealed that important and divergent national interests have been consistently accommodated in order to achieve a decision.¹⁴⁰

Absolutely crucial to the reaching of such decisions was the active participation of the Commission - an institutionalized mediator with autonomous powers - even in areas where the EEC Treaty had not assigned it a formal role.¹⁴¹

"Real world" events have affected neo-functionalism's fortunes. French President De Gaulle's 'obstructionism' of the EC, and the 1966 Luxembourg Compromise (issues involving very important interests of one or more partner must be agreed by consensus) applied a brake to neo-functionalism. There were limits to integration that could be effectively applied by member states; spillover was not automatic. Member states could protect their national prerogatives against supranational encroachment.¹⁴²

After two decades, however, neo-functionalism became popular again, seeming to help explain the EC in the mid to late 1980s, what with the Single European Act, single European market, Social Charter, plans for an Economic and Monetary Union, increasing influence of the Commission and the European

¹⁴⁰Lindberg 1963, p. 288.

¹⁴¹Lindberg 1963, p. 285.

¹⁴²See Taylor 1983 for an account of how and where the EC member states chose to defend their sovereignty in the 1970s and early 1980s.

Parliament, and stronger regional policies.¹⁴³ Moravscik draws on it to develop his concept of supranational institutionalism, which stresses the role of supranational factors (pressure from EC institutions, lobbying by transnational interest groups, and Commission leadership) in inducing EC institutional change.¹⁴⁴

Neo-functionalism has been criticized because it posits that spillover will eventually lead to the establishment of some kind of a state, whereas clearly the EU seems to be somewhere between a super-state and an intergovernmental organization. Loyalties have not shifted exclusively to the EU level.¹⁴⁵ Several observers have argued that the mixed national/Community system should be seen as "cooperative federalism" in which there is concurrent jurisdiction between both levels, rather than a shift in the distribution of power between them.¹⁴⁶ Neo-functionalism's prediction of a federal state can be set aside, however, and its insights instead used to explain why common policy-making can occur in specific cases, especially in the area of foreign policy, where the

¹⁴³See Tranholm-Mikkelsen 1991, and Paul Taylor, "The New Dynamics of EC Integration in the 1980s", in Lodge, ed. 1989.

¹⁴⁴Moravscik 1991, pp. 43-45. He finds, however, that intergovernmental institutionalism better explains the SEA.

¹⁴⁵The vagueness of the end state envisaged by neo-functionalism is also problematic. If there is no clear view of what the process is leading to, how is it possible to assess progress thus far? See Christiansen 1994, p. 2.

¹⁴⁶See Simon Bulmer, "Analyzing European Political Cooperation: The Case for Two-Tier Analysis", in Holland, ed. 1991; Wessels, "The EC Council: The Community's Decisionmaking Center", in Keohane and Hoffman, eds. 1991, p. 137; and Emil Kirchner, Decision-making in the European Community: The Council Presidency and European Integration (Manchester: Manchester University Press, 1992), p. 11.

member states have resisted even concurrent jurisdiction. A number of insights seem useful: on spillover, externalization, and the socialization of elites.

The fact that the Community still does not have competences in "traditional" foreign policy has been considered by some as proof that there is a definite limit to spillover.¹⁴⁷ EPC was an intergovernmental forum, in which defense and non-social and non-economic aspects of security were not even to be discussed. To the extent, however, that the EC carried out foreign policy activity (indicating spillover between "external economic relations" and "foreign policy"), or that the EC and EPC collaborated, then the spillover hypothesis could be useful. In formulating and implementing the policy towards Eastern Europe, there has certainly been an extensive 'blurring of the line' between the EC and EPC/CFSP, and could exemplify functional, political and/or cultivated spillover. Spillover between external economic relations and foreign policy would also make way for the Commission's involvement, with potentially positive implications for "upgrading the common interest".

One neo-functionalist hypothesis in particular considers how the Community could find itself conducting a joint foreign policy. Philippe Schmitter's externalization hypothesis posits that common EC policies, such as the Common Agricultural Policy, will adversely affect non-member states, which will demand relief from the Community, viewing it as a single policy-making unit. Outsiders may also, for their own

¹⁴⁷For example, Keohane and Hoffman 1991, p. 28, Hoffman 1966, and Pijpers 1991.

policy purposes, decide to treat the Community as if it were a viable, authoritative policy-making unit. The Community would then have to respond to the outsiders as a whole and in the process would be elaborating a common foreign policy. This could occur for a variety of involuntary and voluntary motives. After all, the member states often viewed integration as a way to increase their collective bargaining power vis-à-vis other international actors, and so would be likely to use the Community as a way to appeal to or threaten non-member states.¹⁴⁸

Roy Ginsberg's 'regional integration logic' picks up on this hypothesis. It emphasizes the negative effects of internal EC policies on outsiders, who in turn press the EC for compensation, forcing member states to respond jointly. The EC will either extend membership or some form of association to nonmembers or it will respond defensively to demands it cannot or will not accommodate.¹⁴⁹ Panayiotis Ifestos also finds that external demands are an important source of pressure for coordinated Community responses.¹⁵⁰

There is, of course, a negative hypothesis: "the countries will react to these new opportunities and challenges by indulging in an individualistic scramble for special and exclusive advantage."¹⁵¹ As Gunnar Sjöstedt pointed out, the

¹⁴⁸Schmitter 1969, p. 165.

¹⁴⁹Ginsberg 1989, pp. 20-29.

¹⁵⁰Panayiotis Ifestos, European Political Cooperation: Towards a Framework of Supranational Diplomacy? (Aldershot: Avebury, 1987), pp. 136-137.

¹⁵¹Schmitter 1969, p. 165.

member states have behaved independently of each other, especially in areas which they considered important. But he also noted that the member states have been able to behave as a single unit towards some third party on numerous occasions: the Community can be an international actor.¹⁵²

To explain why member states agree to particular foreign policy responses and do not react individually, one must examine the evolution of their interests more closely. Here another aspect of neo-functionalism could be particularly useful: through the socialization of elites, a supranational style of decision-making in EPC/CFSP could be established.

Philippe de Schoutheete traced the gradual redefinition of the member states' interests in EPC.¹⁵³ EPC was intergovernmental (the Commission played a limited role) and took decisions on the basis of consensus. It brought, however, a new "European" dimension to the national foreign policy process by multiplying the direct contacts between officials at the different national levels, administrative and political, responsible for analyzing and taking decisions.

A force de se réunir, de se consulter, d'échanger des informations, de rechercher des positions communes qui concilient leurs préoccupations respectives, les responsables nationaux ont acquis un réflexe européen qui les amène, lorsqu'un problème se pose, à envisager aussi sa dimension collective, l'intérêt qu'il peut présenter pour les autres partenaires, et à adapter éventuellement leur position initiale. De même, la somme de travail, d'études agréées, d'informations échangées, facilite le moment venu une prise de position commune ou une démarche collective.¹⁵⁴

¹⁵²Sjöstedt 1977, p. 14.

¹⁵³de Schoutheete 1980.

¹⁵⁴de Schoutheete 1980, p. 118.

The habit of working together made the search for a consensus on new foreign policy developments - the coordination reflex - a normal occurrence. This of course has limits: often the most that came out of EPC was a common declaration, with no policy instruments to back up the position. Yet this is still a significant development, given that states have long considered foreign policy to be an absolute sovereign prerogative, regardless of the difficulties of foreign policy making in an era of interdependence.

The development of the coordination reflex illustrates how EPC affected member states' interests, and why the member states might respond to external demands jointly rather than separately. By pointing to the "Europeanization" of national foreign policies, it gives clues as to how the member states could eventually formulate a joint European policy.

The interdependence logic (section 2.2.1) and externalization imply that the EU acts as one only because of outside pressures. Ginsberg's self-styled logic posits that on some occasions, the Community may formulate foreign policy on its own initiative. It stresses the Community's "internal dynamics". "There is a symbiosis between the EC and member actors and institutions that produces joint actions that are uniquely European."¹⁵⁵ The self-styled logic focuses on the Community's "own foreign policy interests, and its own mission and initiative in the world independent of the phenomena that trigger other actions."¹⁵⁶ The self-styled logic is rooted

¹⁵⁵Ginsberg 1989, p. 36.

¹⁵⁶Ginsberg 1989, p. 10.

in the combination of three models: the national interests model, the elite actor model, and neofunctionalism.¹⁵⁷

Ginsberg did not develop his self-styled logic as fully as he did his two other logics (integration and interdependence), but the difference between self-styled logic and externalization can perhaps be likened to Brian White's two different connotations of policy (see chapter 1). Externalization can result in a common foreign policy if the Community responds collectively to external demands or events; self-styled logic implies a more activist conception of policy-making, the formulation of a plan to reach specific objectives. In either case, however, why and how the member states cooperated on a common policy must still be explained: the EU can hardly be likened to a unitary actor (there is no "black box" there to be opened).

Constructivist insights about the symbiosis between states and institutions also appear to be useful, particularly in understanding how the "supranational" style of decision-making could develop, even in the foreign policy sphere. The 'national self' of the member states could be acquiring a 'European' dimension as a result of decades of cooperation and integration. Ole Wæver argues that it "is crucial to recognize the diverse and concrete ways in which the European

¹⁵⁷Ginsberg tries to classify EC foreign policy actions. Quite a few of those he considers self-styled actions related to Eastern Europe, but he is not very consistent. One example: he classifies the rejection of an EC-CMEA agreement in 1978 as a self-styled action, but the opening of negotiations on such an agreement in 1985 as an "integration logic" action.

dimension is included in national self-conceptions."¹⁵⁸ He cites the example of France:

when most of the significant political forces in France try to imagine their country's future, the E.U. is an implicit part of that vision. Europe has become part of the meaning of France. Thus, discussions about France's self-interest cannot be seen as separate from E.U. issues; the "self" already incorporates the E.U.¹⁵⁹

Wæver maintains that even though the relative power of the Commission vis-à-vis the Council has diminished, this does not mean that integration has weakened, as neo-functionalism might suggest. The Council has become a "Euro-organ", often acting according to EU interests. Member states have "gained in importance in the joint governance of the E.U., and lost importance as rulers of their own territories."¹⁶⁰ Wolfgang Wessels has also noted that the Council functions not as an interstate body, but as a body at the supranational level.¹⁶¹ This could help explain why the self-styled logic might fit with some cases of common foreign policies.

Neo-functionalism and constructivism thus offer a number of useful hypotheses and generate interesting questions about foreign policy cooperation and decision-making in the EU. They highlight the ways in which interaction within the EU affects the interests and identities of its member states, generating the "Community method" of resolving problems.

¹⁵⁸Ole Wæver, "Identity, Integration and Security: Solving the Sovereignty Puzzle in E.U. Studies", Journal of International Affairs, vol. 48, no. 2, Winter 1995, p. 412.

¹⁵⁹Wæver 1995, p. 412.

¹⁶⁰Wæver 1995, p. 420.

¹⁶¹Wessels 1991, p. 137.

CONCLUSION

This thesis will be strongly influenced by the questions that are raised by constructivist approaches and sociological liberalism regarding how state interests can be transformed through interaction, because they appear to be the most helpful. Insights from neofunctionalism (on externalization, the socialization of elites, the Community method, and the Commission's role) seem particularly promising. The thesis will also take into account unit-level factors (such as interest groups) that could affect national positions on a joint policy towards Eastern Europe. Neoliberal institutionalists probably do not go far enough in exploring the symbiosis between the Community and its member states, but some of their concepts (like empathetic interdependence) could be useful. In contrast, neorealism seems to offer rather less in the way of explanation for common foreign policy-making.

The questions that will be posed in this thesis reflect these approaches. What role did third parties play in forcing the Community/Union to formulate a common policy? Was there externalization? Or is this a case of self-styled logic?

What were the positions of the member states on a policy towards Eastern Europe? How were these positions forged into a joint policy? Did the member states make compromises? If so, why? Were the member states concerned with relative gains? Or were they more concerned with reaching equitable solutions that provided greater joint gains (in a situation of empathetic interdependence)?

Is there evidence of the "Europeanization" of the member states' positions? Did they view the "problem" of supporting

reform and preventing conflict in Eastern Europe and its "solution" in collective terms? To what extent does the policy towards Eastern Europe reflect Community (collective) interests, principles, and goals?

What was the Commission's role in the making of the policy towards Eastern Europe? Did it contribute to the upgrading of the common interest, or was the policy of the "lowest common denominator" type? Did it play the crucial role in policy-making, as neo-functionalism emphasizes? Was there spillover (political, cultivated and/or functional) between external economic relations and foreign policy?

How important were domestic forces (such as interest groups, political parties, and national bureaucracies) in preventing or permitting compromise among the member states? Were the member states' positions largely determined by the positions of domestic interest groups, as the liberal intergovernmentalist approach would postulate? How important were elite attitudes in determining and revising positions?

These questions broadly correspond to those that several observers have suggested should guide EU research: To what extent is foreign policy cooperation the product of systemic factors and to what extent is it affected by unit-level pressures? To what extent does the external environment hinder or help that cooperation? To what extent have the EC and EPC been interlinked? To what extent are member state preferences shaped by a socialization process? How autonomous

is the Commission?¹⁶²

In Chapter 7, the answers to these questions will be reviewed to see how well the theories examined in this chapter help explain why the member states cooperated on the policy towards Eastern Europe.

¹⁶²The first three questions have been suggested by Christopher Hill, in Hill 1988, pp. 216-221; the last two by James Caporaso and John Keeler, in "The European Community and Regional Integration Theory", Paper prepared for delivery as a plenary address at the European Community Studies Association conference, May 1993.

CHAPTER 3

THE HISTORICAL BACKGROUND: Community-East European Relations Through 1988

Until 1988, the Community did not play a significant role in relations with Eastern Europe. Relations between Eastern and Western Europe were constrained by the Cold War, leaving little room for an active Community policy. But the member states also retained control over their bilateral relations with the East European states, thereby limiting the Community's role. The member states did, however, cooperate on some aspects of relations with Eastern Europe: they forged a common position on the Community's relations with the Council for Mutual Economic Assistance (CMEA, or Comecon) and its members; they coordinated their positions on the Conference on Security and Cooperation in Europe (CSCE); and they agreed on a common response to the 1981 Polish crisis, in contrast to the US position. In so doing, the EC member states clarified their common interests, established precedents for cooperation, and identified the instruments that could be used to implement common policies. When the communist regimes began to fall in Eastern Europe, the Community and its member states could draw on this learning experience.

In this historical survey, two broad themes stand out: the interrelation between economic and political issues, on the one hand, and between the external and internal factors pushing the member states to act jointly, on the other. Both themes are still very much in evidence in the Community's policy from 1988.

The distinction between "external economic relations" and "foreign policy" broke down frequently in practice. John Maslen maintained that in relations between the EC and state-trading countries, "as in practically no other area of the Community's relations economic and financial, legal and institutional, political and ideological factors are inextricably interwoven."¹ Trade with Eastern Europe was highly politicized, and tensions arose over the degree to which the Community could handle economic relations with Eastern Europe, given the national economic and political interests involved. With respect to those issues on which the member states agreed to work together, there was spillover. In assuming control over national trade policies with East European countries, for example, the Community became involved in making political decisions.

Internal and external pressures pushed the member states to cooperate. The Commission actively sought to extend its control over national trade policies, with the support of the European Court of Justice (ECJ) and the European Parliament (EP). As this occurred, the East European states demanded trade negotiations with the EC, which in turn forced the Community to formulate a collective response. Other external events - the CSCE negotiations and US pressures over sanctions - spurred the EC member states to act jointly. Member states themselves pushed for common positions, for a variety of domestic factors, including the desire to secure Community

¹John Maslen, "The European Community's Relations with the State-Trading Countries, 1981-1983", Yearbook of European Law, no. 3, 1983, p. 323.

backing for their own national policies.

This chapter is divided into three parts. In the first part, the formulation of the EC's position towards the CMEA and its East European member states will be examined. Attention will turn in the second part to the Community's role in the CSCE process. In the final part, the connection between security and trade with Eastern Europe will be further discussed; conflicts with the US in the late 1970s and early 1980s over this issue led the EC member states to adopt a common stance on it.

3.1 EC POLICY TOWARDS THE CMEA AND ITS MEMBER STATES

When the ECSC Treaty was signed in 1951, at the start of the Cold War, relations between Eastern and Western Europe were frosty. The two sectors involved - coal and steel - did not directly affect the Eastern economies, but the lifting of controls on West German industry had political implications. In Eastern Europe and the Soviet Union, the Western moves were portrayed as the beginning of an American-German hegemony over the entire continent.² The EEC's establishment six years later provoked another hostile Soviet reaction. In 1957, the EEC was portrayed as the economic arm of NATO and an instrument serving the interests of the monopolist class. The contradictions inherent in capitalism would soon cause the EEC to disintegrate.³

²Edmund Wellenstein, "The Relations of the European Communities with Eastern Europe" in David O'Keefe and Henry G. Schermers, eds., Essays in European Law and Integration (Deventer, the Netherlands: Kluwer, 1982), p. 198.

³"17 Theses on the Common Market", published in the Soviet periodical Kommunist. See Pinder 1991, p. 8.

When the EC instead proceeded with integration and began to prosper, a 1962 article in Pravda acknowledged it as an economic and political reality that promoted investment, modernization, trade and wage increases.⁴ Yet until the 1980s, the Soviet Union and its allies refused to deal officially with the Community and tried to block its participation in international organizations.⁵

From the Community side, the Cold War, and the US position on relations with the Soviet bloc (see section 3.3), precluded close ties with Eastern Europe in the 1950s and early 1960s. East-West political dialogue was either absent or acerbic and East-West trade relatively insignificant.

After the Cuban missile crisis, East-West tensions relaxed somewhat, permitting freer exchanges between the two halves of Europe. Trade between the EC and CMEA member states expanded (see appendix 1).⁶ CMEA members became increasingly aware that they lagged behind the West and needed to import advanced Western technology. The East European states initiated reforms: economic decision-making was somewhat decentralized and the foreign trade monopoly loosened.⁷ Import-led growth strategies increased the demand for imports

⁴Pinder 1991, p. 8.

⁵Maslen 1983, p. 325.

⁶The volume of trade with the eastern bloc countries, however, has never been as significant as that with most of the EC's other trading partners.

⁷Peter Marsh, "The Development of Relations between the EEC and the CMEA", in Avi Shlaim and G.N. Yannopoulos, eds., The EEC and Eastern Europe (Cambridge: Cambridge University Press, 1978), p. 28.

of intermediate goods, machinery and equipment.⁸

The growth of East-West trade occurred just as the Community was to assume the sole right to conduct a commercial policy on behalf of its member states. The economic and political benefits of a common EC stance on trade with Eastern Europe were not initially apparent to the member states and it took several years before such a stance emerged. The next section will cover the debate on a common commercial policy (CCP) towards the "state-trading countries".

3.1.1 Towards a Common Commercial Policy

The EC member states were quite reluctant to cede their powers over trade with the communist bloc to the Commission by the end of the transition period (1 January 1970), as provided under the Rome Treaty. In the climate of East-West detente, with expanding trade relations, the member states vied with each other to meet the increased demand from the east. They used export credits and cooperation agreements to secure advantages for their domestic industries and to pursue independent foreign policy objectives. Trade with the USSR and Eastern Europe was an integral part of both France's anti-bloc foreign policy and West Germany's Ostpolitik.⁹ In addition, under de Gaulle's influence, France, and other member states as well, jealously guarded national prerogatives

⁸George Yannopoulos, "EC External Commercial Policies and East-West Trade in Europe", Journal of Common Market Studies, vol. 24, no. 1, September 1985, pp. 22-23.

⁹While the Ostpolitik began when Willy Brandt became Chancellor in 1969, West Germany had set up trade missions in East European countries from 1963. Timothy Garton Ash, In Europe's Name: Germany and the Divided Continent (London: Vintage, 1993), p. 36.

and hindered the development of common internal policies.¹⁰ This led one commentator to note critically in 1969, "Faced with the choice between pooling their efforts as a strong trading group for the purpose of improving trade and falling back on mutual competition for achieving short-term national aims, members have opted in fact for the latter."¹¹

The difficulty of trading with communist countries was also cited as a reason for maintaining national commercial policies. State planners in the CMEA countries completely controlled trade patterns and goods were arbitrarily priced. Uncontrolled trade with the east could have distorted free market economies. Thus EC member states wanted to be able to protect their domestic economies.¹²

External factors helped push the EC member states towards a collective position on trade and economic links with the Soviet Union and Eastern Europe. Changes in the international economy made the advantages of 'going it alone' less clear-cut. Until the 1960s, the US and Japan had hardly been present in East-West trade. Spurred by both detente and recession in the early 1970s, American and Japanese companies began to challenge the West Europeans' relative preponderance in trade with the CMEA member states.¹³ Furthermore, the prospect of a pan-European Security Conference on economic and

¹⁰Frans A.M. Alting von Geusau, Beyond the European Community (Leyden: A.W. Sijthoff, 1969), pp. 152-154.

¹¹Alting von Geusau 1969, p. 154.

¹²Charles Ransom, The European Community and Eastern Europe (London: Butterworths, 1973), pp. 15-16 and pp. 38-39.

¹³Marsh 1978, p. 40.

political relations convinced the member states of the need for a common approach to relations with Eastern Europe (see section 3.2).

During the 1960s, the Commission attempted to gain control over the member states' conventional trade activities, such as import quotas and tariffs, but found it difficult to do so. In 1960, the Council agreed that all bilateral trade agreements should include an "EEC Clause" stating that the agreement would be amended if the CCP so required.¹⁴ A 1961 Council decision affirmed that trade agreements between member states and third countries should not extend beyond the end of the transitional period.¹⁵ In 1964, the Commission called on the member states to harmonize their commercial policies towards the state-trading countries, so that they would not adversely affect the internal market and would be able to take a common position vis-à-vis the communist countries in international trade talks.¹⁶

In 1966, the member states began to liberalize their imports from Eastern Europe, following British moves in that

¹⁴Ransom 1973, p. 39. The CMEA countries allowed the clause to be annexed to bilateral commercial treaties, but still insisted they did not recognize the Community's juridical status.

¹⁵In Official Journal of the European Communities (hereinafter OJ) 71, 4 November 1961.

¹⁶Ransom 1973, p. 46. Member states were increasingly using Article 115 to block goods imported via another member state. Under that article, member states could take safeguard measures during the transitional period by notifying the Commission and other member states. After the transition, the Commission could authorize member states to take protective measures.

direction.¹⁷ Under these circumstances, it is noteworthy that in December 1969 the Commission obtained the Council's approval for common arrangements for imports from state-trading countries. Quantitative restrictions were removed on a list of products and a Community surveillance system was established, to allow the Community to take safeguard measures against imports from communist countries.¹⁸ Member states could not unilaterally impose new quotas on products on the list.

Member states, however, still insisted on holding onto their right to negotiate trade treaties with state-trading countries. In December 1969, the Council authorized member states to continue negotiating bilateral agreements with the CMEA members until 31 December 1972, because the CMEA's policy of non-recognition precluded the CMEA states from negotiating with the EC (see section 3.1.3).¹⁹ The Community would be responsible for negotiating trade agreements with the eastern bloc countries only as of 1 January 1973. In practice, this deadline was put off again, as most bilateral agreements expired at the end of 1974. A 1973 Council Decision authorized the extension of member states' trade agreements with the East European countries until 31 December 1974.²⁰

¹⁷Ransom 1973, p. 44.

¹⁸Regulation no. 109/70 in OJ L 19, 26 January 1970.

¹⁹Decision no. 69/494 in OJ L 326, 29 December 1969.

²⁰Decision no. 74/34 in OJ L 30, 4 February 1974. See also European Parliament, Working Document 425/1974, Report on the European Community's Relations with the East European State-Trading Countries and COMECON (hereinafter the Klepsch Report), 9 January 1975, p. 11.

Finally, in May 1974, the Council stated its willingness to negotiate with individual CMEA member states and reaffirmed that from then on, all trade negotiations with state-trading countries were to be conducted through the Community.²¹

The Commission sought to make the most of the powers it had acquired, proposing two commercial policies to replace member states' agreements with the CMEA states.²² One, the so-called "autonomous policy", would simply incorporate all of the different national restrictions on imports from the state-trading countries into an EC framework, in recognition of the difficulty of harmonizing the varying policies. The other would entail drafting an agreement between the EC and each CMEA member state that provided for trade liberalization, the reciprocal granting of most-favored-nation (MFN) status, and supervision by a joint committee of representatives from the EC and the CMEA state concerned.²³

In September 1974, the Council decided that the Community should deliver the sample agreement to the state-trading countries, to show that it was ready to negotiate new trade agreements with them. In November, the Commission did so, offering to open negotiations with them.²⁴ No replies came

²¹Commission of the European Communities, Bulletin of the European Communities (hereinafter EC Bulletin), no. 5, 1974, pt. 2330, and Marsh 1978, p. 49.

²²John Pinder (1977b), "Economic Integration and East-West Trade: Conflict of Interests or Comedy of Errors?", Journal of Common Market Studies, vol. 16, no. 1, September 1977, p. 2, and Marsh 1978, pp. 49-52.

²³Commission of the European Communities, External Relations Information no. 26/79, The European Community and the Countries of Eastern Europe, December 1979, p. 1.

²⁴EC Bulletin no. 11, 1974, pt. 1301.

back, consistent with their traditional hostility to the EC and with the CMEA's attempt to negotiate a bloc-to-bloc trade agreement with the EC (see section 3.1.3).²⁵ The Council then decided that the Community would proceed with the autonomous policy, putting an EC stamp on the provisions of member states' agreements; if state-trading countries did not agree to negotiate those provisions, they would simply be unilateral decisions by the Community.²⁶ Member states' quotas on goods from state-trading countries were incorporated into an EC list; each year, the Council revised the list, usually liberalizing imports. Community anti-dumping and anti-subsidy procedures could be - and often have been - used in response to complaints that artificially low priced goods from state-trading countries were hurting EC producers.²⁷

Although the Commission had managed somewhat to 'communitarize' trade policy towards Eastern Europe, little room was left to the individual EC member states to conduct trade negotiations anyway: provisions on tariffs and trade liberalization were governed by GATT, to which Czechoslovakia, Hungary, Poland, and Romania belonged at the time.²⁸

Instead, the member states used cooperation agreements

²⁵Pinder 1977b, p. 2.

²⁶Decision 75/210 in OJ L 99, 21 April 1975. See Maslen 1983, p. 326.

²⁷Maslen 1983, pp. 327-328.

²⁸Czechoslovakia was a founding but passive member of GATT; Poland (1967), Romania (1971), and Hungary (1973) joined later, under special protocols to account for their status as state-trading countries. To reciprocate MFN benefits, state-trading countries agreed to increase their imports by a certain percentage each year.

and export credits to secure advantages for their businesses in Eastern Europe, and asserted their national prerogative to do so. "This makes it possible to pursue national aims bilaterally through export credits, barter deals, etc., provided the nation concerned assiduously avoids labelling such agreements as 'commercial policy'."²⁹

West European governments promoted national exports with an assertive use of state credit guarantees.³⁰ In 1962, the Council decided that member states were to consult each other when they intended to breach the Berne Union of Credit Insurers agreement, but the decision was frequently ignored.³¹ In 1964, the UK guaranteed a 15-year credit for the Soviet Union's purchase of a plant, breaking the five-year maximum of the agreement.³² EC members France and Italy soon followed with similar agreements, sparking a 'credit race'.³³ To tame this competition, the Commission tried unsuccessfully to coordinate EC member states' credit policies, supported by West Germany and the Netherlands. France announced in 1966

²⁹Carl A. Ehrhardt, "The EC in the Network of its Bilateral Agreements", Aussenpolitik, vol. 31, no. 4, 1980, p. 373.

³⁰The East European states borrowed heavily from the West in the late 1960s and early 1970s; servicing the debt became a serious problem by the late 1970s. After communism collapsed, part of the West's aid to Eastern Europe had to be directed to debt relief.

³¹Ransom 1973, pp. 39-40.

³²Marsh 1978, p. 38.

³³European Parliament Working Document 1-531/82, Report drawn up on behalf of the Committee of External Economic Relations on relations between the European community and the East European state-trading countries and the CMEA (COMECON), (hereinafter the Irmer Report), 28 July 1982, p. 16.

that export credits were an element of foreign policy, which remained the prerogative of the member states.³⁴ In 1975 the Commission obtained an ECJ judgment maintaining that export credit policy fell under the EC's competence.³⁵ But the OECD became the forum in which export credit guidelines were stipulated, with Commission participation.³⁶

In long-term economic cooperation agreements with communist states, a Western company, backed by its government, provided technology, capital and know-how and the communist state supplied labor and services.³⁷ Since the CMEA states sought to import Western technology but lacked the necessary hard currency, cooperation agreements met their needs more readily than straight trading arrangements. EC member states regarded such agreements as instruments with which a national economic policy could still be conducted.³⁸

France argued that economic cooperation agreements did not fall under Article 113 and thus the Commission did not have jurisdiction over them. Most member states, however, could agree on the need for minimum Community coordination of such agreements and in July 1974, the Council set up a

³⁴Ransom 1973, p. 40.

³⁵In OJ C 268, 22 November 1975.

³⁶Wellenstein 1982, p. 204. There is still no EC mechanism for coordinating export credits (see chapter 4).

³⁷Marsh 1978, pp. 38-39.

³⁸West Germany, for example, concluded economic cooperation agreements with the Soviet Union, Poland, Hungary, Czechoslovakia, and Bulgaria in the early 1970s (part of Ostpolitik). The use of cooperation agreements declined later as the economic and then political situation deteriorated. Jurgen Notzold, "Political Preconditions of East-West Economic Relations", Aussenpolitik, vol. 36, no. 1, 1985, p. 43.

consultation procedure for cooperation agreements with state-trading countries.³⁹ The Commission would be able to ensure that the provisions of the agreements did not violate the CCP. These procedures, however, frequently went unobserved.⁴⁰

The absence of an EC economic cooperation policy towards Eastern Europe contrasted with the EC's policies in other regions: it concluded aid and cooperation agreements with countries all over the world, including Yugoslavia. The member states' reluctance to allow the EC to do the same with East European countries partly reflects the degree to which they guarded their own national economic and political interests in the region, and partly the effects of the Cold War and of Soviet dominance in Eastern Europe.

Thus, the Community suffered from a lack of positive instruments (credits, guarantees, etc.) for conducting commercial relations with Eastern Europe.

So far, EC member states have (under Article 113) only transferred to the Community the authority to wield the stick, which also includes restrictive import policy measures. But - notwithstanding Article 113 - they have largely reserved the carrot for themselves as an instrument of their export policies.⁴¹

And the member states preferred to use "carrots" to encourage liberalization in Eastern Europe (see section 3.3).

Progressive integration within the EC, however, elicited a response from the East European states and from the CMEA itself, discussed in the next two sections. The East European

³⁹Decision 74/393 in OJ L 208, 30 July 1974. See also Marsh 1978, pp. 46-47.

⁴⁰Wellenstein 1982, p. 206, and Ehrhardt 1980, p. 373.

⁴¹Ehrhardt 1980, p. 373.

response in turn forced the EC to come up with a common stance on relations with the CMEA and its members.

3.1.2 EC Relations with Individual CMEA States

As the EC developed its internal policies on agriculture, industry, and fisheries, beginning in the 1960s, non-member states often found that their trade with the Community was adversely affected (as the externalization hypothesis states). They frequently approached the Commission - the only body authorized to conduct trade negotiations - to seek concessions. This held true for the East Europeans as well, the official policy of not recognizing the EC aside. Their exports (agricultural goods, chemicals, machinery, iron and steel, textiles, and clothing) met with tariffs and restrictive quotas at EC borders, while Soviet exports of raw materials entered the Community duty-free.⁴² With recession in the mid-1970s, Community industrial policies became ever more protectionist, further affecting trade with Eastern Europe. Trade with the EC was a significant percentage of the East Europeans' total foreign trade (25%), so they had good reason to approach the Commission asking for concessions.⁴³

As the Hungarian Prime Minister noted in 1968:

The Common Market is a fact and we, who are always realists have to acknowledge its existence...If our trade relations required us to call on some of the

⁴²Wellenstein 1982, p. 200.

⁴³Trade with the CMEA was only 4% of the EC's total foreign trade. Peter Marsh, "The European Community and East-West Economic Relations", Journal of Common Market Studies, vol. 23, no. 1, September 1984, p. 2. East Germany, however, remained antagonistic to the EC, although it could afford to do so because its goods entered West Germany free of tariffs, under the provisions of the Rome Treaty's protocol relating to intra-German trade. See Wellenstein 1982, p. 201.

Brussels offices of the Common Market, we would not consider this step a renunciation of our principles.⁴⁴

The creation of the Common Agricultural Policy (CAP) in 1960 spurred several CMEA member states to break ranks with the official policy of hostility towards the EC. There was probably greater freedom to do so after the 1962 Pravda article on the reality of the EC, and because with de Gaulle obstructing any supranationalist moves, the Community did not seem such a threatening institution.⁴⁵ Between 1965 and 1981, agreements (by informal exchanges of letters) on agricultural products were concluded with Bulgaria, Czechoslovakia, Hungary, Poland, and Romania. The Commission agreed not to charge a supplementary levy on specific products, and the East European states agreed not to sell products below a certain price. Voluntary restraint agreements on sheep and goat meat were signed with the same 5 countries in 1981 and 1982.⁴⁶

As the EC increasingly managed industrial problems stemming from import competition, sectoral agreements were reached with East European states. These agreements "confirmed the Community's importance to the management of East-West economic relations arising out of its wider involvement in handling sectoral trade problems on behalf of its members."⁴⁷

⁴⁴Quoted in Altling von Geusau 1969, p. 149.

⁴⁵Ransom 1973, p. 25.

⁴⁶Maslen 1983, pp. 330-331.

⁴⁷Peter Marsh, "E.E.C. Foreign Economic Policy and the Political Management of East-West Economic Relations", Millennium, vol. 9, no. 1, Spring 1980, p. 44.

In the late 1970s, the Community acted to protect EC textile suppliers from low-cost competitors. Voluntary export restraint agreements in the textiles sector were then signed with Romania in 1976, Hungary in 1978, Bulgaria and Poland in 1979, and Czechoslovakia in 1981.⁴⁸ Similarly, the increase in Community management and protection of the steel industry in 1977-78 prompted East European states to negotiate access for their steel products with the Commission. Czechoslovakia, Hungary, Poland and Romania all reached informal voluntary restraint agreements with the Commission in 1978-79.⁴⁹ The EC's growing management of sectoral trade problems thus

helped move the socialist states away from a policy of non-recognition of the EEC's competence in trade matters and towards direct engagement in political bargaining with the Commission on crucial issues of East-West trade, on an informal basis.⁵⁰

Further integration in the Community even induced the Soviet Union to approach the Commission. In 1976, the EC member states agreed to extend their fishing rights to 200 nautical miles offshore and transfer jurisdiction over this zone to the Community. The Commission would conduct negotiations with third countries over fishing quotas within the zone. The Soviet Union, with a large economic interest in the fishing zone, sought an agreement on access to the zone with the Commission. Poland and the GDR followed.⁵¹ Yet the

⁴⁸Such agreements were periodically renewed. Maslen 1983, p. 331.

⁴⁹Marsh 1980, p. 46, and Maslen 1983, p. 331.

⁵⁰Marsh 1980, p. 42.

⁵¹Carl A. Ehrhardt, "EEC and CMEA Tediously Nearing Each Other", Aussenpolitik, vol. 28, no. 2, 1977, pp. 176-177, and Robert M. Cutler, "Harmonizing EEC-CMEA Relations: Never the

Soviet Union could still not bring itself to recognize the EC nor accept a clause on the application of the Rome Treaty to West Berlin, and the talks did not go well. By September 1977, negotiations with the three countries were suspended and their ships left EC waters.⁵²

In contrast, the EC "rewarded" Romania's independent foreign policy. In 1972, Romania asked to begin negotiations on a trade agreement with the EC.⁵³ In 1974, Romania requested and obtained special treatment under the EC's Generalized System of Preferences (GSP).⁵⁴ It also led the way in reaching sectoral agreements. The first official sectoral trade agreement between the EC and a CMEA member was concluded with Romania on textiles in 1976; another was reached on steel in 1978. Two more far-reaching agreements were concluded in 1980: the first created a joint committee on trade matters and the second provided for the abolishment, suspension or increase of certain import quotas on industrial goods.⁵⁵ Romania agreed that it would expand and diversify its imports from the EC at a rate not smaller than that of its imports from other GATT countries. Attempting to keep up the facade of non-recognition, Romania intended the trade

Twain Shall Meet?", International Affairs, vol. 63, no. 2, Spring 1987, p. 264.

⁵²External Relations Information no. 26/79, p. 2.

⁵³Ransom 1973, p. 28.

⁵⁴GSP applies to imports from developing countries, providing tariff-free access for industrial products (including steel and textiles) and some agricultural products; a tariff is applied on "sensitive products" above a certain quota.

⁵⁵Both agreements are in OJ L 352, 29 December 1980.

agreement to be regarded officially as another sectoral agreement, which is why the joint committee was established by a separate agreement.⁵⁶

The Community also moved to strengthen its relations with Yugoslavia, which was only associated with the CMEA.⁵⁷ By reaching agreements with Romania and Yugoslavia, the EC was making a "political point".⁵⁸ It would extend benefits to countries that had few qualms about recognizing it.

By the early 1980s, then, the Community was playing a greater role in trade relations with Eastern Europe, largely as a result of externalization. But these relations were fairly low-key, and the member states still controlled most instruments of foreign economic policy. In addition, the EC's role was constrained by Cold War realities and, in particular, relations with the CMEA.

3.1.3 EC-CMEA Institutional Relations

From 1973 through 1981, the possibility of the EC and the CMEA concluding some sort of agreement was discussed. Although talks between the two sides were held, they came to

⁵⁶John Maslen, "A Turning Point: Past and Future of the European Community's Relations with Eastern Europe", Rivista di Studi Politici Internazionali, no. 4, 1988, p. 560.

⁵⁷In 1970, a three-year, non-preferential trade agreement went into effect between the EC and Yugoslavia, in which each granted the other MFN status. In 1971, Yugoslavia was granted the GSP. A second, five-year agreement was signed in 1973 which liberalized trade and allowed freer access for Yugoslavia's exports. A trade and cooperation agreement was concluded in 1980, providing further concessions for Yugoslav exports and European Investment Bank finance. The EC thus hoped to limit Yugoslavia's economic dependence on CMEA member states. See Patrick F.R. Artisien and Stephen Holt, "Yugoslavia and the E.E.C. in the 1970s", Journal of Common Market Studies, vol. 28, no. 4, June 1980.

⁵⁸Pinder 1991, p. 11.

nothing as the respective positions could not be reconciled. Only after Gorbachev launched a more open Soviet foreign policy could an agreement be realized. The EC-CMEA standoff meant in practice that the EC member states had greater freedom to pursue their own economic policies in Eastern Europe.

In the early 1970s, the Soviet Union began to promote the CMEA as an equal negotiating partner of the EC. During this period, the EC's increased power was evident at the CSCE negotiations, where it played an active role (see section 3.2). The Community was having a 'demonstration effect': as the EC consolidated its powers over those of its member states in trade, economic, and apparently even foreign policy, likewise the Soviet Union sought to strengthen the CMEA's internal and external dimensions.⁵⁹ The Soviet Union was interested in bolstering the CMEA for other reasons as well. As noted above, EC sectoral integration led some East European states to approach the EC to ask for concessions for their exports. The Soviet Union was anxious to keep these economic relations with the West under control. But after the 1968 intervention in Czechoslovakia, the Soviet Union also hoped that increased economic integration in Eastern Europe would stimulate growth and help maintain stability.⁶⁰

The Soviet Union thus offered to work to improve economic and political relations with the West in exchange for greater cohesion among the East European states and for strengthening

⁵⁹Marsh 1978, p. 27.

⁶⁰Pinder 1977b, p. 4.

their relationship with the USSR, largely through the CMEA.⁶¹ The East European states favored enhancing the CMEA because as the CCP was extended, they wanted to compensate for their weaker bargaining position vis-à-vis the EC.⁶²

In 1972, Soviet leader Leonid Brezhnev signaled a softening in traditional hostility to the EC, when he declared that Soviet relations with the Community would depend on the EC recognizing realities in the socialist part of Europe.⁶³ John Pinder suggests that the Soviet price asked in exchange for de facto recognition of the EC was greater Soviet control over the external trade of its allies. This would be achieved through the CMEA, which the Soviet Union dominated. The Soviets sought an overarching agreement between the EC and the CMEA which would strengthen institutional - and therefore Soviet - control over the foreign trade policies of the CMEA member states.⁶⁴ The East Europeans, for their part, hoped only for an agreement on general principles; they wanted to continue negotiating sectoral agreements with the EC and

⁶¹Marsh 1978, pp. 31-32.

⁶²Arie Bloed, The External Relations of the Council for Mutual Economic Assistance (Dordrecht: Martinus Nijhoff, 1988), pp. 73-74. In 1971, the CMEA approved a "complex program of socialist economic integration" which was to facilitate direct links between different national enterprises and encourage more joint planning. It did not increase the CMEA's powers over its members' external trade and commercial policies; some CMEA members, especially Romania, opposed such a move. The CMEA operated on the basis of unanimity. Bloed 1988, pp. 9-10.

⁶³Maslen 1983, p. 325.

⁶⁴John Pinder, "The Community and the State-Trading Countries" in Kenneth J. Twitchett, ed., Europe and the World: The External Relations of the Common Market, London: Europa Publications, 1976, p. 63.

cooperation agreements with the EC member states.⁶⁵

The CMEA first contacted the Community in 1973. In August, CMEA Secretary Faddeyev approached the Foreign Minister of Denmark, which held the EC Presidency, to propose talks between the two organizations. (By approaching the EC President rather than the Commission, the CMEA could keep up the facade of not recognizing the Community.)⁶⁶

The CMEA's initiative forced the EC to formulate a response, in another instance of externalization. In both the EPC and EC frameworks, the issue of an agreement with the CMEA was considered. In the course of coordinating the Community's position in the CSCE, the EPC Political Committee examined the relationship between the Community and the CMEA.⁶⁷ The 1972 EPC document, drafted by the UK⁶⁸, pointed to the CMEA's lack of powers in areas where the EC did have control.

The Commission's view on negotiations with the CMEA, elaborated in September 1974, was that the CMEA could not be considered a parallel organization since it did not possess supranational powers over the external commercial and trade policies of its member states.⁶⁹ Relations with the CMEA could only complement separate relations with its members; talks between the two organizations should only discuss

⁶⁵Pinder 1977b, p. 5.

⁶⁶The Klepsch Report, pp. 21-22.

⁶⁷The Commission had been excluded from the work, much to its dismay. See Nuttall 1992, p. 61.

⁶⁸The UK participated in EPC before it formally acceded to the Community in 1973.

⁶⁹Marsh 1978, pp. 54-55.

questions such as environmental problems. In 1974, the CMEA's statute had been revised to allow it to stipulate trade agreements with third parties, but these would not bind the CMEA members unless they each so agreed.⁷⁰

In response to the CMEA, the EC thus firstly maintained that it - and not the member states - was responsible for trade policy. To Faddeyev's proposal, the EC Council replied in September 1974 that the appropriate body for the CMEA Secretary to contact was the Commission.⁷¹ The Community also insisted that it would only negotiate with the CMEA member states individually. In November 1974, the Commission tried to establish trade links with the separate CMEA member states, but was rebuffed (see section 3.1.1). The Community's stance was steadfastly maintained in all dealings with the CMEA, right up to the CMEA's demise.

Relations with each CMEA member state would have allowed the Community to take into account that state's specific characteristics (the principle of "specificity"), such as its level of economic development and whether it was a member of GATT. The Seeler report to the EP pointed to another reason for dealing with the CMEA states individually:

while one superpower, the United States, does not belong to the European Community, the Soviet Union, the other superpower, is the leading member of the CMEA. It is both a European and an Asiatic state...[F]or this reason alone the European Community must make a clear distinction between trade, economic, cultural and other relations with

⁷⁰Bloed 1988, p. 92 and pp. 110-113.

⁷¹The Klepsch Report, pp. 21-22. It should be reiterated that only in May 1974 had the member states accepted that the EC was to handle trade agreements with East European countries.

the Eastern European CMEA countries on the one hand and with the Soviet Union on the other.⁷²

The CMEA's lack of supranationality was not the primary reason why the EC refused to negotiate a trade agreement with it; the EC has concluded agreements with other blocs, such as ASEAN and the Andean Pact, which are not as integrated as the Community. More importantly, the EC sought to weaken the Soviet Union's domination of Eastern Europe. By minimizing the CMEA's potential role in trade negotiations, the EC hoped to prevent the Soviet Union from limiting the autonomy of the East European countries.⁷³ The EC wanted to ensure that the East European states conducted their external economic relations freely, even though the CMEA's unanimity rule would have made it difficult for the Soviet Union to restrict the foreign trade practices of the other members.⁷⁴

⁷²European Parliament (PE Doc A2-187/86), Report drawn up on behalf of the Committee on External Economic Relations on Relations between the European Community and the Council for Mutual Economic Assistance (CMEA) and the Eastern European member states of the CMEA (the Seeler Report), 19 December 1986, p. 17.

⁷³Pinder 1977b, p. 6. Susan Senior Nello notes that the Community's stance could have led the Soviet Union to increase the CMEA's supranational powers, and therefore its own, the opposite effect intended. Susan Senior Nello, Recent Developments in Relations between the EC and Eastern Europe, EUI Working Paper no. 89/381 (Florence: European University Institute, 1989), pp. 5-6.

⁷⁴Cutler 1987, p. 267. Margaret Thatcher maintains that her visit to Hungary in early February 1984 "was the first foray in what became a distinctive British diplomacy towards the captive nations of eastern Europe. The first step was to open greater economic and commercial links with the existing regimes, making them less dependent upon the closed COMECON system." Margaret Thatcher, The Downing Street Years (London: HarperCollins, 1993), p. 457. But well before then, the UK had agreed to the Community stance on the CMEA, whose objective was the same; as noted above, it had even drafted the EPC report on the matter in 1972.

Over and above the EC's politically motivated reticence to negotiate a trade agreement with the CMEA, John Pinder has pointed to another obstacle to an EC-CMEA agreement: neither the Soviet Union nor the EC had much economic interest in trade negotiations.⁷⁵ The EC was running big surpluses in its trade with the CMEA and, given the nature of state-trading economies, could not be assured that concessions made in trade talks would be fully reciprocated. Soviet exports to the EC (mostly raw materials) were not subject to tariffs or quotas. Only the East Europeans, with the exception of East Germany, encountered protectionism in exporting to the EC and needed to negotiate concessions, as discussed above. Trade with the EC, as a percentage of total foreign trade, was also more significant for the East European states than vice versa.

Not surprisingly then, EC-CMEA talks during the 1970s did not proceed smoothly. In September 1974, Faddeyev wrote to Commission President Ortolí (in accordance with the EC Council's demands) to invite him to Moscow to discuss EC-CMEA relations. In response, Ortolí proposed beginning preparatory talks, which then took place in February 1975 between Commission and CMEA representatives. They only resulted in an EC invitation to further talks in Brussels.⁷⁶

Shortly after the CSCE Helsinki summit conference, in February 1976, the CMEA wrote to the President of the EC Council to propose EC-CMEA negotiations on trade issues,

⁷⁵John Pinder (1977a), "The Community and Comecon: What Could Negotiations Achieve?", The World Today, May 1977, pp. 176-185.

⁷⁶Marsh 1978, pp. 54-55.

including MFN status and tariff preferences. The agreement would lay down the principles governing trade between CMEA and EC countries; these principles would also apply to any agreements concluded between the EC and individual CMEA member states. A joint committee would oversee the implementation of the principles in both the EC-CMEA agreement and agreements between the EC and CMEA states, thus giving the CMEA powers over the external trade policies of its member states.⁷⁷

Carl Ehrhardt surmises that the Soviet Union sought to accelerate the drafting of the EC-CMEA agreement because the EC's status had been enhanced at the CSCE Helsinki final conference. The CMEA tacitly allowed Italian Prime Minister Aldo Moro to sign the Helsinki Final Act in his capacity as EC Council President, but did not achieve similar recognition in return.⁷⁸ The CSCE outcome probably also prompted the Soviet move because Basket Two on economic cooperation did not contain the measures asked for by the CMEA member states.

In November 1976, the Community replied to the CMEA, reiterating once again that the EC sought trade agreements with the individual CMEA member states and an agreement on areas outside trade policy with the CMEA itself.⁷⁹

⁷⁷John Maslen, "The European Community's Relations with the State-Trading Countries of Europe 1984-1986", Yearbook of European Law, no. 6, 1986, pp. 336-337.

⁷⁸Ehrhardt 1977, pp. 170-171.

⁷⁹The Irmer Report, p 40. A skirmish had taken place between the EC and EPC over this response. The Political Committee attempted to guide discussions within Coreper regarding the CMEA's draft agreement, although the Commission opposed EPC involvement in this area. In March 1976, the Political Committee asked the East European Working Group to examine the political aspects of the draft agreement; the Group's report was forwarded to Coreper. In any event, the

Negotiations between the EC and the CMEA were held from 1977 to 1980, without success, given the incompatibility of the respective positions on the trade issue. In 1981, after an exchange of letters in which each side accused the other of blocking progress, the negotiations petered out⁸⁰. The tense international political atmosphere of the early 1980s then precluded the resumption of talks.

A change in the CMEA's stance began to occur in 1983-84. Hungary and Czechoslovakia started talks with the Commission in 1983 about the possibility of expanding their sectoral trade arrangements with the EC (see next chapter). Then the June 1984 CMEA summit meeting affirmed that the CMEA members were ready to conclude an appropriate agreement with the Community, to promote trade and economic relations between the members of both organizations. An October 1984 message to the EC repeated the CMEA's readiness to resume negotiations.⁸¹

Only when Prime Minister Craxi of Italy, then President of the EC, visited Moscow in May 1985, did it become clear that hostility to the Community was in sharp decline and that the CMEA's position was edging closer to the EC's. On that occasion, the new Soviet leader, Mikhail Gorbachev, declared that it was time "to organise mutually advantageous relations between (the CMEA and the EEC) in economic matters. To the extent that EEC countries act as a 'political entity' we are ready to seek a common language with it, too, over

report was very general and reflected Coreper's own political analysis. Nuttall 1992, p. 118.

⁸⁰Maslen 1983, p. 337.

⁸¹Maslen 1986, p. 338.

international problems."⁸²

In June 1985, the CMEA Secretary Sychev wrote to Commission President Delors proposing to establish official relations between the two organizations. The European Council, meeting in Milan the same month, gave the Commission a mandate to explore the proposal. The Commission replied to the CMEA that it was willing to resume dialogue, but that the normalization⁸³ of relations between the two organizations should occur alongside normalization of relations between the EC and the CMEA member states. It asked for further details.⁸⁴ In September, Sychev sent a draft EC-CMEA declaration: in it, the two organizations would establish official relations and state that the form of those relations would be decided in subsequent meetings. The CMEA had thus abandoned its attempt to conclude a trade agreement with the EC.⁸⁵ However, relations were to be established between the two organizations - creating a 'favorable climate' - before they were developed with the CMEA states.⁸⁶

The reasons for the CMEA's change of attitude stem

⁸²As quoted in Maslen 1986, p. 338.

⁸³Normalization being defined as a situation where each party is willing to deal on an official basis with the other. Thus, East European countries would accredit diplomatic missions to the EC and drop their objections to EC participation in international organizations. Maslen 1986, p. 340.

⁸⁴EC Bulletin no. 6, 1985, pts. 2.3.37-38 and pt. 1.2.9, and no. 7/8, 1985, pt. 2.3.38.

⁸⁵Barbara Lippert, "EC-CMEA Relations: Normalisation and Beyond", in Geoffrey Edwards and Elfriede Regelsberger, eds., The European Community and Inter-regional Cooperation (London: Pinter, 1990), p. 123.

⁸⁶The Seeler Report, p. 15.

primarily from Gorbachev's ascendance to the top of the Soviet leadership and his more open and flexible foreign policy, although the change predates his election as Secretary-General of the Soviet Union's Communist Party in March 1985. The Soviet Union's economic interest in developing relations with the EC now outweighed its previous reluctance to deal with it at all. Trade relations were being redirected to the more lucrative developed countries, which could offer technology and know-how. A more secure environment would allow military expenditures to decrease. The economic situation in Eastern Europe was also declining rapidly; several countries, most notably Poland, were heavily in debt to the West and oil prices had fallen, worsening the Soviet Union's trade balance. An improvement in relations with the EC might bring economic advantages.⁸⁷ The transatlantic tensions over the gas pipeline in the early 1980s (see below) helped ease Soviet hostility towards the EC.⁸⁸ Concern over access to the single European market spurred CMEA member states to make compromises.⁸⁹ They probably also took into account the EC's increased economic weight after the 1986 accession of Spain and Portugal.⁹⁰

⁸⁷Maslen 1986, p. 344.

⁸⁸Senior Nello 1989, p. 9.

⁸⁹Commission of the European Communities, External Relations Information no. 1/89, The European Community's Relations with Comecon and its East European Members, January 1989, p. 3, and Dan Horowitz, "EC-Central/East European Relations: New Principles for a New Era", Common Market Law Review, vol. 27, no. 2, Summer 1990, p. 262.

⁹⁰Steven J. Dryden, "Soviet Bloc, EC to Renew Talks on Recognition", The Washington Post, 17 August 1986.

The EC's position on resuming negotiations was to pursue its usual parallel approach: the Community would seek to develop normal relations with the separate CMEA countries at the same time as it developed relations with the CMEA itself. In January and February 1986, External Relations Commissioner Willy De Clercq wrote to the CMEA Secretary and to the East European members of the CMEA, setting out the Community's position. In their replies, the East European states and the CMEA accepted it; Sychev indicated that each CMEA member would decide whether to reach an agreement with the EC. By mid-1986, talks on separate agreements were beginning with Bulgaria, Czechoslovakia, Hungary, Poland, and Romania, so the EC felt it could proceed with discussions with the CMEA. East Germany and the Soviet Union made normalization of relations conditional upon the adoption of a joint EC-CMEA declaration.⁹¹

Talks on the CMEA's proposal began in September 1986 and continued through 1988. The principal contention arose over the EC's insistence on including a territorial clause regarding the application of the Rome Treaty to West Berlin. The CMEA objected to its inclusion in a joint declaration. It maintained that since the declaration only set out general provisions on cooperation, not regulations on economic relations, the exact boundaries of EC competences were irrelevant. Territorial clauses had been included in the sectoral agreements and the 1980 agreements with Romania, and had not been included in EC agreements with international

⁹¹Maslen 1986, pp. 339-342.

organizations. The CMEA also did not want to be seen as agreeing to any eventual extension of the Community's political powers over West Berlin.⁹² The EC, however, refused to budge from its position; West Berlin had to be acknowledged as being part of the Community.

Only in May 1988 was the question settled in the EC's favor. West Germany, which held the EC Presidency during the first half of 1988, pushed quite hard for a solution so that the declaration could be signed by the end of its Presidency. Martin Bangemann, the West German Minister for Economic Affairs, met with Gorbachev and Soviet Prime Minister Nikolai Ryzkhov in mid-May and apparently hammered out a new formulation of the Berlin clause.⁹³ The 'Hungarian formula' (so named because it was used in the 1978 EEC-Hungary textiles agreement) would be adopted: without explicitly mentioning West Berlin, the declaration would state that it applied in all areas where the EEC Treaty was valid.⁹⁴ Later it was agreed that the CMEA would add a statement stressing that the declaration did not affect the four-power supervision of

⁹²Wojciech Morawiecki, "Actors and Interests in the Process of Negotiations Between the CMEA and the EEC", Legal Issues of European Integration, no. 2, 1989, pp. 26-27.

⁹³Agence Europe no. 4784, 18 May 1988. The Soviet compromise was probably encouraged by the West German announcement the week before that credits worth DM 3.5 billion would be made available to the Soviet Union by a West German-led bank consortium. Quentin Peel, "Comecon and EC Close to Recognition", The Financial Times, 17 May 1988.

⁹⁴Pinder 1991, p. 24. The Declaration states that it "shall apply to the territories in which the Treaty establishing the European Economic Community is applied."

Berlin by France, the Soviet Union, the US and the UK.⁹⁵

The Joint EEC-CMEA Declaration was initialed on 9 June in Moscow and signed on 25 June in Luxembourg, after Council and EP approval. In it the EEC and the CMEA establish official relations and undertake to cooperate "in areas which fall within their respective spheres of competence and where there is a common interest."⁹⁶ No institutions are provided for and even the cooperation element is vague, the parties agreeing that they "will, if necessary, examine the possibility of determining new areas, forms and methods of cooperation."

The limited substance of the declaration is a result of the EC's attitude towards relations with the CMEA. "The EC accepted the Joint Declaration with the CMEA as the entrance ticket to bilateral agreements with individual countries, not as a framework agreement that fixed an agenda for further bilateral cooperation."⁹⁷ The CMEA had been forced to reverse its original position and accept the Community's demands, recognizing "the Community's identity both in terms of its territory and of its competences."⁹⁸ The Community could thus be quite satisfied, although its tenacity really paid off only with the extraordinary changes in Eastern Europe.

Within a few months of the signing of the Joint

⁹⁵Agence Europe no. 4786, 20 May 1988 and David Buchan, "Trade Blocs to Recognise Each Other", The Financial Times, 25 May 1988.

⁹⁶Joint Declaration on the Establishment of Official Relations between the European Economic Community and the Council for Mutual Economic Assistance, in OJ L 157, 24 June 1988.

⁹⁷Lippert 1990, p. 124.

⁹⁸Maslen 1988, p. 564.

Declaration, the Community established diplomatic relations with almost all of the East European states that had stubbornly refused to recognize it formally for over 30 years.⁹⁹ The stage was set for the conclusion of trade and cooperation agreements with the CMEA member states, discussed in the next chapter. From then on, the Community would play a significant role in Eastern Europe.

3.2 THE COMMUNITY AND THE CSCE

Since the 1950s, the Soviet Union had periodically floated proposals for a pan-European conference on security and economic cooperation. The West rejected them as attempts to legitimize the unsatisfactory status quo in Europe and reinforce Soviet domination over Eastern Europe. With detente in the late 1960s, the Soviet proposal received a more positive response; NATO agreed to it provided that talks on force reductions in Europe started at the same time.¹⁰⁰ Along with 33 European states, the US and Canada also took part.

The convening of the CSCE prompted the EC member states to work out a common stand on issues relating to cooperation with the East:

⁹⁹Maslen 1988, p. 565. Paradoxically, Romania, the first CMEA member to negotiate a formal trade agreement with the EC back in 1980, did not establish diplomatic ties with the EC until March 1990 (see chapter 4). The small, informal "advisers' group", composed of Commission and member state officials, handled the very political decisions regarding the opening of East European embassies in Brussels. Interview with DG IA official, 12 March 1996.

¹⁰⁰Alfred Pijpers, "European Political Cooperation and the CSCE Process", Legal Issues of European Integration, vol. 10, no. 1, 1984, pp. 135-136. In 1967, NATO had approved the Harmel Report, which emphasized the importance of pursuing detente and strengthening defense.

More than anything else, perhaps, the experience of the European Security Conference persuaded the member states of the immediate advantages of collective action and in doing so gave a strong internal boost to the process of forming a common West European policy towards the CMEA states.¹⁰¹

The CSCE provided an ideal opportunity to inaugurate the new EPC machinery. The perceived need to speak with one voice in international affairs, especially East-West relations, was one of the initial catalysts to the creation of EPC. At the December 1969 summit in The Hague, France agreed to a number of concessions, including UK accession to the EC, in return for the setting up of a separate intergovernmental structure to coordinate a distinct European foreign policy. All the member states, though, felt foreign policies towards non-member states needed to be coordinated, particularly those towards Eastern Europe.¹⁰²

At the first EPC meeting of the foreign ministers in November 1970, it was agreed that two issues would be handled within EPC: the Middle East and the CSCE. In several ways, cooperation on CSCE was an obvious choice. It would allow the Community to evolve a separate European policy, so important to France. West Germany strongly favored coordinating the Community's position in the CSCE forum, as a way of garnering EC support for Ostpolitik. As Simon Nuttall noted, "Germany's return to the international community of nations was still too recent for it to be able to take the risk of a rapprochement with Eastern Europe without the comforting presence of its

¹⁰¹Marsh 1978, p. 45.

¹⁰²William Wallace (1983a), "Political Cooperation: Integration through Intergovernmentalism", in Wallace, Wallace, and Webb, eds. 1983, pp. 375-376.

European partners in a similar policy enterprise."¹⁰³

The US, preoccupied with the Vietnam War and skeptical about the benefits of conference diplomacy, demonstrated a striking lack of interest in the CSCE and was willing to let the EC take the lead. An atmosphere of detente also "created more room for manoeuvre for the non-military powers and blocs."¹⁰⁴ The 'civilian' character of the CSCE appealed to a 'civilian' Community: military issues did not figure prominently in the early negotiations and in the discussions that were held, on confidence building measures, coordination of the Western position took place within NATO.¹⁰⁵

The looming transfer of national powers over trade policies towards Eastern Europe to the Community (from May 1974) was an added incentive to cooperate in forming a common position towards the East. By coordinating their policies on political relations with the Eastern bloc, the EC member states could ensure that they set the political guidelines by which the CCP would operate.¹⁰⁶

Then of course, East-West relations and European security and cooperation are clearly a common concern of West European states. Policy coordination was possible, according to Alfred Pijpers, because "there are no fundamental differences among the EC countries about such matters as the free flow of information, human rights, human contacts, or economic co-

¹⁰³Nuttall 1992, p. 57.

¹⁰⁴Pijpers 1984, p. 143.

¹⁰⁵Pijpers 1984, p. 138.

¹⁰⁶Nuttall 1992, p. 60.

operation. Hence it is not very difficult to formulate common viewpoints on these issues."¹⁰⁷ True, but getting down to the nitty-gritty detailed work might have threatened the consensus, yet it did not.

A common EC approach was considered necessary to oppose more effectively the Soviet Union's attempts to control the agenda and purpose of the CSCE. The USSR sought a treaty-based pan-European security system which would legitimate the division of Europe and Germany into two blocs. In the 1970 FRG-USSR bilateral treaty, West Germany agreed to respect existing borders; the Soviet Union now wanted wider confirmation of the status quo.¹⁰⁸ Accordingly, the CSCE would declare the immutability of frontiers and non-interference in internal affairs. The EC sought to block such an outcome: the immutability principle could be used to freeze the status quo in Europe and as grounds for the Soviets to oppose further West European integration.¹⁰⁹ The EC also resisted the Soviet proposal to institute a permanent, legal machinery for the CSCE, since it could have helped maintain the status quo.

The West, led by the EC, also wanted to stress human rights and contacts. "It was regarded as essential in this area to maintain a demand for improvements concerning visits of relations, emigration with the aim of reuniting families

¹⁰⁷Pijpers 1984, p. 147.

¹⁰⁸Karl E. Birnbaum and Ingo Peters, "The CSCE: a Reassessment of its Role in the 1980s", Review of International Studies, vol. 16, no. 4, October 1990, p. 307.

¹⁰⁹Pijpers 1984, pp. 136-137.

and enabling marriages across borders, facilitation of travel and youth and sporting exchanges."¹¹⁰

Coordination of the EC member states' positions began soon after the November 1970 foreign ministers' meeting, to prepare for the 1972-1973 preparatory talks. Coordination took place mainly in two committees set up by the EPC Political Committee in the spring of 1971: the CSCE Subcommittee dealt with the political aspects of the negotiations and contained only member state representatives, while the ad hoc Group handled economic issues and included representatives from the member states and the Commission.¹¹¹

The Commission's role at the CSCE was controversial. France resisted EC participation, on the grounds that the CSCE mainly dealt with security issues and was intended to be a conference among states, not blocs.¹¹² The Commission had to insist on participating in the talks on economic cooperation. During the second phase of the conference, from September 1973 to June 1975, the Commission received the sole mandate to

¹¹⁰Gotz von Groll, "The Nine at the Conference on Security and Cooperation in Europe", in David Allen, Reinhardt Rummel, and Wolfgang Wessels, eds., European Political Cooperation: Towards a Foreign Policy for Western Europe (London: Butterworth Scientific, 1982), p. 61.

¹¹¹Michael Clarke, "Britain and European Political Cooperation in the CSCE", in Kenneth Dyson, ed., European Detente: Case Studies of the Politics of East-West Relations (London: Frances Pinter, 1986), p. 241. Initially the ad hoc Group was to have been subordinate to the Subcommittee; however in practice it reported directly to the Political Committee and cooperated closely with the Subcommittee. Nuttall 1992, pp. 62-64. The Commission thus participated in the preparations via the EPC machinery, a way of keeping its input within limits acceptable, above all, to France.

¹¹²Nuttall 1992, p. 58.

negotiate for the member states on trade matters¹¹³; it then took part in talks on matters of its competence in the CSCE Committee on Basket Two (economic cooperation), as the representative of the EC member states.¹¹⁴

That the CSCE's agenda was divided into separate baskets allowed the EC member states to maintain the Community's own division between economic and political policy-making mechanisms. France in particular insisted on maintaining the distinction, so as to keep "high" political issues under national control. Yet the Commission's participation in the CSCE underlined how difficult it would be to keep the mechanisms separate in practice. As EPC evolved, the Commission became more closely associated with it, reflecting the CSCE experience.

There was to be no separate Community delegation at the CSCE, however. Given that the Soviet Union did not recognize the EC, if the Community itself had asked to participate in the CSCE, the USSR might have insisted that the CMEA take part as well. The absence of a formal Commission delegation suited France, reluctant to boost the Commission's stature. Commission representatives joined the delegation of the member state which held the Presidency of the EC, although the Commission felt it should speak for the Community.¹¹⁵ The Helsinki Final Act was signed by the Italian Prime Minister, then EC President, on behalf of the Community. That the CMEA

¹¹³Von Groll 1982, p. 61. See also EC Bulletin no. 6, 1973, pt. 1501 and no. 9, 1973, pt. 1203; and section 3.1.1.

¹¹⁴EC Bulletin no. 7/8, 1975, pt. 1201.

¹¹⁵Nuttall 1992, pp. 110-112.

accepted this indicated its tacit recognition of the EC's jurisdiction over member states' trade arrangements.¹¹⁶

Community coordination at the CSCE is widely considered to have been successful. In July 1975, the European Council declared that the negotiations had "afforded the Nine the opportunity to take up a common task which became a shining example of constructive cooperation."¹¹⁷ The Community emerged as the most coherent group at the CSCE: it led the West, which in turn set the agenda for the East. The neutral and non-aligned states, and often the smaller eastern bloc states, supported Community positions.¹¹⁸ The intense cooperation among the member states also spurred the development of the EPC machinery.¹¹⁹ The nine member states formulated a common concept for the CSCE agenda and mandate, and a draft Final Act. The Conference's agenda and Final Act reflected the preparatory work done by the EC and EPC.¹²⁰

The Helsinki Final Act was a political statement, rather than a legally binding treaty, as the West had insisted. In Basket One, the Soviets had to accept that borders were inviolable, not immutable, and that they can be peacefully changed; in return, the principle of non-interference in domestic affairs was declared. Basket Two on economic

¹¹⁶Ehrhardt 1977, p. 170.

¹¹⁷EC Bulletin no. 7/8, 1975, pt. 1204.

¹¹⁸Birnbaum and Peters 1990, p. 310. Michael Clarke points out, however, that a well-coordinated diplomatic group like EPC could play a leading role in the negotiations because the stakes were not really high. Clarke 1986, pp. 237-240.

¹¹⁹Wallace 1983a, p. 380.

¹²⁰Nuttall 1992, p. 110.

cooperation was a disappointment for the East European states: the commitments to liberalize trade are vague (due to Western doubts about achieving mutual reciprocity), while more detailed measures call for better operating conditions for Western businesses.¹²¹ In Basket Three, there are general and specific commitments favoring freer movement and contact among people, as the Community in particular had wanted.¹²² The Soviet Union and its allies accepted the provisions on human rights and contacts in exchange for confirmation of the territorial status quo in the principles.¹²³

After Helsinki, the EC member states continued to coordinate their positions, particularly on economic aspects, at the review conferences (such as Belgrade 1977-78).¹²⁴ But by the time of the Madrid Review Conference in 1980-83, East-West relations had deteriorated. NATO began to play a more important role in coordinating Western policy as the follow-up and related conferences (such as the Conference on Disarmament in Europe, 1984-1986) dealt more with the military aspects of security.¹²⁵

A more moralistic American foreign policy, beginning with the Carter Administration, emphasized the human rights provisions of the Helsinki Final Act and used the CSCE forum

¹²¹Helsinki Review Group, Helsinki - Belgrade - Madrid, David Davies Memorial Institute of International Studies, 1980, pp. 27-33.

¹²²Helsinki Review Group 1980, pp. 42-51.

¹²³Birnbaum and Peters 1990, pp. 307-308.

¹²⁴Clarke 1986, p. 243.

¹²⁵Pijpers 1984, pp. 143-146.

to accuse the Soviet Union of human rights violations. West European countries were uncomfortable with the US policy of "differentiation"¹²⁶, but increasingly they too stressed human rights, at least rhetorically.¹²⁷ The emphasis, however, was on positive encouragement for liberalization, rather than negative sanctions.¹²⁸

EPC was sidelined as detente deteriorated. The deployment of Cruise and Pershing II missiles after 1979 was not formally touched upon in EPC, given its controversial and military nature, but neither were other issues of East-West relations. The EPC Eastern European Working Group was not allowed to conduct any activities other than academic studies, because France, supported by Denmark, wanted to maintain national bilateral policies towards the region.¹²⁹

By the early 1980s, however, the Community was faced with the emergence of clear differences of opinion between it and the US, over American policy towards the Soviet bloc. The Nine tried to protect European detente from Soviet-American

¹²⁶Timothy Garton Ash argues this was the US policy from the 1960s. In the US view, "East European states were to be rewarded for good behaviour and punished for bad, and this in the short to medium term. Good behaviour was defined mainly politically, in terms of independence from Moscow in foreign policy and/or relative 'liberalism' and respect for human rights in domestic policy." Garton Ash 1993, p. 178.

¹²⁷See Thatcher 1993, p. 457, and Dominique Moïsi, "French Policy Toward Central and Eastern Europe", in William Griffith, ed., Central and Eastern Europe: The Opening Curtain? (Boulder: Westview, 1989), pp. 359-362.

¹²⁸Yet, as Jean-Christophe Romer and Thomas Schreiber point out, Mitterrand considered Ceausescu "plus fréquentable" than Jaruzelski, even though Romania was systematically violating human rights. In "La France et l'Europe Centrale", Politique Étrangère, no. 4/95, Winter 1995/96, pp. 919-920.

¹²⁹Nuttall 1992, p. 118.

tensions, and saw East-West trade relations as an important aspect of detente:

the Western Europeans, especially the Germans, continued to insist on the value of maintaining the economic bases of detente - particularly as a lever for change and as a means to build up a web of cooperation in order to enhance security.¹³⁰

On precisely these trade issues, Community member states soon found themselves in conflict with the US, and drew together to resist US pressures.

3.3 TRADE AND SECURITY

Trade between Western and Eastern Europe was directly affected by the Cold War. Pre-World War II trade flows were interrupted by the division of Europe into two separate, exclusive blocs. The US objected to attempts by West Europeans to resume trading with the East after the war, on security grounds. It sought to deny the USSR the benefits of trading with the West and tried to ensure its allies complied with the policy. Trade and economic cooperation with the Soviet bloc were seen as harmful to American and international security since it would augment the USSR's economic, and therefore military, capability. The 1949 US Export Control Act imposed controls on trade with the Soviet bloc; the same year, those controls were extended on a multilateral basis in the Coordinating Committee for Multilateral Export Controls (CoCom).¹³¹ Under the 1951 US Mutual Defence Assistance Act,

¹³⁰Kenneth Dyson, "The Conference on Security and Cooperation in Europe: Europe Before and After the Helsinki Final Act", in Dyson, ed. 1986, p. 108.

¹³¹Stephen Woolcock, Western Policies on East-West Trade (London: Routledge and Kegan Paul, 1982), p. 8. CoCom, an informal, non-treaty organization, consisted of all the NATO member countries except Iceland, plus Japan. The Community

the US could deny aid to its allies if they exported certain goods to a communist country.¹³²

In contrast to the US, West European states (and Germany above all) felt that "[p]ositive incentives like trade could draw the Soviet Union into a web of interdependent relationships with the West, and the ties created could reduce the military threat in Europe."¹³³ Trade sanctions would not help create a secure environment in Europe; rather, trade helped to stabilize political relations and could in the long term open up the East European states.¹³⁴ West European states also had much stronger economic interests in trade with the East, for obvious geographic and cultural reasons. The problem of the East European states' indebtedness to Western banks and governments - and their consequent need to earn export revenues - made manifest growing (though still relatively insignificant) economic interdependence between Eastern and Western Europe.

The Soviet invasion of Afghanistan in December 1979, the December 1981 declaration of martial law in Poland, and the ensuing tense international political climate, effectively

was not even an observer. Members agreed not to sell products on three sets of lists to the communist bloc. The lists - for munitions, atomic energy, and industrial-commercial goods - were reviewed every few years.

¹³²Woolcock 1982, p. 8.

¹³³Beverly Crawford, "The Roots of European Self-Assertion in East-West Trade", in Beverly Crawford and Peter W. Schulze, eds., The New Europe Asserts Itself: A Changing Role in International Relations (Berkeley: University of California, 1990), p. 256.

¹³⁴Friedemann Muller, "Economic Sanctions in the East-West Conflict", Aussenpolitik, vol. 35, no. 1, 1984, pp. 69-70.

hampered the development of relations between Eastern and Western Europe. These events also caused disagreements between the US and Western Europe at a time when transatlantic relations were already strained as a result of trade disputes, the deployment of cruise missiles, and President Reagan's anti-communist foreign policy. The Community attempted to isolate trade relations with Eastern Europe from the deterioration in political relations between the superpowers. An assertive American government, however, linked trade with security issues (in a negative way), and pressed the West European states to do likewise. Community member states were skeptical of the utility and efficacy of export controls and sanctions and uneasy with the US position on the security implications of East-West trade. Interests with the US were diverging as they converged among the EC member states; it was increasingly felt that the European view had to be expressed.

Much of the activity regarding East-West relations in this period took place on a bilateral or multilateral basis within the EC. Impatience with the obstinacy of smaller EC member states and with the time needed to build a consensus in EPC encouraged the three large member states to use other channels to coordinate their positions. France, West Germany, and the UK consulted with each other frequently, outside the EPC framework. The four-power Berlin Group allowed the three EC member states to discuss contentious issues alone with the US. As William Wallace points out, however, EC member states still managed to act jointly:

It mattered little, in the immediate aftermath, that much of the crucial consensus-building between Paris, London, and Bonn had taken place within a

smaller caucus. Such behaviour was, after all, familiar to other areas of European collaboration - and to political bargaining among similar groups in general.¹³⁵

3.3.1 Afghanistan

After the Soviet Union invaded Afghanistan, the US restricted exports to the USSR and imposed a grain embargo; American allies were then pressed to take similar actions. The initial EPC response to the invasion is notorious for the length of time - nearly three weeks - which it took to be formulated. The different national interpretations of the Soviet move added to the appearance of an uncoordinated, confused Community response.¹³⁶ No consensus could be reached on boycotting the summer 1980 Olympic Games in Moscow. The Council did agree in January 1980 not to make up for the grain shortfall with its own imports and pledged not to undercut American sanctions, but also expressed its desire to maintain 'traditional' trade flows.¹³⁷ The decision demonstrated that

the Community was united in its reluctance to endorse an aggressive 'linkage' approach to East-West relations by the United States, which sought to make trade and technology transfer conditional upon changes in Soviet and Eastern European domestic and foreign policies.¹³⁸

¹³⁵Wallace 1983a, p. 396.

¹³⁶Wallace 1983a, p. 393. In the 1981 London Report, the member states attempted to remedy the weaknesses of EPC exposed by the reaction to the Afghan crisis, notably by allowing any three member states to call an emergency meeting within 48 hours.

¹³⁷Maslen 1983, p. 338. When the US lifted the grain embargo in April 1981, the Commission declared the Council's decision to be a "dead letter."

¹³⁸Marsh 1984, pp. 7-8.

American dismay with the EC member states' response to the invasion of Afghanistan caused tensions between the NATO allies; further disagreements then arose over the appropriate response to the events in Poland.

3.3.2 Poland

After Solidarnosc emerged in Poland in August 1980, the West feared a repeat of Czechoslovakia in 1968 or Hungary in 1956.¹³⁹ Warnings against Soviet intervention in Poland were coordinated within NATO.¹⁴⁰ The European Council also issued two warnings to the Soviet Union in December 1980 and March 1981.¹⁴¹ When martial law was declared in December 1981 without Soviet military intervention, the allies were caught unprepared. The US imposed economic sanctions on both Poland and the Soviet Union, considered to be responsible for the crisis, and then put heavy pressure on the West Europeans to follow suit. CoCom controls were to be tightened. The US sanctions were also aimed at impeding the construction of a natural gas pipeline from the Soviet Union to Western Europe, which depended on Western credits and technology. The Reagan Administration objected to the project, on the grounds that the West Europeans would be providing sensitive technology to

¹³⁹The EC responded favorably to Poland's requests for food aid, to try to help stabilize the economy. The Council granted food at prices subsidized by the EC budget and member states then provided credits so Poland could make the purchase; the action was poorly coordinated, however, and decisions on credits were delayed. Nuttall 1992, p. 199.

¹⁴⁰Miles Kahler, "The United States and Western Europe: The Diplomatic Consequences of Mr. Reagan", in Kenneth Oye, Robert Lieber, and Donald Rothchild, eds., Eagle Defiant: United States Foreign Policy in the 1980s (Boston: Little, Brown and Company, 1983), p. 279.

¹⁴¹Nuttall 1992, pp. 199-200.

the Soviets, who would then control a large percentage of Western Europe's gas supply. US firms could not supply equipment for the pipeline; General Electric could not supply components to its licensees in West Germany, Italy, and Britain. But the pipeline project continued; a recently nationalized French firm supplied the components.¹⁴²

The Community formulated a common response to the American demands for sanctions. As Peter Marsh noted:

Because the question of economic sanctions was linked to commercial policy in general, the Community had a clear mandate to respond on behalf of its members to the Polish events themselves and to the economic diplomacy of the Reagan Administration. Moreover, the member states undoubtedly found it advantageous to use the Community framework to develop a common resistance to American attempts to orchestrate a Western sanctions policy against Poland and the Soviet Union, on the grounds that such a policy threatened the Community's interests in East-West economic relations.¹⁴³

In December 1981 and January 1982, EC foreign ministers, meeting in EPC, called for an end to martial law. At the January meeting, they agreed to consider taking measures on credit and economic assistance to Poland and on commercial policy towards the USSR. No economic sanctions were actually imposed against Poland, although some EC member states decided in NATO to limit new credits to Poland and not to reschedule Poland's official debts.¹⁴⁴ The Commission and Council also decided that remaining shipments of food aid, as well as emergency medical aid, would be delivered through non-

¹⁴²Kahler 1983, p. 293.

¹⁴³Marsh 1984, p. 8.

¹⁴⁴Marsh 1984, p. 8.

governmental organizations.¹⁴⁵

Given the absence of Community export control mechanisms¹⁴⁶, the Council decided, upon a proposal by the Commission, that the only measure against the USSR which could be taken would be to restrict Soviet imports. A March 1982 Council regulation reduced the 1982 quotas of 60 Soviet products by 50% or 25% (amounting to 1.4% of imports).¹⁴⁷ The regulation was renewed once in December 1982.¹⁴⁸

At the March 1982 European Council summit, the heads of state or government "recognized the role which economic and commercial contacts and cooperation have played in the stabilization and the development of East-West relations as a whole and which they wish to see continue on the basis of a

¹⁴⁵Maslen 1983, p. 339.

¹⁴⁶Under EC rules, exports were not subject to quantitative restrictions at the EC level, although member states could restrict exports for reasons of public morality, public security, and so on. The rules were: Regulation 2603/69 in OJ L 324, 27 December 1969, amended by Regulation 1934/82 in OJ L 211, 20 July 1982.

¹⁴⁷Regulation 596/82 in OJ L 72, 16 March 1982. The regulation contained only a vague reference to the political reasons behind it ("Whereas the interests of the Community require that imports from the USSR be reduced"), so it could be based on Article 113. This is because Greece objected to the measure, preventing an EPC consensus. Since EC regulations could be differentiated, Greece could be exempted from it. Nuttall 1992, pp. 203-204.

¹⁴⁸Maslen 1983, pp. 340-341. Denmark's parliament voted against the renewal because it was a recourse to Article 113 for political purposes; the government suspended its application in Denmark (and the Commission then initiated proceedings against Denmark for breaching the CCP). To counter Denmark's objections, subsequent EC regulations implementing sanctions refer to 'discussions in the context of EPC'. This implies that the EPC deliberations are sufficient grounds for an EC decision. Nuttall 1992, pp. 262-263.

genuine mutual interest."¹⁴⁹ Differences with the US over East-West trade were thus made quite clear.

For the US, the EC's response was inadequate and proof that EC member states were dangerously dependent on trade with Eastern Europe. The matter was discussed at the Versailles G-7 economic summit in early June 1982. Agreement was supposedly reached on improving export controls on strategic goods and on limiting export credits to the Soviet Union and Eastern Europe.¹⁵⁰ The US then forced the issue: on 18 June, it extended the December sanctions to all subsidiaries and licensees of US companies. They were forbidden to export any oil and gas equipment made with American technology or components to the Soviet Union. The sanctions directly affected several West European firms involved in the construction of the gas pipeline.¹⁵¹

All of the EC member states immediately protested at this interference in their commercial affairs. In late June, both the Council of Foreign Ministers and the European Council objected to the US decision as an illegal extraterritorial extension of US law.¹⁵² France and the UK ordered their companies to carry out contracts with the Soviet Union; Italy

¹⁴⁹General Secretariat of the Council of the European Communities, Thirtieth Review of the Council's Work, 1 January - 31 December 1982, p. 118.

¹⁵⁰Kahler 1983, p. 297.

¹⁵¹Julie E. Katzman, "The Euro-Siberian Gas Pipeline Row: A Study in Community Development", Millennium, vol. 17, no. 1, Spring 1988, p. 26.

¹⁵²Maslen 1983, pp. 341-342. The EP also expressed its concern.

and West Germany strongly encouraged theirs to do the same.¹⁵³

Julie Katzman noted that in the dispute with the US, the EC member states relied on the Community framework, much more so than EPC. EPC declarations usually express disapproval; member states resisted discussing tensions with the US in that framework as it could send too political a message (there was Atlantic alliance solidarity to consider as well). The pipeline dispute involved issues of trade and commerce which were within the Community's competence, even though they had political implications, and member states tended to keep matters with Community implications within the EC.¹⁵⁴

The Community thus became involved in the dispute, alongside the major EC member states. Rather than treat the dispute as part of the raging transatlantic controversy over East-West trade, the Community handled it as an aspect of EC-US trade relations.¹⁵⁵ The EC's protests to the Americans centered on the economic, trade, and legal implications of the US move, not its political ramifications.

The Commission provided the technical reports and helped to work out common positions on the technical issues. In July and August, two aide-memoires were sent to the State

¹⁵³Katzman 1988, p. 27. As Thatcher points out, the US decision to resume grain sales to the Soviet Union also irritated Europe; the US was unwilling to take measures that would hurt its economy, yet expected the Europeans to make economic sacrifices. Thatcher 1993, p. 256.

¹⁵⁴Katzman 1988, pp. 28-31.

¹⁵⁵Katzman 1988, pp. 32-33.

Department listing the arguments against the US sanctions.¹⁵⁶ In early November, the Commission took part in the negotiations with the US, after initial hesitation by some member states to permit it. Denmark and the Netherlands called for EC involvement so they could play a role instead of being dwarfed by a directorate of the major powers. Italy and West Germany did not want to be in direct conflict with the US. Similarly, France, technologically dependent on the US, accepted a mediating role for the EC. After UK Prime Minister Thatcher failed to win favors for domestic firms, she too tolerated EC involvement. For the US, the pipeline dispute was primarily a political one and so the Community should not become involved; however, when the US saw it would need to back down, it welcomed the EC as a less confrontational negotiating partner.¹⁵⁷

In November 1982, the US lifted its sanctions, claiming the allies had agreed on stronger measures regarding trade with the Soviet Union. This view was immediately rejected by French President Mitterrand, but in July 1984, CoCom rules were tightened.¹⁵⁸ A number of studies were also carried out on aspects of East-West economic relations by the OECD, EC, International Energy Agency and NATO; generally they concluded that trade and credit should flow according to market indicators and that governments should not grant preferential

¹⁵⁶Maslen 1983, p. 342.

¹⁵⁷Katzman 1988, pp. 32-37.

¹⁵⁸Nuttall 1992, p. 192.

treatment to the state-trading countries.¹⁵⁹

EC sanctions against the Soviet Union were not renewed in 1983, since martial law had been lifted in July 1983 and political prisoners had been released. Some humanitarian aid was given to the Polish people, but a scheme to give EC aid to a foundation set up by the Polish Church fell through when the Church abandoned the project in 1986 because of the Polish authorities' opposition.¹⁶⁰

Transatlantic tensions subsided, although the US remained wary of close ties between Western and Eastern Europe until after the 1989 upheavals. It greeted the EC-CMEA talks that led to mutual recognition in 1988 with caution. The US warned the EC that the deal would be more economically beneficial to the CMEA than to the EC and that it would cause a rift between the EC and the US.¹⁶¹

The disputes over the Polish crisis and the pipeline accelerated the formulation of a distinct EC position on economic relations in Europe: they "appeared to reaffirm the predominance of commercial criteria in the Community's approach to East-West economic relations."¹⁶² The EC member states banded together to counter the US emphasis on the link between trade and military security and to protect their interests in East-West trade. In doing so, they contributed to the Community's development: "A classic example of an

¹⁵⁹Maslen 1983, p. 343.

¹⁶⁰Nuttall 1992, pp. 205-206.

¹⁶¹Robert J. McCartney, "W. Europe Considers Formal Trade Ties with Soviet Bloc", The Washington Post, 5 August 1987.

¹⁶²Marsh 1984, p. 10.

external threat promoting internal solidarity, the pipeline row served, in the final analysis, to strengthen the Community and to increase the credibility of the Commission."¹⁶³

Stephen George uses a world systems approach to explain why the Community was able to reach a common position on East-West trade, contrasting with the US stance (see chapter 2). Economic relations with Eastern Europe were much more important to Western Europe than they were to the US. The capitalist, wealthy West European countries in the "core" had to maintain their markets in Eastern Europe and guarantee their supplies of raw materials in particular, even if it meant clashing with the US.¹⁶⁴ This approach does seem to fit, but not completely. There were other concerns: economic relations were considered important to pry open the regimes and hopefully engender liberalization.

CONCLUSION

By 1988, the Community was playing a larger role in Eastern Europe. But the gamut of instruments available to the Community was incomplete, some still being held by member states, and that this limited what the EC could do in the region. The EC could not have pursued an ambitious, proactive policy in Eastern Europe anyway - not only would member states have objected to the preempting of their own prerogatives, but Cold War realities impeded such an independent move on the part of the Community. As the Cold War ended, it was not clear that the member states would agree to an active common

¹⁶³Katzman 1988, p. 39.

¹⁶⁴George 1991, pp. 63-64.

policy towards Eastern Europe.

The member states had, however, clarified their common interests in maintaining political and economic ties with Eastern Europe, especially in times of tension between the superpowers, and had increasingly asserted those interests. They had agreed that such ties (particularly trade) were important for engendering liberalization and encouraging independence from Moscow. CSCE principles later formed the basis of conditionality in the policy towards Eastern Europe, which in turn was based on the specificity of relations with the separate CMEA states. The member states had recognized (albeit reluctantly) that functional spillover meant that collaboration between the separate policy-making mechanisms (in external economic relations and foreign policy) had to occur. The Community had established its jurisdiction over trade policy, and the East European states had already turned to it for trade concessions. EC trade agreements (with Romania and Yugoslavia) had been used to reward independence in foreign policy. With the EC-CMEA agreement, the Commission was in a prime position to increase its involvement in relations with Eastern Europe, as it negotiated trade and cooperation agreements with the separate CMEA members. By 1988, then, the Community had established a legacy - albeit limited - of cooperation on relations with Eastern Europe and had set precedents which could be expanded upon as communism collapsed.

CHAPTER 4

THE COMMUNITY'S POLICY: TRADE AGREEMENTS AND AID

With the end of the Cold War, the Community became the leading organization in Europe. The collapse of communism coincided with a very dynamic period in the Community's history, and the East European countries naturally looked to it for help. The Community possessed the appropriate instruments to match the East European states' priorities of economic restructuring, trade with the West, and inclusion in 'Europe'. Aware that they could not deal with the momentous developments in Eastern Europe alone, the member states were willing to let the Community take the lead. One observer noted: "the enormity and immediacy of the problems in the East has meant that there has been few of the hesitations, second thoughts and indecision that often marks the European Community's relations with its other neighbours."¹

In 1988-1989, the Community developed a common policy towards Eastern Europe, based on the principle of conditionality. It began to use its economic leverage to back up the long-standing importance it had placed on fulfillment of the CSCE Helsinki Final Act, especially the human rights provisions. Conditionality seems to be a reverse of the Community's position during the Cold War, when trade with communist Europe was seen as a way to stabilize political relations: trade could be used as a "carrot", but the Community hesitated before using it as a "stick".

¹David Buchan, Europe: The Strange Superpower (Aldershot: Dartmouth, 1993), p. 96.

At the end of the Cold War, the Community modified its stance. Manifesting a new-found confidence and assertiveness, the Community used its economic power to support economic and political reforms in Eastern Europe. By making trade concessions and aid conditional on progress towards democracy and capitalism, the Community hoped to encourage reforms. The success of the reforms was considered crucial for ensuring long-term stability and security in Europe, in the belief that capitalist, free-trading, democratic countries make better neighbors because they do not pose a threat to security. Conditionality would also allow the Community to cut off relations with East European countries if they backtracked and reinstated Communist or authoritarian regimes.²

In the first section of this chapter, the development of a general framework for relations with Eastern Europe will be traced. The framework, with objectives and principles for the Community's policy towards Eastern Europe, was basically agreed by the member states by mid-1989. The next two sections will discuss two policy instruments which the Community initially used to support reform in Eastern Europe. In section 4.2, the trade and cooperation agreements will be discussed. After the conclusion of the EEC-CMEA Joint Declaration, the Community concluded agreements with the separate CMEA members, as they implemented reforms. The trade and cooperation agreements became the first stage in the EC's relations with East European countries; in "pre-revolutionary" 1988-1989, however, they were really the EC's only policy

²This point was made by a Commission official, interviewed on 22 June 1994.

instruments. The Community was applying the principle of conditionality in 1988 and early 1989, but the principle was not fully articulated first - either in EPC or in the General Affairs Council.

By mid-1989, it was clear that Poland and Hungary were serious about reforming. Reflecting this, aid became a policy instrument in the West's approach to Eastern Europe. At the same time, the Community was "catapulted" into a leadership role in Europe.³ As communism then collapsed in one country after another, the Community led the West's aid initiatives in Eastern Europe. The Commission has been coordinating the G-24's aid program (section 4.3.1). The Community also set up its own aid program, PHARE (section 4.3.2), extended loans (section 4.3.3), and helped establish the European Bank for Reconstruction and Development, or EBRD (section 4.3.4).

4.1 TOWARDS A COMMUNITY OSTPOLITIK

The new climate of international relations in the late 1980s was clearly more conducive to the exercise of 'civilian' leadership. The fast-approaching end of the Cold War freed the Community and its member states of the limitations imposed by the highly politicized and militarized bipolar confrontation: the Community could - and was increasingly expected to - play a substantial, active role in fostering East-West cooperation. The EC, as a rich trading bloc, had always exerted an enormous pull on the East European countries. The EC's dynamism in the late 1980s - with the drive to complete the single European market, plans for an economic and monetary union, and southern

³See Pelkmans and Murphy 1991, "Catapulted into Leadership".

enlargement - increased its magnetism even further. Logically, the reforming governments in Eastern Europe turned to the Community for trade concessions, financial help, and assistance with economic and political reforms.

Belgium and the Commission were the first to push for a common, consistent policy on Eastern Europe. Belgium, traditionally a strong proponent of "Communautaire" policies, advocated a Community stance on East-West relations.⁴ Belgian Foreign Minister Leo Tindemans called on the Community to comply fully with Title III of the SEA: member states should try to act jointly; they should avoid impairing Community cohesiveness; and EC and EPC policies should be consistent.⁵ The Commission, now much more involved in relations with Eastern Europe as it negotiated trade agreements with CMEA members, was eager for the Community to take on a more prominent role.

The Belgians were particularly alarmed by the proliferation of national initiatives towards the Soviet Union: several member states visited Moscow in the fall of 1988, to strengthen industrial, trade and financial cooperation and offer credits to the Soviet Union.⁶ The smaller states feared that the large member states would

⁴Belgium has long been concerned that a directorate of the large member states could dominate policy-making, and has therefore supported a stronger role for the Community, and particularly for the Commission (considered the promoter of the general interest). See Christian Franck, "Belgium: Committed Multilateralism", in Hill, ed. 1983, pp. 86-87.

⁵See, for example, Agence Europe no. 4948, 4 February 1989.

⁶Agence Europe no. 4957, 17 February 1989.

forego Community solidarity in favor of their own policies. In the single month of October, the United Kingdom, West Germany, France and Italy had approved or signed commercial loan packages of £1 billion, £940 million, £300 million, and £400 million respectively, to the Soviet Union.⁷ Schmitter's negative externalization hypothesis seemed to be coming true: the large member states were reacting to the new opportunities by trying to secure benefits for themselves, using policy instruments they had refused to let the EC control.

On 18 July 1988, the EC foreign ministers decided that their October Gymnich meeting would be devoted to a reflection on the future of relations with Eastern Europe and the formulation of a coherent reaction to the changes in Eastern Europe.⁸ At the Gymnich meeting, they asked for two documents to be submitted to the Rhodes European Council on 2 and 3 December 1988. The first, to be drafted by the Political Directors and the EPC Secretariat, would be a general document on the political guidelines that the Community should follow in relations with the Soviet Union and Eastern Europe. The Commission would draft the second, on economic relations with the East European states. These requests appear to be an attempt to ensure consistency in EC and EPC policies.

The October Gymnich meeting, however, also exposed

⁷David Usborne, "EC must act together on East Europe, says Delors", The Independent, 17 November 1988. Apparently, Gorbachev's Soviet Union was a more attractive investment opportunity than elsewhere in Eastern Europe. Government-backed loans to East European states were not much of an issue; East European states were also either not reforming or burdened by debt.

⁸Agence Europe no. 4827, 18/19 July 1988.

divisions over Community relations with Eastern Europe. At this point, developments in Eastern Europe depended on the success of Gorbachev's reforms, and the divisions reflected optimism or pessimism about that prospect. One group, including the UK and Portugal, considered the developments in the Soviet bloc to be positive, but wanted to wait and see how Gorbachev's reforms turned out. UK Foreign Secretary Sir Geoffrey Howe warned, "Recent developments in Moscow are not at all irreversible."⁹ West Germany and Italy led the other group, arguing that the Community should not wait to support Gorbachev. Uncertainty about the course of developments impeded a common analysis of them.

In a speech before the EP on 16 November 1988, Commission President Jacques Delors called for a united EC approach to Eastern Europe. He wanted the Rhodes European Council to agree on a common analysis of East-West relations and on the role to be played by the Community. He also pressed the member states to agree to common rules on export credits, to stem competition over trade credits to the Soviet Union.¹⁰ Before the Rhodes summit, Delors called on the Twelve to speak with one voice regarding relations with Eastern Europe. The Commission needed an idea of the framework within which the EC's economic relations with the East should develop.¹¹

⁹Andriana Ierodiasconou, "Foreign Ministers Split Over Response to East Bloc Reform", The Financial Times, 17 October 1988.

¹⁰Usborne, "EC Must Act Together on East Europe".

¹¹Agence Europe no. 4902, 28/29 November 1988. The Community was concluding trade and cooperation agreements with the fastest reformers (Hungary and Poland, at that stage); this was conditionality applied in practice, but the principle

Delors and the Belgian government in particular wanted the European Council to adopt a separate declaration on East-West relations.¹² In the end, the European Council only included a paragraph on East-West relations in its statement on the Community's international role. As Simon Nuttall noted, "no more prescient than others, the Heads of State and Government had not yet realized the changes in store and the need for a fresh policy..."¹³

The statement on the Community's international role was aimed primarily at reassuring third countries that the single European market would not create a "Fortress Europe". It acknowledged that economic and security policies are inseparable, especially in Europe, and that the external policies of the EC and EPC should be closely linked.¹⁴ The leaders welcomed the development of relations with the CMEA members, and vowed to achieve full respect for the Helsinki Final Act. They would develop a political dialogue with their East European neighbors. "The European Council reaffirms its determination to act with renewed hope to overcome the division of our continent and to promote the Western values and principles which Member States have in common."¹⁵

had not yet been articulated.

¹²Agence Europe no. 4903, 30 November 1988.

¹³Nuttall 1992, p. 275.

¹⁴The statement was finalized in joint meetings of the Political Directors and the Permanent Representatives, an example of EPC-EC collaboration. Nuttall 1992, p. 275.

¹⁵Document no. 88/490, 3 December 1988, EPC Documentation Bulletin, vol. 4, no. 2, 1988. Initial contacts for bilateral political dialogue with the Soviet Union, Poland and Hungary were made in 1989. Nuttall 1992, p. 276 and p. 292.

The two documents on economic and political relations prepared for the Rhodes summit, however, remained on the table, to the dismay of the Commission and Tindemans.¹⁶ On 17 January 1989, Delors told the EP that at the Rhodes summit he had

expressed his personal regret that political co-operation was making less headway than economic co-operation and that the Twelve were reluctant to agree on common positions or to take joint initiatives in the East-West dialogue.¹⁷

Tindemans urged his colleagues to discuss the formulation of a coherent general EC policy on relations with the Soviet Union and Eastern Europe at the 20 February 1989 meeting of the General Affairs Council. Belgium wanted the EC to define common orientations to guide the member states' national policies towards Eastern Europe.¹⁸

The debate at the General Affairs Council, however, did not satisfy either Belgium or the Commission. The Council could only agree that coordination of economic and political relations with Eastern Europe was desirable. The UK and France were reluctant to establish Community procedures that could limit their freedom of action in the region; other

¹⁶The Commission's document urged the EC to respond positively, coherently, and efficiently to the economic reforms in Eastern Europe because it would help consolidate the reforms and would be in the EC's best interests. The EC would also thereby have an instrument to make the East European states respect CSCE commitments. The Twelve should outline a global position on relations with Eastern Europe and take a number of concrete measures, including harmonizing export aid policy and using the consultation procedure for national cooperation agreements. Agence Europe no. 4957, 17 February 1989.

¹⁷Jacques Delors, "Statement on the Broad Lines of Commission Policy" in EC Bulletin Supplement 1/89, p. 12.

¹⁸Agence Europe no. 4948, 4 February 1989.

member states hesitated to support Belgium and the Commission.¹⁹ The Council did approve the Commission's mandate for negotiating trade and cooperation agreements with Poland and Bulgaria, a measure loaded with political significance (see section 4.2.2).

By spring 1989, however, the pace of events in Eastern Europe was influencing the member states' attitudes towards cooperation on a common policy. In Poland, the Round Table talks were initiated and concluded; Solidarity was legalized; and open, multiparty legislative elections were to be held in June. In Hungary, laws allowing the freedom of association and the formation of independent political parties were approved in January and February 1989; in May, the government began dismantling the barbed-wire fence on the Austrian border. These were "refolutions", in Timothy Garton Ash's words: a mixture of reform led from above, and popular pressure from below²⁰; though the revolutions were yet to come, the changes were still remarkable in context.

After a Gymnich meeting in mid-April, the Spanish foreign minister and Council president, Francisco Fernandes Ordoñez, said that the Twelve would adopt a 'common strategy' in their relations with Eastern Europe. Delors welcomed the debate as the start of deeper reflection on the issue.²¹

At the General Affairs Council meeting on 24 April, a

¹⁹Agence Europe no. 4960, 22 February 1989.

²⁰Timothy Garton Ash, The Magic Lantern: The Revolution of '89 Witnessed in Warsaw, Budapest, Berlin and Prague (New York: Random House, 1990), p. 14.

²¹Agence Europe no. 4997, 17/18 April 1989.

significant step towards a common policy was taken. The Council largely agreed to proposals put forward by Belgium and the Commission. It emphasized the need to follow a more comprehensive, consistent and dynamic approach to Eastern Europe. It insisted on the necessary coherence of the various Community actions and indicated that it would be up to the General Affairs Council to guarantee that coherence. Coherence must be assured at two levels. First, cooperation between the Community and Eastern Europe must complement that of member states. Better coordination between these policies was needed, and the Commission was to prepare a report on this. Second, greater consistency must also be established between Community and EPC policies. Communication between the EC and EPC should be improved and intensified, and both should adopt, under the responsibility of the Commission and the Presidency, a summary document indicating the initiatives taken at both levels.²²

Thus after months of quibbling, the Council had finally agreed that there should be a consistent policy towards Eastern Europe. According to one journalist,

rapid political developments have evidently persuaded countries such as the UK and France of the need for better co-ordination, even if that means some Commission encroachment into the area of East-West political relations that member states have so far jealously guarded for themselves.²³

²²Agence Europe no. 5002, 24/25 April 1989 and EC Bulletin no. 4, 1989, pt. 2.2.11. Although Belgium and the Commission had also called for Community coordination of export credit policy, the Council only reiterated the importance of transparency regarding export credits to East European countries; no further action was taken.

²³David Buchan, "EC Moves to Coordinate Policy on Eastern Europe", The Financial Times, 25 April 1989.

Consistency between EC and EPC policies could be achieved by applying the principle of conditionality, although this was not yet articulated clearly, in either or the Council. Yet, with respect to the Community's economic relations with East European countries, conditionality had been applied since the EC-CMEA agreement was signed (in June 1988). The opening of negotiations for, and the specific provisions of, the trade and cooperation agreements depended on the fulfillment of economic and political criteria, namely, the implementation of free market reforms and democratization. On 24 April, however, the Council only reaffirmed that agreements with the East European states were to be differentiated according to each state's specific characteristics. Not mentioned in the Council's conclusions was that the "specificity" of agreements allows the principle of conditionality to be applied.²⁴ But conditionality was applied: at the same meeting, the Council suspended negotiations with Romania because of its internal political repression, and called for the rapid conclusion of a generous trade and cooperation agreement with Poland (section 4.2.2). Conditionality would eventually become much more explicit.

Coreper and the Political Committee jointly prepared a report on the Community's economic and political relations with Eastern Europe for the European Council summit, held in Madrid, 26 and 27 June 1989.²⁵ At the summit, the 12 leaders

²⁴At this point, an explicit statement of conditionality might have appeared too similar to the US policy of "differentiation" (see chapter 3).

²⁵Agence Europe no. 5044, 26/27 June 1989.

"reaffirmed the full validity of the comprehensive approach integrating political, economic and cooperation aspects which the European Community and its Member States follow in their relations with the USSR and with Central and Eastern European countries." They regretted the violations of human rights still occurring in some East European countries. They "reaffirmed the determination of the Community and its Member States to play an active role in supporting and encouraging positive changes and reform."²⁶

A few days later, at the summit of the leaders of the seven most advanced industrial countries (plus the EC Commission), held in Paris 14-16 July, the Community emerged as the leading actor in the West's relations with the reforming Eastern Europe. The G-7 agreed to work together, along with other countries and international institutions, to support the reforms in Poland and Hungary. To manage this undertaking, they asked the Commission "to take the necessary initiatives in agreement with the other Member States of the Community, and to associate, besides the Summit participants, all interested countries."²⁷

The G-7 decision is significant in several respects. Firstly, it signalled a change in the West's attitude towards the reforming East European countries. Aid was now considered an appropriate instrument of policy towards Eastern Europe

²⁶Document no. 89/178 in EPC Documentation Bulletin, vol. 5, no. 1, 1989.

²⁷"Political Declaration concerning East-West relations, released at the Paris meeting of industrialized countries, held on 14 to 16 July 1989", Document no. 89/184, EPC Documentation Bulletin, vol. 5, no. 2, 1989.

because the magnitude of developments was becoming clearer: Poland and Hungary were serious about reforming and needed the West's help. Jeanne Kirk Laux maintains that the West's policy towards Eastern Europe from then on had three aims: reform, reintegration, and regional security. Economic assistance was intended to facilitate reforms; reforms would help reintegrate each country into the world economy; and this would help create a new European regional security order.²⁸

Secondly, the EC was considered to have a special responsibility for its East European neighbors:

The practical demonstration of the relevance of the Community to the reconstruction of Europe as a whole facilitated the emergence of a consensus inside the Community, and indeed outside it, that the EC as such was ideally placed to become a cornerstone of the new European construction.²⁹

The Community was expected, by its member states and by outsiders, to lead in the region.

Thirdly, the Commission had been thrust into a highly visible leadership role, not only by third states, but also by the four largest EC member states; undoubtedly, this would have implications for the Community, both for external policy and for internal developments. At the end of 1989, a Commission spokesman argued that the G-7 mandate had boosted

²⁸Jeanne Kirk Laux, Reform, Reintegration and Regional Security: The Role of Western Assistance in Overcoming Insecurity in Central and Eastern Europe, Working Paper no. 37, Ottawa: Canadian Institute for International Peace and Security, 1991, p. 5.

²⁹Peter Ludlow, "The Politics and Policies of the European Community in 1989", in Centre for European Policy Studies, The Annual Review of European Community Affairs 1990 (London: Brassey's, 1990), p. XLVII.

the Commission's role in formulating foreign policy.³⁰

After the G-7 summit, history "accelerated"; in the fall of 1989, the communist regimes crumbled under the weight of people power. No one anticipated these extraordinary events, but the Community was well-placed to try to respond to them, having already assumed a leadership role in helping the reformist regimes. The Community's principles (specificity, conditionality) and objectives (support for reform) basically remained the same, but further initiatives were launched to try to match the momentous challenges arising from the revolutions in Eastern Europe.

Immediate help was needed with economic reforms (although by making assistance conditional on political reform, the Community hoped to foster democratization as well). Many of the policy instruments used to support economic reforms (aid, trade concessions) were either already under EC jurisdiction or had been wielded at the EC level in other circumstances. In a sense, then, the Community was relying on "standard operating procedures", but at a much faster speed than usual and in a region where previously its role had been limited. As discussed in section 4.3, however, the Community also extended its jurisdiction and designed new initiatives.

The Community generated initiatives for Community and Western action to boost the reform process (see sections 4.2.3 and 4.3 in particular). The member states agreed that the Community should lead; collective action would be far more effective than separate national responses to the events in

³⁰Claus-Dieter Ehlermann, "Aid for Poland and Hungary, First Assessment", European Affairs, no. 4, 1989, p. 26-27.

Eastern Europe (the "politics of scale"³¹). As will be discussed further in chapter 7, all of the member states strongly supported collective action: Germany because it could not act alone in Eastern Europe (for primarily political reasons); France because an active Community Ostpolitik would balance a potentially dominating German role in Eastern Europe; Italy and the UK partly because of the "politics of scale", the smaller member states even more so. Pelkmans and Murphy argue that thus the "EC overcame its handicap of being constrained in taking foreign policy initiatives. The existence of a strong political consensus amongst the member states enabled it to act quickly and effectively."³²

In the buzz of activity, the Commission played a crucial role. Nuttall notes: "Everything had to be done by everybody, all at once. The intrinsically economic nature of the problem gave the lead role to the Commission, which did not muff its lines, and was backed up in its rapid and integrated action by the Member States."³³

The line between EPC and EC was fading quickly, under the pressure of events. In November 1989, Delors reiterated that relations with Eastern Europe could not be artificially separated into economic and political spheres.³⁴ As Françoise de La Serre contends:

En effet, s'il était possible, dans un passé récent, de séparer dans l'Ostpolitik des Douze, les aspects

³¹Ginsberg's phrase (1989).

³²Pelkmans and Murphy 1991, p. 150.

³³Nuttall 1992, pp. 280-281.

³⁴Agence Europe no. 5141, 29 November 1989.

"coopération politique" des aspects proprement communautaires, l'accélération des événements en Europe Centrale et orientale a rapidement remis en question cette distinction entre les deux piliers de l'Union européenne formalisés par l'Acte unique.³⁵

EPC and EC business was coordinated in a new procedure. The chairs of the relevant working groups of EPC and the Council attended each other's groups meetings.³⁶ Closer coordination was evident higher up as well. On 19 September, External Relations Commissioner Frans Andriessen and French Foreign Minister Roland Dumas visited Warsaw to discuss the changes in Poland and sign the trade and cooperation agreement.³⁷ From 16 to 18 November, Delors and Dumas visited Warsaw and Budapest to survey the economic and political situation there.³⁸ The extent of EC-EPC collaboration highlights the "uniqueness" of the Community's policy towards

³⁵de La Serre 1991b, p. 593.

³⁶Nuttall 1992, p. 277. After Maastricht, the working groups were merged.

³⁷EC Bulletin no. 9, 1989, pt. 2.2.10 and 2.2.11.

³⁸EC Bulletin no. 11, 1989, pt. 2.2.19. Immediately after the violent fall of the Ceausescu regime in December 1989, the Commission and the French Presidency sent a delegation to Romania to assess the country's recovery needs. Agence Europe no. 5162, 29 December 1989. Such impromptu Presidency-Commission joint visits were the product of cooperation between the French presidency and the Commission; they were not repeated, although the Commission and the Presidency, troika, or Council have met formally with ministers and leaders from the East European countries on numerous occasions, particularly in the context of political dialogue (see chapter 5). The French Presidency-Commission tandem probably reflects France's desire to ensure that the Community (and France) played a highly visible role in Eastern Europe to balance Germany's potential dominance there; collaboration with the Commission was also a way of keeping the Commission in check.

Eastern Europe in the pre-Maastricht Treaty era.³⁹ It also reflects the pressing need for 'everyone to act all at once'.

On 9 November, perhaps the most symbolic event of the revolutions of 1989 occurred: the Berlin Wall fell. France, as EC President, then called a special European Council summit in Paris on 18 November 1989 to discuss the EC's stance on the developments in Eastern Europe. The leaders only discussed the EC's relations with Eastern Europe, not East Germany.⁴⁰ The events in East Germany, however, certainly rammed home the magnitude of the changes in Eastern Europe. The Community summit convened a couple of weeks before the Bush-Gorbachev summit off the coast of Malta, and was thus the first high-level exchange of views on events in Eastern Europe.⁴¹

The EC Bulletin noted that the 12 leaders "were struck by the convergence of views and the shared concern that there should be a joint reaction from the Twelve."⁴² The summit represented an important step in the Community's development: political cooperation and Community activities were integrated, and guidelines for Community action were drawn up on the basis of a common analysis. The leaders wanted to

³⁹Simon Nuttall argues that the East European policy is a "unique case", in the way the EC and EPC worked together on it. Nuttall 1992, pp. 274-281. Françoise de La Serre considers another indication of the Commission's growing role in EPC to be the more frequent usage of "the Community and its member states" in declarations on Eastern Europe (de La Serre 1991, p. 595).

⁴⁰German unification will be discussed in section 5.1.1.

⁴¹As urged by former French president Valéry Giscard d'Estaing. Ian Davidson, Tim Dickson, and Leslie Colitt, "EC to Discuss East Europe", The Financial Times, 14 November 1989.

⁴²EC Bulletin no. 11, 1989, pt. 2.2.15.

encourage democratic change, and respond to East European requests for a more open EC market. The European Council gave high-level political backing to the Community's initiatives, endorsing a number of French and Commission proposals to aid Eastern Europe, including a loan to Hungary, two training programs, and the EBRD.⁴³

The regular European Council summit, held in Strasbourg on 8 and 9 December 1989, was primarily devoted to a discussion of the Community's internal development, namely Economic and Monetary Union. The summit adopted two texts on Eastern Europe, one from EPC on the broad political framework, and the other from the EC on concrete activities. The two documents were consistent in substance, but had not been prepared by a joint drafting body, as had happened at the Rhodes summit.⁴⁴ In the "EC" document, the leaders reflected on the Community's role in Europe:

The Community's dynamism and influence make it the European entity to which the countries of Central and Eastern Europe now refer, seeking to establish close links. The Community has taken and will take the necessary decision to strengthen its cooperation with peoples aspiring to freedom, democracy and progress and with States which intend their founding principles to be democracy, pluralism and the rule of law.⁴⁵

Strengthening cooperation also entailed association (see chapter 5); already in the fall of 1989, the Community had

⁴³"Statement Concerning the Events in Central and Eastern Europe", 22 November 1989, Document no. 89/301, EPC Documentation Bulletin, vol. 5, no. 2, 1989.

⁴⁴Nuttall 1992, p. 278. The European Council also approved a statement on German unification (see section 5.1.2).

⁴⁵EC Bulletin no. 12, 1989, pt. 1.1.14.

begun to consider a longer-term strategy to support the transformation in Eastern Europe.

In the "EPC" document, the Twelve declared that the Community was "fully conscious of the common responsibility which devolves on them in this decisive phase in the history of Europe."⁴⁶ They called for closer political relations with the Soviet Union and East European states, in so far as they were committed to reform. They hoped that the division of Europe would be overcome "in accordance with the aims of the Helsinki Final Act...." Cooperation with the Community was thus emphatically linked to the democratization of its aspiring partners.⁴⁷ A common, consistent policy directed at the fulfillment of specific objectives had emerged.

In the rest of this chapter, two policy instruments will be examined: the trade and cooperation agreements, which have been supplanted by association agreements since 1991, and the aid measures, which have been adjusted as the Community's objectives have evolved and with changing circumstances in Eastern Europe. The Commission has played a highly visible role in implementing the Community's policy, and the East European countries have responded to this (thus reinforcing the Commission's position even further). Virtually every month, an East European president, prime minister, or foreign minister has visited the Commission to discuss relations

⁴⁶"Statement Concerning Central and Eastern Europe", Document no. 89/314, EPC Documentation Bulletin, vol. 5, no. 2, 1989.

⁴⁷Conditionality was made even more explicit in February 1990, with respect to financial assistance (see section 4.3.1).

(economic and political) with the Community; Commissioners have also frequently visited Eastern Europe to hold talks with leaders.⁴⁸ As discussed below, the member states have not been entirely comfortable with the Commission's role.

4.2 TRADE AND COOPERATION AGREEMENTS

From the signing of the Joint Declaration through November 1989, the EC and the CMEA met three times, to discuss cooperation. By the fall of 1989, the CMEA had identified several areas for cooperation, including environment, energy, transport, and technology.⁴⁹ The EC, however, felt that cooperation could take place in more appropriate, pan-European fora, such as the UN Economic Commission for Europe.⁵⁰

EC-CMEA negotiations had proceeded slowly: the Commission wanted to ensure that the agreements with the separate CMEA members were concluded first.⁵¹ The Community was certainly not enthusiastic about cooperating with such a Cold War relic, nor did the East European countries encourage it. The Commission noted in January 1990 that the East European states "look to the Community to take a prudent position, avoiding action which might reinforce outmoded structures while

⁴⁸Commission officials visiting Eastern Europe have often been treated as though they represented a state. Interview with DG IA official, 12 March 1996.

⁴⁹Agence Europe no. 5112, 16/17 November 1989.

⁵⁰A CSCE conference on economic cooperation was also held in Bonn in March and April 1990, which set out guidelines for cooperation between CSCE members in areas such as industry, environment, and energy. See Dominic McGoldrick, "A New International Economic Order for Europe?", Yearbook of European Law, no. 12, 1992, pp. 441-444.

⁵¹Agence Europe no. 5129, 10 November 1989.

strengthening bilateral links with Comecon members."⁵²

By late 1989, EC-CMEA relations were lost in the Community's intense activity to aid the separate CMEA members. Even before the CMEA was formally dissolved on 28 June 1991, the sticky problem of bloc-to-bloc cooperation had been overcome by basically ignoring it. The CMEA's demise, however, meant that the former Comecon 'partners' were no longer linked in an institutional framework. This had economic implications, as the East European states had to divert the direction of their trade, and potential political implications. The Community began to encourage the East European states to cooperate and form a free trade area (see chapter 6).

From June 1988 to July 1989, the EC was primarily concerned with expanding trade and cooperation with the separate CMEA members. The General Affairs Council on 25 July 1988 "confirmed the importance the Community attaches to developing these relations on the basis of a pragmatic and flexible approach, taking account of the special features of each individual case..."⁵³ Member states ruled out granting aid to Eastern Europe; in October 1988, Sir Geoffrey Howe said the Community agreed on "credits, yes; charity, no".⁵⁴ To a great extent, this was because reforms had not progressed far

⁵²Communication from the Commission to the Council: Implications of Recent Changes in Central and Eastern Europe for the Community's Relations with the Countries Concerned, SEC (90) 111 final, 23 January 1990, p. 3.

⁵³External Relations Information 1/89, p. 4.

⁵⁴David Usborne, "Howe Moves to Head Off EC Split", The Independent, 25 October 1988.

enough to assuage concerns about the security implications of aiding Warsaw Pact members. Yet at the same time member states were competing to provide export credits to the Soviet Union, and had their own cooperation agreements with East European states. Member states' reluctance to permit greater EC involvement at this stage also indicates lingering resistance to any infringement by the EC on their prerogatives in relations with Eastern Europe.

The Community hoped that closer trading relations with East European states would not only create opportunities for EC business, but also contribute to overall security (the classic liberal position). As German Foreign Minister Hans-Dietrich Genscher noted, "[e]conomic cooperation creates trust, common interests and stability."⁵⁵

The trade and cooperation agreements are significant in several respects. Firstly, in negotiating these agreements, the Community developed the conditionality principle. During the Cold War, the West Europeans had disagreed with the assertive US policy linking political conditions with trade and closer relations. Until 1988, specificity did not entail conditionality; the opening of exploratory talks with the CMEA member states in the mid-1980s had not been made conditional on political reform. In 1988, however, the sense that things were changing in some CMEA states (notably the Soviet Union) and the Community's growing assertiveness seem to have led the Community to use conditionality to encourage reform. If a

⁵⁵"Statement on the Period of the German Presidency - Abstracts", 16 June 1988, Document no. 88/168, EPC Documentation Bulletin, vol. 4, no. 1, 1988.

country contravened CSCE human rights provisions, the EC would withhold the prospect of a trade and cooperation agreement. Countries that were further ahead in the reform process would be accorded more beneficial treatment. Only at the end of 1989, however, was the conditionality principle articulated, although it clearly lay behind the EC's "philosophy" before then. In 1988-1989 the EC was leading and developing a policy towards Eastern Europe without any explicit political direction from EPC.

Secondly, the agreements represent an extension of the EC's competences in an area where the member states had previously tried to limit the Community's actions. As discussed in chapter 3, the member states had restricted the EC's competence to negotiating trade provisions with East European countries, while they concluded far-reaching "economic cooperation" agreements which promoted their industries and firms. They would not even allow EC coordination of these cooperation agreements. In the late 1980s, however, the member states allowed the EC to conclude cooperation agreements with the CMEA members.

Thirdly, the member states agreed, at first reluctantly, to eliminate eventually their national quantitative restrictions (QRs) on East European imports. Even before autumn 1989 (when all restrictions were lifted immediately), they had agreed to drop their restrictions in stages.

In section 4.2.1 below, the general features of the trade and cooperation agreements will be outlined; in section 4.2.2, the separate negotiations on the agreements, will be discussed to illustrate the application of the conditionality principle.

Section 4.2.3 will cover the extraordinary measures that the Community took, from the fall of 1989, to improve market access for the reforming East European countries, even as the agreements were being negotiated.

4.2.1 Provisions of the Agreements

Between 1988 and 1991, the Community negotiated and concluded agreements with Hungary, Poland, Czechoslovakia, Bulgaria, the GDR⁵⁶, and Romania.⁵⁷ Table 4.1 summarizes some of the salient features of the agreements.

The agreements do not cover coal and steel products, textiles, and certain agricultural products, which are covered by sectoral voluntary restraint agreements. They all provide for reciprocal MFN treatment. The agreements contain a territorial clause, the object of so much controversy during the negotiations on the EEC-CMEA declaration.

The agreements altered the EC's "autonomous policy" (see section 3.1.1), the "EC label" applied to the member states' specific quantitative restrictions on East European imports.⁵⁸

⁵⁶Relations with the GDR will be discussed in section 5.1.

⁵⁷A ten-year trade and cooperation agreement was signed with the Soviet Union on 18 December 1989; it entered into force on 1 April 1990 (OJ L 68, 15 March 1990). All EC quantitative restrictions were to be eliminated by 31 December 1995. Trade and cooperation agreements - the first stage in relations with the Community - were later concluded with other East European countries as they implemented reforms: an agreement with Albania entered into force on 1 December 1992 (OJ L 343, 25 November 1992); agreements with Latvia and Lithuania entered into force on 1 February 1993, and with Estonia on 1 March 1993 (OJ L 403, 31 December 1992); and an agreement with Slovenia entered into force on 1 September 1993 (OJ L 189, 29 July 1993).

⁵⁸Specific quantitative restrictions apply only to goods originating from particular countries. Regulation no. 3420/83 (OJ L 346, 8 December 1983) listed the products from state-trading countries that were subject to QRs in one or more

TABLE 4.1
Trade and cooperation agreements, 1988-1991

	date signed	date of entry into force	duration	deadline for removal of QRs	OJ refer.
Hungary	26/9/88	1/12/88	10 years	31/12/95	L327 30/11/88
Poland	19/9/89	1/12/89	5 years	31/12/94	L339 22/11/89
Czecho- slovakia	7/5/90	1/11/90	10 years	31/12/94	L291 23/10/90
Bulgaria	8/5/90	1/11/90	10 years	31/12/95	L291 23/10/90
GDR ⁵⁹	8/5/90	---	10 years	31/12/95	---
Romania	22/10/90	1/5/91	10 years	31/12/95	L79 26/3/91

Sources: EC Bulletin and Official Journal

The EC maintained more specific quantitative restrictions on goods from state-trading countries than on those from other countries. Although only 3-5% of EC-East European trade was affected, the restrictions covered goods that are significant for the East European economies such as textiles, glassware, footwear, chemical products, and certain agricultural goods.⁶⁰ Many quotas went unfilled, however, prompting the Commission

member states. Regulation no. 1765/82 (OJ L 195, 5 July 1982) listed the products that were not subject to QRs in any member state, but could be subject to protective measures.

⁵⁹The agreement never entered into force and thus was not published in the Official Journal. See EC Bulletin no. 5, 1990, pt. 1.3.10 for a summary of it.

⁶⁰Senior Nello 1989, p. 16. The East European countries frequently contested the legality of the QRs under GATT rules. Restrictions could be imposed against imports from state-trading countries, but were to be progressively reduced - a sufficiently vague enough undertaking to justify their continued use. Senior Nello 1991, pp. 29-31.

to assert that East European exports to the Community were not stymied by the restrictions but by their shoddy quality.⁶¹

These national restrictions on imports were clearly incompatible with the single European market: controls at intra-EC frontiers were to be abolished by 1 January 1993, making it impossible to keep out goods that had been imported into the EC via another member state. Because of the sensitivity of the issue, however, restrictions on imports from third countries were to be eliminated gradually, on a case-by-case basis.⁶²

In their negotiations with the Commission on the trade and cooperation agreements, all of the East European states sought the complete elimination of the restrictions. The extent to which the Commission could fulfill these wishes reflects how far national objections could be overcome in the name of a Community endeavor. Discussions on the removal of the quantitative restrictions were the most heated for the first two trade and cooperation agreements, with Hungary and Poland. The Community eventually agreed to lift specific quantitative restrictions in stages, leaving until

⁶¹Senior Nello 1991, pp. 33-34. During the first meeting of the Hungarian-EEC joint committee, Commissioner Willy De Clercq maintained that to increase its exports to the EC, Hungary needed to improve the quality of its goods, not demand the removal of quantitative restrictions. Agence Europe no. 4914, 14 December 1988.

⁶²Many countries feared that they would be excluded from the Community altogether because restrictions existing in only a few member states would be extended to the entire EC, creating a "Fortress Europe".

1994 or 1995 the restrictions on highly sensitive products.⁶³

The agreements encourage economic cooperation in a variety of areas, such as industry, mining, agriculture, energy, transport, and environmental protection, according to the requests of each East European country.⁶⁴ They maintain, however, the practice of "mixed competence" between member states and the Community. The EC has concluded cooperation agreements with third countries before, but this always raised the thorny problem of respective competences between the Community and the member states.⁶⁵ In the East European agreements, the problem was resolved as per usual: member states must substitute the provisions of the agreements for incompatible or identical provisions in any agreements they have concluded with the East European state, but they can still pursue economic cooperation programs and conclude new bilateral cooperation agreements.⁶⁶

⁶³For Bulgaria and Romania, restrictions on a few highly sensitive products would remain after 1995. All of the agreements contain a safeguard clause allowing the parties to take protective measures if their economies are endangered by a flood of imports.

⁶⁴The agreements with Czechoslovakia and Romania are concluded with Euratom, because the areas of cooperation include nuclear energy and safety. Because the economic cooperation measures exceed Rome Treaty provisions, all the agreements were concluded on the basis of both articles 113 and 235, and were ratified by the EP. Had the agreements been limited to "commercial" cooperation (however that may differ from the economic kind), they could have been based only on article 113. Christian Lequesne, "Les Accords de Commerce et de Coopération: Communauté Européenne - Pays d'Europe de l'Est" in Gautron, ed. 1991, p. 362. The Maastricht Treaty later codified the practice of obtaining EP assent.

⁶⁵Maslen 1988, p. 571.

⁶⁶The Commission has never fully accepted this restricted definition of its competences. Senior Nello 1989, p. 30.

The very inclusion of "economic cooperation" in these agreements, however, represents a significant extension of the Community's powers, as previously the member states wanted the sole right to negotiate cooperation accords with the East European states. No provisions were made to finance economic cooperation, although that would not have been unprecedented: the EC's 1976 and 1977 cooperation agreements with the Maghreb and Mashreq countries provided for EC grants and European Investment Bank (EIB) loans. That the member states could provide significant funds for economic cooperation with East European states meant they could upstage the EC. It also meant that the trade and cooperation agreements with East European countries, while providing a rudimentary framework for cooperation, proved inadequate once the Community began actively to support reform.

A joint committee of representatives from both parties was to oversee the functioning of the agreement; it could also discuss eventual concessions on agricultural goods. This would be another occasion for the Community to extend its control over external economic policy: member states would have to coordinate their positions within the committee, and the Commission would increase its contacts with the East European country.⁶⁷ The joint committees met yearly until the trade and cooperation agreements were replaced with association agreements.

4.2.2 Conditionality in Practice

The agreements with each of the East European states

⁶⁷Senior Nello 1989, pp. 30-31.

reflect the development of political and economic reform in those states. The state of reform in each country also affected the progress of negotiations. Obviously, conditionality did not cause the "revolutions of 1989", but it did provide a guide for reforms once they had been initiated. The new regimes seemed eager to prove they were fulfilling the EC's conditions. Later, conditionality would be less welcome.

The EC-Hungary agreement, signed in September 1988, was the Community's most extensive agreement with any state-trading country at that time, reflecting the more advanced state of Hungary's reforms. After partially abandoning the 1968 New Economic Mechanism, the regime had introduced further reforms in the early 1980s; in May 1988, reform-minded Karoly Grosz became Communist Party leader. The Commission publicly stressed that the agreement did not set a precedent, but effectively it did serve as an example of what other East European states could gain from the EC if they too implemented far-reaching reforms.

Hungary had approached the EC in 1983/1984, to discuss extending the sectoral agreements.⁶⁸ Hungary demanded several concessions, which the Community refused to grant, because Hungary was not yet a market economy. The talks faltered, and did not revive until mid-1986, after the CMEA and its members had accepted the EC's parallel approach.⁶⁹ In April 1987, the

⁶⁸Péter Balázs, "Trade Relations between Hungary and the European Community", in Marc Maresceau, ed., The Political and Legal Framework of Trade Relations between the European Community and Eastern Europe (Dordrecht: Martinus Nijhoff, 1989), p. 65.

⁶⁹Maslen 1988, p. 562.

Council granted the Commission a mandate to negotiate a trade and cooperation agreement; negotiations began that June.⁷⁰

Disagreements immediately arose over the timetable for the elimination of quantitative restrictions on Hungarian imports.⁷¹ Most EC member states were willing to drop their quantitative restrictions, eventually, as a sign of goodwill towards the fastest reformer in the Eastern bloc. Some, like Italy (which had a high number of quotas), were not so ready.⁷² Hungary wanted the final deadline for eliminating all quotas to be 1992; the EC first pushed for an indefinite obligation and then tried for 1998.⁷³ A deal was eventually struck whereby protection against a surge of sensitive Hungarian imports could be implemented until 1998, in exchange for dismantling quantitative restrictions by 1995. The foreign ministers apparently - and improbably - promised the Commission that the extension of their quotas until 1995 would not prejudice the single European market.⁷⁴ The Commission and the German Presidency pushed hard to conclude the agreement before the summer of 1988; on 1 July, it was initialled by the negotiators. The agreement was signed on 26 September and went into force on 1 December.

⁷⁰Thirty-fifth Review of the Council's Work, 1 January - 31 December 1987, p. 106.

⁷¹Agence Europe no. 4749, 23 March 1988.

⁷²David Buchan, "Hopes Rise for Trade Deal with Hungary", The Financial Times, 23 March 1988.

⁷³Agence Europe no. 4765, 16 April 1988 and Senior Nello 1989, p. 28.

⁷⁴David Buchan, "Outlook for EC-Hungary Accord Brightens", The Financial Times, 14 June 1988.

The first exploratory talks on an agreement with Poland were held in July and November 1986.⁷⁵ In successive rounds of informal talks, Poland made it clear that it wanted to conclude a trade and economic cooperation agreement. In December 1988, the Commission asked for a mandate to negotiate an agreement based only on article 113, which would cover industrial and agricultural products and encourage cooperation in some areas, but would not set a deadline for the elimination of all quantitative restrictions.⁷⁶

The Council, however, was prepared to go even further, to reflect the unfolding political developments in Poland. In early February 1989, representatives from the Polish government, Solidarity, and the Catholic Church began to discuss political and economic reforms at the Round Table talks. The Council's negotiating mandate to the Commission, approved on 20 February along with the mandate for talks with Bulgaria, authorized the Commission to discuss a five-year agreement that would set dates for the removal of quantitative restrictions and cover all areas of economic cooperation.⁷⁷ Negotiations opened in March.⁷⁸

The successful conclusion of the Round Table discussions in April 1989, which legalized political parties and set a June date for parliamentary elections, was welcomed in

⁷⁵Maslen 1988, p. 562.

⁷⁶Agence Europe no. 4915, 15 December 1988.

⁷⁷Agence Europe no. 4960, 22 February 1990.

⁷⁸EC Bulletin no. 3, 1989, pt. 2.2.8.

Commission and EPC declarations.⁷⁹ At its 24 April meeting, the General Affairs Council noted that the events in Poland required a more favorable, flexible stance in negotiations.⁸⁰ On 22 May, Andriessen suggested three ways in which the agreement could be extended to reflect the EC's approval of the political changes in Poland: a deadline could be set for the final removal of all quantitative restrictions; some agricultural products could be included; and EIB loans could be provided. The Council broadly supported the first two proposals, but hesitated over the last.⁸¹ The UK, backed by France and the Netherlands, opposed lending to heavily-indebted Poland: dealing with third countries' debts did not fall under the EC's competence.⁸²

Unquestionably, though, Poland hoped the Community would address its massive debt problem. During a visit to Brussels in May, Solidarity leader Lech Walesa appealed to Delors for support. Delors then promised that the EC would launch an initiative in favor of the middle-income indebted countries at the G-7 summit in July.⁸³

Negotiations on the trade and cooperation agreement ended

⁷⁹Agence Europe no. 4990, 7 April 1989, and no. 4991, 8 April 1989.

⁸⁰Agence Europe no. 5017, 19 May 1989.

⁸¹Agence Europe no. 5019, 22/23 May 1989.

⁸²David Buchan, "EC Cool on Loans for Poland to Encourage Reform", The Financial Times, 23 May 1989.

⁸³Agence Europe no. 5017, 19 May 1989. In the event, the G-7 announced they would support the rescheduling of Poland's debt in the Paris Club, provided Poland met IMF conditions. Document no. 89/194, EPC Documentation Bulletin, vol. 5, no. 2, 1989.

on 25 July 1989, and it was signed on 19 September. In the end, the EC only noted a Polish declaration expressing its desire for access to EIB financing.⁴⁴ Unlike the agreement with Hungary, in which concessions on agricultural products are to be discussed in the joint committee, Poland and the EC agreed to lower levies and/or duties on about 10 agricultural products. The willingness of EC member states to grant such concessions reflected the new attitude towards aiding Eastern Europe and the fact that Poland's economy was in worse shape than Hungary's and was experiencing food shortages.⁴⁵ The final deadline for removing all quantitative restrictions is 1994, and Poland did not have to agree to an additional super-safeguard clause, indications of the EC's more benevolent approach to reforming East European countries, and Poland's less threatening export capacity.

In 1983, talks between Czechoslovakia and the Commission began regarding additional sectoral agreements. The Community suggested instead an agreement on industrial goods, like the 1980 agreement with Romania.⁴⁶ In November 1986, the Council gave the Commission a mandate to negotiate an agreement on trade in industrial products. In mid-1988, the conclusion of the negotiations was delayed because Czechoslovakia, aware of the EC-Hungarian agreement, asked for a final deadline for the lifting of EC quantitative restrictions. Such a clause would have exceeded the Commission's mandate, however, and

⁴⁴Agence Europe no. 5065, 27 July 1989.

⁴⁵David Buchan, "Poles and EC Agree Economic Cooperation and Trade Pact", The Financial Times, 26 July 1989.

⁴⁶Senior Nello 1989, p. 31.

Czechoslovakia had to retract its request. The Commission reiterated that the EC-Hungary agreement did not set a precedent for other agreements.⁸⁷ In 1988, the process of political and economic reform in Czechoslovakia was not nearly as advanced as it was in Hungary.⁸⁸

The four-year agreement on trade in industrial products was signed on 19 December 1988 and went into effect on 1 April 1989.⁸⁹ Some quantitative restrictions on Czech goods were to be lifted as soon as the agreement went into effect, but no provisions for removing other restrictions were set. Although the agreement does not include economic cooperation and was based on article 113 only, the EP ratified it because it was considered to be a politically important one.⁹⁰

In December 1989, the 'velvet revolution' swept through Czechoslovakia. Within days of its formation on 8 December, the new government headed by Prime Minister Marian Calfa asked the Commission to begin negotiations on a trade and cooperation agreement.⁹¹ Informal talks began, and Andriessen visited the country in January 1990.⁹² On 5 March, the Council approved a negotiating mandate for a trade and

⁸⁷Agence Europe no. 4829 of 21 July 1988 and no. 4853 of 16 September 1988.

⁸⁸In August, for example, the police used force to break up demonstrations on the 20th anniversary of the Warsaw Pact invasion.

⁸⁹OJ L 88, 31 March 1989.

⁹⁰Senior Nello 1989, p. 31.

⁹¹Agence Europe no. 5157, 20 December 1989.

⁹²Agence Europe no. 5172, 15/16 January 1990.

cooperation agreement.⁹³ Negotiations went very quickly: the agreement was signed on 7 May and went into force on 1 November. The final deadline for removing quantitative restrictions was 31 December 1994, reflecting the EC's approval of the pace of reform.

By the time the agreement had been concluded, however, it was out of date. Extension of aid to Czechoslovakia was soon to come, along with the accelerated removal of quantitative restrictions (see section 4.2.3). Already in March 1990, Foreign Minister Jiri Dientsbier stated that Czechoslovakia wanted to conclude an association agreement and eventually join the EC.⁹⁴

The first exploratory talks between the Commission and Bulgaria were held in October 1986.⁹⁵ Bulgaria wanted a trade and economic cooperation agreement; the Commission wanted to limit the agreement to trade, with only general principles established on cooperation.⁹⁶ In December 1988, the Commission asked the Council for a negotiating mandate for agreements, based on article 113, with Bulgaria and Poland. The Council wanted to go further and on 20 February 1989 approved a wider negotiating mandate for both agreements. Although Poland's reforms were progressing much faster than Bulgaria's, the agreement with Bulgaria would be part of the

⁹³Agence Europe no. 5209, 8 March 1990.

⁹⁴Agence Europe no. 5206, 3 March 1990. Dientsbier was reacting to the EC debate on association (see chapter 5).

⁹⁵Maslen 1988, p. 562.

⁹⁶Agence Europe no. 4736, 4 March 1988.

same normalization process.⁹⁷ In negotiations in April and May, Bulgaria demanded immediate trade liberalization measures and a final deadline for the elimination of all quantitative restrictions. The EC was not willing to go that far because Bulgaria was not implementing market economic reforms.⁹⁸

Concerns over the treatment of the Turkish minority in Bulgaria were also increasingly voiced. In June 1989, Belgium invoked the CSCE mechanism on human rights against Bulgaria, asking for information on the Turkish minority.⁹⁹ In October, France, EC president, requested information on 7 dissidents, on behalf of the 12 and other Western countries.¹⁰⁰

In June 1989, the negotiating session between Commission and Bulgarian officials that was to be held at the end of July was postponed, and negotiations were suspended. No official reason was given, although later it was acknowledged that the political situation, particularly the treatment of minorities, in Bulgaria had occasioned the rupture.¹⁰¹

In December 1989, the velvet revolution began to sweep through Bulgaria, though it did not leave behind such radical changes as elsewhere. The Bulgarian prime minister wrote to Delors on 1 December to inform him of the government's intention to hold free elections and ensure the rights of the

⁹⁷EC Bulletin no. 2, 1989, pt. 2.2.25.

⁹⁸Agence Europe no. 5028, 3 June 1989.

⁹⁹Agence Europe no. 5047, 30 June 1989.

¹⁰⁰Agence Europe no. 5123, 1 November 1989.

¹⁰¹See Thirty-seventh Review of the Council's Work, 1 January - 31 December 1989 and Agence Europe no. 5166, 6 January 1990.

Turkish minority and to ask for the resumption of negotiations.¹⁰² A new cabinet was appointed in February 1990, though still composed entirely of Communists. Negotiations with the EC resumed in March 1990. The trade and cooperation agreement was signed on 8 May 1990, and came into force on 1 November 1990.

Just as the Community's relations improved with the other CMEA members, those with Romania, once the West's privileged partner behind the Iron Curtain, deteriorated. In June 1986, the Commission asked for a mandate to negotiate a cooperation agreement with Romania, which was approved in December. The 1980 agreement would be extended to cover agricultural products and economic cooperation. During negotiations in 1987, Romania insisted that the 1980 trade provisions be revised in its favor, but the EC maintained that they were not up for reconsideration.¹⁰³

The EC was concerned with the decline in its trade balance with Romania; in the 1980 accord, Romania had agreed to expand and diversify its imports from the Community, but the EC's exports to Romania were falling (see appendix 1). More significantly, Romania was showing blatant disregard for the CSCE provisions on human rights. By 1988, Romania's violations of human rights, mistreatment of minorities, and planned destruction of thousands of villages (many of which were inhabited by ethnic Hungarians) in a "systemization" program, had sparked outrage in the Community. The Community

¹⁰²Agence Europe no. 5204, 1 March 1990.

¹⁰³Thirty-fifth Review of the Council's Work, 1 January - 31 December 1987, p. 106.

and the Twelve criticized Romania in EPC declarations and at the CSCE follow-up conference in Vienna. On 7 September 1988, the Greek Presidency expressed concern to the Romanian authorities over the systemization program.¹⁰⁴ In February 1989, after a request by the EP's Political Affairs Committee, the Romanian ambassador in Madrid (Spain held the EC Presidency) was summoned to the Spanish Ministry of Foreign Affairs and the Spanish ambassador in Bucharest met with a Romanian foreign ministry official, requesting information about 24 Romanians who had protested the destruction of villages.¹⁰⁵ Romania refused to reply to the request and on 28 March, the Presidency issued a press statement requesting Romania to comply with CSCE commitments.¹⁰⁶

Romania, alone among its CMEA 'partners', refused to establish formal diplomatic ties with the Community after the EC-CMEA agreement.¹⁰⁷ Negotiations on extending the 1980 agreement were blocked at the beginning of 1989.¹⁰⁸ In March 1989, the EP demanded that the Community reexamine relations with Romania. During the EP debate on the resolution, Andriessen affirmed that given the conditions in Romania,

¹⁰⁴Twenty-second General Report on the Activities of the European Communities 1988, p. 412.

¹⁰⁵As outlined in a reply to 2 questions by MEPs, in Document no. 89/112, EPC Documentation Bulletin, vol. 5, no. 1, 1989.

¹⁰⁶Document no. 89/102, EPC Documentation Bulletin, vol. 5, no. 1, 1989.

¹⁰⁷Maslen 1988, p. 566.

¹⁰⁸Agence Europe no. 4937, 20 January 1989.

there could be no question of continuing negotiations.¹⁰⁹ On 24 April, the Council and Commission suspended the talks, because of Romania's failure to honor CSCE human rights obligations. They declared further: "Any resumption of the negotiations will take place only if clear evidence emerges of a significant improvement in Romania's respect for human rights and its observance of the commitments it has entered into through the Helsinki process."¹¹⁰

Unrest broke out in Romania in December 1989, which the government attempted to put down with force. An EPC statement on 19 December condemned the regime and its brutal repression of the demonstrations.¹¹¹ The 1980 trade agreement was also frozen.¹¹² On 22 December, violence in Bucharest forced the dictator Nicolae Ceausescu and his wife Elena to flee, though they were captured the same day and executed on 25 December. The "Council of National Salvation", consisting of many former Communists, assumed power, and announced its desire to normalize relations with the EC.¹¹³

In January 1990, Andriessen visited Romania, emphasizing the need to strengthen democracy and hold elections, and affirming that negotiations on a trade and cooperation agreement could begin soon.¹¹⁴ The conclusion of an agreement

¹⁰⁹Agence Europe no. 4977, 16 March 1989.

¹¹⁰EC Bulletin no. 4, 1989, pt. 2.2.16.

¹¹¹"Statement concerning Romania", Document no. 89/343, EPC Documentation Bulletin, vol. 5, no. 2, 1989.

¹¹²Agence Europe no. 5159, 22 December 1989.

¹¹³Agence Europe no. 5167, 8/9 January 1990.

¹¹⁴Agence Europe no. 5172, 15/16 January 1990.

was still a long way off, as a result of the new government's dubious commitment to political liberty. The Commission postponed the resumption of talks until the end of March 1990, because the new government's reform programs were not very detailed and contacts were difficult.¹¹⁵ The Romanian authorities then got their act together, and provided the Commission with information on political and economic reforms. Diplomatic relations were established in March.¹¹⁶

The Council approved the negotiating mandate for a trade and cooperation agreement in May and the agreement was initialled on 8 June 1990.¹¹⁷ That same month, however, the government allegedly trucked in several thousand miners to battle student protesters in Bucharest. The Commission announced that as a result it would not proceed to the conclusion of the agreement.¹¹⁸ An EPC statement deplored the indiscriminate use of force against peaceful demonstrators and reiterated that the Community would only support countries committed to pluralist democracy.¹¹⁹

The General Affairs Council, meeting in mid-June, stated it could not set a date for the signing of the agreement.¹²⁰ The decision was not, however, without controversy. At the July Council meeting, some members states (including France

¹¹⁵Agence Europe no. 5209, 8 March 1990.

¹¹⁶Agence Europe no. 5218, 21 March 1990.

¹¹⁷Agence Europe no. 5272, 11/12 June 1990.

¹¹⁸Agence Europe no. 5276, 16 June 1990.

¹¹⁹"Statement by the Twelve on Romania", EPC Press Release P. 44/90, 18 June 1990.

¹²⁰EC Bulletin no. 6, 1990, pt. 1.4.5.

and Italy) argued that marginalizing Romania could jeopardize the democratization process, rather than encourage it; others (the UK and Netherlands) disagreed and the matter was left unresolved.¹²¹ On 22 October, though, the Council signed the agreement.¹²² The EP then delayed ratification, until 22 February 1991.¹²³ The Council concluded the agreement on 4 March and it entered into force on 1 May.

The difficult process of transformation in Bulgaria and Romania would place those countries in the slow lane in terms of progress towards closer relations with the Community. The wisdom of such a policy would eventually be increasingly doubted. Could a policy of strict conditionality backfire? Was the Community - by insisting on the fulfillment of economic and political criteria as a condition of closer relations - generating isolation, economic hardship, and the creation of another "Iron Curtain" in Europe? On the other hand, the attempts to align policy towards Romania and Bulgaria with the policy towards countries such as the Czech republic and Poland seem incongruous given the state of reform in the first two countries (see chapter 5).

4.2.3 Further Trade Concessions

The G-7 decision to extend aid to Poland and Hungary in July 1989, and the accelerating collapse of communism throughout Eastern Europe, prompted the Community to reconsider the extent to which it had agreed to open its

¹²¹Agence Europe no. 5297, 16/17 July 1990, and no. 5298, 18 July 1990.

¹²²EC Bulletin no. 10, 1990, pt. 1.4.9.

¹²³EC Bulletin no. 1/2, 1991, pt. 1.3.19.

markets to East European imports. In an action plan for Western and Community aid drawn up in September 1989¹²⁴, the Commission maintained that the trade and cooperation agreements did not remove trade restrictions fast enough. It proposed four measures to improve market access for Poland and Hungary: the accelerated removal of quantitative restrictions; concessions on agricultural imports; tariff concessions; and extension of GSP benefits. The initial reaction of the General Affairs Council on 2 October was favorable; Italian Foreign Minister Gianni De Michelis even proposed that as of 1 January 1990, Italy would eliminate those quantitative restrictions scheduled for removal in 1994 or 1995.¹²⁵

On 6 November 1989, the Council abolished specific quantitative restrictions as of 1 January 1990 for Poland and Hungary.¹²⁶ It also asked the Commission to submit a proposal that went even further, by suspending non-specific quantitative restrictions (i.e. those restrictions on goods that are imported from any country) on goods from Poland and Hungary.¹²⁷ On 4 December, the Council did just that.¹²⁸

¹²⁴Commission of the European Communities, Action Plan for Coordinated Aid to Poland and Hungary, COM (89) 470 final, 27 September 1989, and EC Bulletin no. 10, 1989, pts. 1.1.1 and 1.1.2.

¹²⁵As Italy had the most quantitative restrictions on goods from Eastern Europe of all the member states, this was a significant gesture. See Senior Nello 1991, p. 33. Some member states were apparently not enthused about extending the GSP, as it was supposed to be for developing countries. Agence Europe no. 5103, 4 October 1989.

¹²⁶Regulation no. 3381/89, in OJ L 326, 11 November 1989, later replaced by Regulation 2727/90.

¹²⁷EC Bulletin no. 10, 1989, pt. 1.1.5.

Thus, the member states agreed to do away with the very restrictions that they had been so obdurate about during the negotiations on the trade and cooperation agreements, one of which had just been signed with Poland in September. The quantitative restrictions lifted were those on non-sensitive goods only; steel, textiles and agricultural goods were not included. Nonetheless, the measures are significant and reflect the political interests of the Community and its member states in supporting reform in Eastern Europe. As other East European countries launched reforms, the same benefits were extended: as of 1 October 1990 to Bulgaria and Czechoslovakia and as of 1 May 1991 to Romania (the day the trade and cooperation agreement entered into force).¹²⁹

Tariff preferences under the GSP were granted to Hungary and Poland as of 1 January 1990. The benefits were extended to Bulgaria and Czechoslovakia in January 1991. Romania had obtained some preferences under the GSP in 1974, but from January 1991, those preferences were expanded.¹³⁰

While concessions on agricultural products remained blocked¹³¹, textile and clothing quotas were increased: in 1990 and 1991 for Czechoslovakia, Hungary and Poland, and in

¹²⁸Regulation no. 3691/89, in OJ L 362, 12 December 1989, later replaced by Regulation no. 2727/90. The restrictions were not lifted by Spain or Portugal, still in their transition period.

¹²⁹Regulation 2727/90, in OJ L 262, 26 September 1990.

¹³⁰Lequesne 1991, p. 366.

¹³¹In February 1990, six member states - including France, Spain, and Italy - blocked a Commission proposal to eliminate levies on sheep and goat meat imports. Agence Europe no. 5193, 14 February 1990.

1991 and 1992 for Bulgaria and Romania.¹³² Agreements on ECSC products were signed with Poland and Hungary in October 1991 and with Czechoslovakia in February 1992.¹³³

Even with these additional measures, the Community's openness to East European goods was considered inadequate by EC free traders and the East European countries. Thus new agreements, providing for better market access and a framework for closer relations, were concluded with the fastest reforming East European states (see chapter 5).

The trade and cooperation agreements could also not be fully exploited as long as CoCom restrictions on exports to Eastern Europe were still in place. The rules now seemed absurd: how could industry in Eastern Europe be modernized if technology could not be exported there? After the European Council met in November 1989, French European Affairs Minister Edith Cresson revealed that the leaders agreed to try to introduce flexibility into CoCom rules.¹³⁴ But in February 1990, the US stalled on Community proposals to loosen some restrictions: Eastern Europe would have to guarantee that goods would not be adapted for military use, or reexported to the Soviet Union.¹³⁵ At a CoCom meeting in June 1990, however, restrictions on one-third of the products on the

¹³²"The Economic Interpenetration between the European Union and Eastern Europe", in Commission, European Economy, no. 6, 1994, p. 161.

¹³³Commission of the European Communities, European Community Relations with the Countries of Central and Eastern Europe, Background Brief BB17, June 1993.

¹³⁴Agence Europe no. 5135, 20/21 November 1989.

¹³⁵Crawford 1990, p. 276.

restricted list were dropped (including computers, machine tools, and telecommunications) and other restrictions were relaxed.¹³⁶ Further restrictions were lifted in 1992. In November 1993, the members agreed to dissolve CoCom.¹³⁷

4.3 AID

In July 1989, aid became an instrument of Western policy towards Eastern Europe. The Commission's coordination of the G-24 aid program will be discussed in section 4.3.1. The Community's own initiatives, including the PHARE program, will be examined in sections 4.3.2 through 4.3.4.

4.3.1 The Commission's Role in Coordinating G-24 Aid

The G-7 decision to entrust the Commission with the task of coordinating the West's program to assist the economic reform process in Poland and Hungary, though unprecedented, makes sense.¹³⁸ Delors (and the Belgians) had been asking the Twelve for months to coordinate their relations with Eastern Europe, and the Commission was in the midst of negotiating trade and cooperation agreements with the East European

¹³⁶Agence Europe no. 5270, 8 June 1990.

¹³⁷Agence Europe no. 5742, 3 June 1992, and "Cold War Group's Successor Set for October Launch", Reuter, 30 March 1994. CoCom is to be replaced by a forum to control high-technology exports that would include the former Soviet bloc countries.

¹³⁸Accounts differ regarding who first proposed the idea. Kirk Laux (p. 7) maintains that Kohl proposed it. Others have said that Kohl took up Delors' suggestion to confide this task to the Commission. See Agence Europe no. 5059, 17/18 July 1989 and Ehlermann, p. 23. A Commission official maintains that Kohl and Mitterrand suggested it (interview, 22 June 1994). Giles Merritt and Charles Grant assert that Bush proposed it: this would illustrate outside pressure on the Community to take the lead. See Giles Merritt, Eastern Europe and the USSR: The Challenge of Freedom (London: Kogan Page, 1991), p. 21, and Charles Grant, Delors: Inside the House that Jacques Built (London: Nicholas Brealey, 1994), pp. 165-166.

states. In talks with Bush in June, Delors set out his ideas on how reforms in Poland and Hungary could be supported. Bush urged coordination of Western aid, since the US clearly could not provide all the resources itself. Kohl approved of the idea, needing an acceptable international framework for a national effort to aid Eastern Europe, which could have caused alarm.¹³⁹ France would not have been averse to Commission leadership, given the close ties between French President Mitterrand and Delors, and France's desire for the EC to counterbalance German influence in the region.

What caused the most excitement was that the Commission had never been called upon formally to coordinate the actions of non-member states; no provisions in the Rome Treaty provide for such a development. The Commission did not hesitate to seize the opportunity to expand its influence. It reacted quickly, although it had to scramble to find the personnel to do so.¹⁴⁰ A G-24 Coordination Unit was set up within Directorate-General (DG) I for External Economic Relations.

At the General Affairs Council held one day after the G-7 summit, the Commission presented its guidelines and plans for the aid program, which were approved by the ministers.¹⁴¹ It

¹³⁹Ehlermann 1989, pp. 23-24.

¹⁴⁰The Commission could act quickly because Delors mobilized his personal network, rather than the director generals. Grant, 1994, p. 105. G-24 coordination is carried out by detached national officials (from EC and non-EC states), and by personnel shifted from DG VIII (Development). The unit remains short-staffed. Interview with Commission official, 22 June 1994.

¹⁴¹The Council's conclusions did not mention the G-7: those member states not in the G-7 were apparently touchy about 'submitting' themselves to the G-7's will. Agence Europe no. 5060, 19 July 1989.

also convened a meeting on 1 August, to discuss aid coordination. Invited to the meeting were representatives from the 24 members of the OECD.¹⁴² The program is thus known as the G-24 aid program, although international organizations (IMF, World Bank, Paris Club, OECD, and later EBRD) also participate. The G-24 hold regular meetings at senior official and working group levels, and occasionally at ministerial level, to ensure that policy and aims are coherent, discuss possible joint actions, and assess the progress of reforms in each recipient country.¹⁴³

At the 1 August 1989 meeting, the Commission presented its plans and proposals, which the G-24 endorsed. The Commission identified five priority areas for aid: agricultural supplies and restructuring; access to markets; investment promotion; vocational training; and environmental protection. Working groups were set up in each area to coordinate actions and make proposals.¹⁴⁴ Additional working groups were set up in other areas later. On 4 May 1993, G-24 senior officials decided that the working groups would continue in the areas of nuclear safety, macroeconomic assistance, and environmental protection, but groups would

¹⁴²i.e. the 12 EC member states, the 6 members of EFTA (Austria, Finland, Iceland, Norway, Sweden, and Switzerland), the US, Japan, Canada, Australia, New Zealand, and Turkey. Agence Europe no. 5063, 24/25 July 1989.

¹⁴³Fourth Annual Report from the Commission to the Council and the European Parliament on the Implementation of Community Assistance to the Countries of East and Central Europe (PHARE) in 1993 (hereinafter PHARE Annual Report 1993), in COM (95) 13 final, 20 February 1995, p. 71.

¹⁴⁴Agence Europe no. 5069, 2 August 1989, and no. 5070, 3 August 1989. The debt problem was to be handled by more appropriate institutions, namely the Paris Club and the IMF.

discuss other sectors on a country-by-country basis. This would ensure that the recipient countries were more integrated into the decision-making process.¹⁴⁵

The Commission's coordination role includes acting as a clearing-house: the G-24 are supposed to inform the Commission about their aid programs, so as to avoid taking 24 separate but overlapping and therefore inefficient bilateral actions to aid the East European countries. Most G-24 initiatives originate in the Commission. The Commission tries to bring donors together to appraise possible projects and finances some joint projects.¹⁴⁶ Joint actions have been difficult to put together because donors place constraints on bilateral aid and they compete to fund visible, prestigious projects.¹⁴⁷ They also favor certain countries, because of geographic proximity and traditional ties. German aid to Poland, for example, is very substantial; Finland and Sweden emphasize aid to the Baltic states; Italy is the largest single donor to Albania, while Greece gives more aid to Albania than to any other recipient (see appendix 2). According to a Commission

¹⁴⁵"G-24 Takes Stock of Assistance to Central and Eastern Europe", Commission of the European Communities Press Release IP (93) 341, 5 May 1993.

¹⁴⁶First Annual Report from the Commission to the Council and the European Parliament on the Implementation of Economic Aid to the Countries of East and Central Europe as of 31 December 1990, SEC (91) 1354 final, 24 July 1991, (hereinafter PHARE Annual Report 1990), pp. 14-16.

¹⁴⁷Second Annual Report from the Commission to the Council and the European Parliament on the Implementation of Community Assistance to the Countries of East and Central Europe (PHARE) in 1991, COM (93) 172 final, 10 May 1993 (hereinafter PHARE Annual Report 1991), p. 16, and UN Economic Commission for Europe, Economic Survey of Europe in 1991-1992, Chapter 5, "International Support for Eastern Transformation".

official, coordination among the EC member states works less well than that among the other G-24 donors. The member states compete for PHARE contracts to send consultants to Eastern Europe (see below), but non-member states, particularly the US, want to be involved in a forum in which they can monitor and perhaps influence the Community's policy.¹⁴⁸

It has been much easier for the Commission to attract donors to projects under PHARE, the Community's own program.¹⁴⁹ According to one official, PHARE (with its large resources) has become the "25th member" of the G-24 and its officials have great influence on G-24 activities.¹⁵⁰

Since 1993, international financial institutions have been more integrated within the G-24 process, with each institution concentrating on its own area of interest.¹⁵¹ There is a great deal of coordination between the Commission, IMF, World Bank and EBRD. PHARE, for example, finances technical assistance and feasibility studies, which permit the EIB and EBRD to make loans for investment projects.¹⁵²

¹⁴⁸Interview, 22 June 1994.

¹⁴⁹Initially, there was some semantic confusion and the G-24 program was referred to as Operation PHARE. But the two are separate programs, and PHARE now refers exclusively to the EC's program, as is made crystal clear in Commission, PHARE, Assistance for Economic Restructuring in the Countries of Central and Eastern Europe: An Operational Guide (Luxembourg: OPOEC, 1992), p. 6.

¹⁵⁰Interview, 22 June 1994.

¹⁵¹"G24: 37.8 billion ECUs for Reforms in East Welcomed", European Report no. 1857, 8 May 1993.

¹⁵²In 1992, the Community and the EBRD signed the "Bangkok Agreement", providing for closer cooperation. PHARE Annual Report 1993, pp. 51 and 71. In June 1995, the Commission and EBRD signed an agreement on financing joint ventures in Eastern Europe. Agence Europe no. 6508, 24 June 1995.

The charts in Appendix 2 illustrate G-24 assistance to Eastern Europe between 1990 and 1994. The EU (through PHARE) and its member states accounted for 45% of total G-24 aid (including the international financial institutions). Germany was the largest single donor, with just over 15% of the total. The EU and its member states provided almost 60% of the grant aid. G-24 assistance includes debt relief and export credits, neither of which the Community itself provides.

The G-24 have also coordinated their views regarding which countries should receive aid, based on the principle of conditionality. These common positions have been cited as one of the successes of G-24 coordination.¹⁵³ After the events of late 1989, the G-24 considered extending the program. The Community's policy on conditionality became G-24 policy, and in this the Commission played a significant role.

In February 1990, the Commission proposed to the Council that potential aid recipients must fulfill five conditions: they must be committed to the rule of law, respect for human rights, the establishment of multiparty systems, the holding of free elections in 1990, and economic liberalization. The countries concerned would not have to demonstrate success in implementing such reforms, but would have to be committed to achieving them.¹⁵⁴ The General Affairs Council on 5 February approved the Commission's report: "This co-ordinated assistance should be provided on the basis of commitments from

¹⁵³Interview with Commission official, 22 June 1994.

¹⁵⁴The Development of the Community's Relations with the Countries of Central and Eastern Europe, SEC (90) 196 final, 1 February 1990.

the countries concerned to political and economic reform. In addition, the programme of assistance should be adapted to each country's own situation, specific requirements and absorption capacity."¹⁵⁵

At the December 1989 G-24 ministerial meeting, four countries were considered for aid (in addition to Poland and Hungary): Bulgaria, Czechoslovakia, GDR, and Yugoslavia; Romania was added to the list in February 1990. Several Commission missions were sent to the candidate countries, including one in January 1990 by Commissioner Andriessen to Czechoslovakia, Bulgaria, and Romania, to gather information on their economic and political reforms.¹⁵⁶ As Nuttall notes, "The pre-eminently political task of establishing and verifying conditionality was thus carried out on the Community side."¹⁵⁷ The Commission was clearly playing a much more political role, in close contact, though, with the member states. On G-24 conditionality (and other political issues), the Commission and national officials worked together in the informal advisers' group, which met weekly in Brussels.¹⁵⁸

¹⁵⁵Council of the European Communities, General Secretariat, Press Release 4300/90 (Presse 9), 5 February 1990.

¹⁵⁶One indication of the difficulties the over-stretched Commission could encounter: Andriessen was late for a talk with the Bulgarian foreign minister because planners had not taken account of time zone differences. David Buchan, "Flying Dutchman Plans Aid for East Europe", The Financial Times, 16 January 1990 and Commission of the European Communities, Action Plan: Coordinated Assistance from the Group of 24 to Bulgaria, Czechoslovakia, the German Democratic Republic, Romania and Yugoslavia, SEC (90) 843 final, 2 May 1990.

¹⁵⁷Nuttall 1992, p. 279.

¹⁵⁸Interview with DG IA official, 12 March 1996.

Once the Commission determined progress had been made, the European Council in April 1990 agreed that G-24 aid should be extended to the five countries.¹⁵⁹ In June, however, the situation in Romania had deteriorated. The Council and Commission expressed doubts about extending aid, and the Commission did not invite Romanian representatives to a G-24 ministerial meeting in July.¹⁶⁰

On 4 July, G-24 ministers decided to extend aid to Bulgaria, Czechoslovakia, the GDR, and Yugoslavia. The G-24 determined that Romania did not qualify for assistance, but stated that aid could be extended once Romania met the five conditions.¹⁶¹ G-24 aid was not extended to that country until 30 January 1991.¹⁶²

4.3.2 PHARE

Pablo Benavidès Salas, PHARE's first director, classified the Community's initiatives to aid economic reform into three

¹⁵⁹"Presidency Conclusions: Special Meeting of the European Council, Dublin, 28 April 1990", in Annex, Agence Europe no. 5245, 30 April/1 May 1990.

¹⁶⁰Agence Europe no. 5278, 20 June 1990, and no. 5279, 21 June 1990. Just before the meeting, the Council sent the Troika of the foreign ministry directors to Romania, to gather information on the situation there. Agence Europe no. 5288, 4 July 1990.

¹⁶¹EC Office of Press and Public Affairs, Washington, D.C., "Declaration of Ministers of the 'Group of 24' Engaged in Economic Assistance to Central and East European Countries", European Community News no. 29/90, 5 July 1990.

¹⁶²EC Bulletin no. 1/2, 1991, pt. 1.3.9. In September 1991, the G-24 decided to extend aid to Albania, Estonia, Latvia and Lithuania (Preamble to Regulation no. 3800/91 in OJ L 357, 28 December 1991). Aid to Yugoslavia was suspended on 8 November 1991 (EPC Press Release P. 109/91, 8 November 1991); it was extended to Slovenia in October 1992 (European Commission, Press Release IP (93) 341, 5 May 1993), and Macedonia in July 1993 (Twenty-seventh General Report on the Activities of the European Communities 1993, p. 236).

groups. In the short run, the EC tried to manage crises, by supplying emergency food and medical aid and providing balance of payments assistance. For the medium term, it supported reforms by increasing market access and helping to restructure the agricultural, banking and financial sectors. For the long term, the Community tried to create the basis for self-sufficient development in Eastern Europe, by building infrastructure, cleaning up environmental damage, and establishing training programs.¹⁶³

Most of these initiatives have been taken within the framework of PHARE.¹⁶⁴ While the Community had prior experience in development aid programs, what was significant was that now the Community was acting - and leading - in a region from where it had previously been excluded, and for predominately political reasons. PHARE's size and importance have placed the Community - and especially the Commission - in an extraordinary position of influence. As a result, the member states have tried to set limits on PHARE and ensure that it served their own interests.

While PHARE primarily supports the transformation to market economies in Eastern Europe, its objective is, in the end, political: in doing so, it will "help to establish democratic societies based on individual rights."¹⁶⁵ PHARE

¹⁶³Pablo Benavides Salas, "Les Mécanismes Communautaires de la Coopération Est-Ouest", in Gautron, ed. 1991, pp. 338-342.

¹⁶⁴The acronym is officially French but can be translated into English (Poland/Hungary: Assistance for Restructuring Economies).

¹⁶⁵European Commission, PHARE: A Performance Review 1990-1993, April 1994, p. i.

"supports the development of a larger democratic family of nations within a prosperous and stable Europe."¹⁶⁶

The legal framework for PHARE was first set out in December 1989.¹⁶⁷ PHARE became operational at the start of 1990 for Poland and Hungary; the program was extended as the G-24 extended aid to other East European states, on the basis of conditionality. On 17 September 1990, five more beneficiaries were added: Bulgaria, Czechoslovakia, the GDR, Romania, and Yugoslavia.¹⁶⁸ The Council, however, only approved extension of PHARE aid to Romania at the end of January 1991, after the G-24 had decided that the political and economic situation in the country was satisfactory.¹⁶⁹

The Commission had originally envisioned a 1990 budget for PHARE of ECU 200m; the EP, however, requested that the amount be increased to ECU 300m. In December, the Budget

¹⁶⁶This objective is repeated at the beginning of each PHARE: Infocontract, published several times a year by DG I.

¹⁶⁷Regulation no. 3906/89, in OJ L 375, 23 December 1989. A second regulation, no. 2698/90 (OJ L 257, 21 September 1990), amends the first, and does not refer to a specific budget or time scale (as the earlier regulation did). The legal basis for PHARE is article 235 of the Rome Treaty, as it goes beyond the Community's competences.

¹⁶⁸Under Regulation 2698/90. In July 1993, Czechoslovakia was removed from the list of beneficiaries and the Czech republic and Slovakia added. Aid to Yugoslavia was suspended in November 1991. In August 1992, PHARE was extended to Slovenia. In December 1991, PHARE was extended to Albania, Estonia, Latvia and Lithuania. Third Annual Report from the Commission to the Council and the European Parliament on the Implementation of Community Assistance to the Countries of East and Central Europe (PHARE) in 1992 (hereinafter PHARE Annual Report 1992) in COM (95) 13 final, 20 February 1995. PHARE was extended to the Former Yugoslav Republic of Macedonia in October 1995 (having been blocked by Greece until then). Twenty-ninth General Report on the Activities of the European Union 1995, p. 322.

¹⁶⁹PHARE Annual Report 1991 p. 4.

Council accepted this.¹⁷⁰ With the extension of the program to other East European countries, the Commission requested and received an additional ECU 200m for 1990. Since then, PHARE's budget has doubled and it has become the largest single source of grant financing for the East European countries (see table 4.2 and appendix 2, table 1). Appendix 3 lists the distribution of PHARE funds, by country and by sector.

TABLE 4.2

PHARE Funds Committed (in million ECU)	
1990	495.2
1991	773.7
1992	1012.6
1993	1003.6
1994	963.3
Total	4248.5

Source: European Commission, PHARE 1994 Annual Report, COM (95) 366 final, 20 July 1995, p. 3.

The Commission set up a PHARE Operation Service (PHOS), within DG I, in January 1990 to run PHARE.¹⁷¹ PHOS is short-staffed, and has had to rely on personnel on short-term contracts, an indication of the Council's unwillingness to

¹⁷⁰Agence Europe no. 5099 (28 September 1989), no. 5120 (27 October 1989), no. 5131 (15 November 1989), and no. 5153 (14 December 1989).

¹⁷¹Other DGs help plan PHARE programs. The 'sectoral' DGs would prefer that DG I liaise more with them; DG I is seen as an 'island', with all of the resources and personnel, and somewhat impervious to advice and input from elsewhere in the Commission. Interview with Commission official, 24 June 1994.

budget extra funds for permanent staff.¹⁷² Staff in the Commission's delegations in the recipient countries help administer PHARE.¹⁷³

PHARE is demand-driven. The recipient countries reach agreement on annual indicative programs with the Commission; within the areas indicated, specific projects are identified by the recipient country and funded. Consultants are then hired to manage or carry out each project.

Funding decisions must be approved by a management committee, consisting of EC member states' representatives and chaired by the Commission.¹⁷⁴ The Commission proposes measures and the committee approves them by a qualified majority vote: one way in which member states have tried to limit the Commission's influence within PHARE.¹⁷⁵

¹⁷²PHOS staff grew from 24 in January 1990 to 125 at the end of 1993. PHARE Annual Report 1990, pp. 17-18; PHARE Annual Report 1993, p. 60; interviews with Commission officials, 20 and 22 June 1994. The Economist points out, however, that the Commission's personnel policy is inflexible, so that staff are not easily transferred where needed. Decentralization of project management would relieve the pressure on PHOS. "EC Aid to the East: Good Intentions, Poor Performance", 10 April 1993.

¹⁷³European Commission, What is PHARE?, May 1994, p. 15. Since 1990, Commission delegations have opened throughout Eastern Europe. There were over 100 people posted in the delegations in 1992. As Buchan points out, these delegations are seen by Euro-enthusiasts as the nucleus of an eventual EU foreign ministry. Buchan 1993, pp. 55-65.

¹⁷⁴The member states' representatives come from the permanent representations in Brussels and national expert offices in the member states. Communication with Emma Chamberlain from the PHARE Information Office, 22 February 1995.

¹⁷⁵If the committee rejects a measure, the Commission can turn to the Council for a decision. From 1990 to 1993, the committee approved all but one of the Commission's proposals, an import support guarantee program for Albania. PHARE Annual Report 1992, p. 8.

Aid is directed to several priority sectors, including privatization, humanitarian and food aid¹⁷⁶, agricultural restructuring, environment and nuclear safety, and infrastructure. Aid is given to provide essential imports of equipment and inputs¹⁷⁷, but most aid has been concentrated on providing know-how, or technical assistance, to help the recipients draft legislation, design policy, and build institutions. Under the PHARE 'umbrella', several framework programs have been established, including the Trans-European mobility scheme for university studies (Tempus)¹⁷⁸, and the Joint Venture PHARE Programme (JOPP), which helps EC firms set up joint ventures in the recipient countries.¹⁷⁹

The member states have tried to increase their control over PHARE by specifying that aid must be used for specific programs. According to a Commission official, the member

¹⁷⁶The first PHARE regulation contained no provisions for humanitarian aid, although food and medicines were donated to Poland and Romania in 1989/1990. A ceiling of 5% of the budget for such aid was then set, but a series of disasters in 1991, including the Yugoslav war, meant that sum was not enough. The 1992 ceiling was raised exceptionally to 15%, but the 1993-1997 Guidelines specify that 10% of the PHARE budget will be devoted to humanitarian aid. EC Bulletin no. 11, 1992, pt. 1.4.5 and PHARE Annual Report 1991, p. 10.

¹⁷⁷Counterpart funds have been set up, in which funds are generated from the sale of products (usually food or medicine) that are supplied by PHARE import programs and are then used to finance further projects.

¹⁷⁸Tempus (along with a vocational training foundation) was launched by the extraordinary EC summit in Paris in November 1989. It encourages cooperation between EC and East European universities on initiatives to develop curricula and teaching materials, and provides grants for exchanges of teachers, trainers, and administrators. Tempus PHARE Annual Report 1 August 1992-31 July 1993, COM (94) 142 final, 20 April 1994.

¹⁷⁹DG XVIII (Credit and Investments) manages it. Commission, PHARE Information Office, "JOPP: The Joint Venture PHARE Programme", April 1994.

states have been 'jealous' of PHARE, because its resources and importance dwarf their own aid programs, with the exception of Germany's (see appendix 2), and have thus tried to reduce PHARE's effective budget.¹⁸⁰ For example, PHARE has provided humanitarian aid for refugees in the former Yugoslavia; up to ECU .5m was even contributed to the EC's monitoring mission.¹⁸¹ PHARE funds are being used to develop the regions along the East European states' borders with the Community, an initiative backed by Germany, which was seeking help for its own similar projects. In 1994, a special budget line (ECU 150m) was created for cross-border cooperation, and PHARE's budget was correspondingly reduced.¹⁸²

PHARE has had problems. One of the immediately obvious ones was that funds had to be committed within the year.¹⁸³ As early as January 1990, the Commission urged the Council to allow "adequate multiannual budgetary provisions".¹⁸⁴ In November 1992, the Council agreed that there should be a

¹⁸⁰Interview with Commission official, 22 June 1994. An official in the PHARE Information Service noted that Spain is always ready to support measures that weaken PHARE, as PHARE is seen as a drain on resources that should be directed to the Mediterranean or Latin America. Interview took place on 23 June 1994.

¹⁸¹See PHARE Annual Report 1991, p. 10; PHARE Annual Report 1992, p. 12; PHARE Annual Report 1993, p. 54.

¹⁸²European Commission, "PHARE General Guidelines 1994-1997", 1 June 1994. The program resulted from a December 1992 Commission proposal and a 1993 EP request; a pilot PHARE program began in 1993.

¹⁸³Funds committed but not spent could be disbursed in the following year. PHARE Annual Report 1990, pp. 4-5.

¹⁸⁴SEC (90) 111 final, p. 8.

multiannual approach to programming.¹⁸⁵ In 1993, the Commission began adopting a multiannual approach in several indicative programs.¹⁸⁶

The demand-led approach has meant that sometimes resources were not efficiently used. Bulgaria and Romania in particular have often left PHARE aid unused, reflecting governmental confusion and internal conflicts over reform. Some Commission officials think conditionality should be introduced at the disbursement level: if a recipient country has not used funds by a given date, the money could be redirected to another sector or even another country.¹⁸⁷

PHARE has been criticized for not disbursing enough funds, cumbersome and slow bureaucratic procedures, centralized management, and a reliance on expensive EC consultants who did not know local conditions.¹⁸⁸ PHARE beneficiaries have called for more investment, rather than technical assistance.¹⁸⁹

In July 1993, Sir Leon Brittan, the Commissioner for External Economic Relations (1993-1994), announced that PHARE

¹⁸⁵EC Bulletin no. 11, 1992, pt. 1.4.6.

¹⁸⁶PHARE Annual Report 1993, p. 48.

¹⁸⁷Interviews with two Commission officials, 20 and 22 June 1994. In 1994, a program involving the Romanian Ministry of Health was terminated on the ground of non-performance. PHARE 1994 Annual Report, p. 27.

¹⁸⁸The criticisms have come from the recipients, observers, MEPs, and the Court of Auditors. "European Parliament Hearing on PHARE and TACIS Programmes", European Report no. 1863, 2 June 1993, and Lionel Barber, "Brussels Misjudgments Have Cost Millions, Watchdog Says", The Financial Times, 27 November 1992.

¹⁸⁹"EC Aid to the East: Good Intentions, Poor Performance", The Economist, 10 April 1993.

would be decentralized and streamlined.¹⁹⁰ The 1993-1997 PHARE guidelines state that projects would be more differentiated between the beneficiary countries. Special fast-track decision-making procedures for small projects were introduced. A decentralized implementation system has been increasingly used, whereby an agency in the recipient country is responsible for executing individual PHARE programs.¹⁹¹

PHARE has evolved since its establishment to reflect the changes in Eastern Europe and changes in the EC's priorities. Aid, for example, has been increasingly channeled to regional cooperation projects and to projects to aid democratization (see chapter 6).

The 1993-1997 guidelines state that PHARE would move from technical assistance to investment support measures in sectors such as environment, energy, job creation, research and infrastructure, although several member states were not enthusiastic about this.¹⁹² This was to reflect the progression of the economic transformation. Initially, countries need help establishing the regulatory and institutional framework for a market economy and devising a

¹⁹⁰Andrew Hill, "Brittan Admits Flaws in Aid", The Financial Times, 10 June 1993.

¹⁹¹See Commission, "PHARE General Guidelines 1993-1997", 5 July 1993, and PHARE Annual Report 1993, p. 56. The 1993 Court of Auditors report charged that PHARE procedures were too heavy, the recipient countries were not involved enough, and programs started very slowly. The Commission reacted quite angrily to the report, noting that much had been done to counter those charges. "Commission Answers Allegations over Eastern Europe/CIS Aid", European Commission Press Release Memo/94/69, 16 November 1994.

¹⁹²"'New Look' PHARE Programme Under Spotlight", European Report no. 1798, 26 September 1992.

reform program. Later, they need direct support for long-term restructuring, in the form of investment and financing.¹⁹³

At a General Affairs Council meeting in May 1993, however, the UK contested a Commission proposal to finance infrastructure projects.¹⁹⁴ At another meeting a month later, the UK, Ireland, and the Netherlands tried to limit the funds allocated for infrastructure development to 10% of the PHARE budget; the Commission and other member states pushed for a limit of 15%.¹⁹⁵ The European Council in Copenhagen, 21-22 June 1993, agreed on 15%, to be used to facilitate infrastructure improvements in recipient countries.¹⁹⁶

In July 1994, the Commission suggested that the limit on infrastructure spending be lifted.¹⁹⁷ Some member states were concerned that this confused the roles of PHARE and the EBRD.¹⁹⁸ The European Council in Essen, 9-10 December 1994, though, did raise the limit: 25% of PHARE financing could be used to help develop infrastructure, including building links

¹⁹³PHARE Annual Report 1993, p. 47, and PHARE: A Performance Review 1990-1993, pp. 2-4.

¹⁹⁴Agence Europe no. 5978, 12 May 1993.

¹⁹⁵"Copenhagen Summit Set to Endorse Substantial Package on East", European Report no. 1866, 12 June 1993.

¹⁹⁶Conclusions of the Presidency, European Council in Copenhagen, 21-22 June 1993, SN 180/93, Annex II, paragraph iii.

¹⁹⁷Communication from the Commission to the Council: Follow up to Commission Communication on "The Europe Agreements and Beyond: A Strategy to Prepare the Countries of Central and Eastern Europe for Accession", COM (94) 361 final, 27 July 1994, p. 16.

¹⁹⁸Agence Europe no. 6346, 28 October 1994.

with the EU's trans-European networks.¹⁹⁹

The Copenhagen European Council agreed that the East European associates could join the EU once certain conditions were met; the Essen European Council launched a pre-accession strategy (see chapter 5). PHARE would help the associates meet the conditions and prepare them for eventual accession, by helping them to approximate their legislation to that of the Community, for example.²⁰⁰ To enable PHARE to carry out these new tasks, the Commission suggested in July 1994 that ECU 7.072b be allocated to PHARE for 1995-1999.²⁰¹ But some southern member states were concerned that aid to Eastern Europe was draining resources from Mediterranean countries.²⁰² The European Council in Essen could only agree that the 1995 PHARE budget (ECU 1.1b) would be the minimum budget for each year until 1999 (ECU 5.5b for 1995-1999).²⁰³ At Cannes in June 1996, however, the European Council agreed to provide ECU 6.693b for PHARE for 1995-1999. The amount allocated would increase yearly, to ECU 1.634b in 1999.²⁰⁴

4.3.3 The Community's Aid Measures: Loans

In addition to PHARE, the Community has extended loans to the East European countries. In September 1989, the Commission

¹⁹⁹Presidency Conclusions, European Council Meeting on 9 and 10 December 1994 in Essen, SN 300/94, Annex IV, part XI.

²⁰⁰PHARE Annual Report 1993, pp. 46-47.

²⁰¹COM (94) 361 final, Annex IV.

²⁰²"Essence of Essen", The Economist, 3 December 1994.

²⁰³Presidency Conclusions, SN 300/94, Annex IV, part XI.

²⁰⁴Presidency Conclusions, European Council - Cannes, 26-27 June 1995, SN 211/95, Part B, p. 39.

proposed making Poland and Hungary eligible for EIB loans.²⁰⁵ In a change from the reluctance of EC member states to contemplate EIB loans to Poland the preceding summer, the finance ministers approved the proposal on 9 October 1989. On 29 November, the EIB's Board of Governors authorized loans of up to ECU 1b to Poland and Hungary.²⁰⁶ EIB loans have since been extended to other East European countries, as they implemented reforms (see table 4.3).²⁰⁷ On 13 December 1993, the Council decided that the EIB could lend up to ECU 3b for

TABLE 4.3

EIB Lending to Eastern Europe 1990-May 1995 (in million ECU)	
Poland	886
Hungary	537
Czech Republic	477
Romania	290
Bulgaria	226
Slovakia	203
Slovenia	88
Estonia	47
Lithuania	15
Albania	10
Latvia	5
Total:	2784

Source: European Commission, info Phare, no. 8, July 1995, p. 11.

²⁰⁵COM (89) 470 final, p. 4.

²⁰⁶EIB Information no. 62, December 1989, p. 3. Yugoslavia and the GDR were already eligible for loans, Yugoslavia under the terms of its 1980 trade and cooperation agreement, and the GDR because it would soon be unified with the rest of Germany.

²⁰⁷Spain has repeatedly objected to EIB loans to Eastern Europe because Latin America was not eligible for EIB loans. See, for example, Agence Europe no. 5418, 26 January 1991.

1994-1996 to 10 East European countries.²⁰⁸ The loans help renew and develop basic infrastructure, contribute to energy, telecommunications, and environment projects, and support small- and medium-sized enterprises.

On 7 May 1990, the Council agreed to a Commission proposal to extend ECSC loans of up to ECU 200m to Poland and Hungary. The funds could be used to improve the environment and work safety record of coal mines and to increase steel consumption, but not production (given the "sensitivity" of steel imports in the Community).²⁰⁹ In November 1991, the Council approved a Commission proposal to extend ECSC loans to Czechoslovakia, Bulgaria, and Romania.²¹⁰ In addition, in March 1994, the Council decided that Euratom could lend up to ECU 1.115b to East European countries (and Russia and Ukraine as well), to help improve nuclear safety.²¹¹

The EC has also granted medium-term loans for macro-economic stabilization for the reforming East European states, basically to cover balance of payments deficits (see table 4.4). The first loan, ECU 870m for Hungary (agreed by the

²⁰⁸EC Bulletin no. 12, December 1993, pt. 1.7.46. Since July 1993, the EIB can also lend up to ECU 150m to Slovenia. See info Phare no. 8, July 1995, p. 11.

²⁰⁹Agence Europe no. 5256, 17 May 1990. The Commission had first proposed this in November 1989. Agence Europe no. 5139, 25 November 1989.

²¹⁰EC Bulletin no. 11, 1991, pt. 1.3.12. The first loan was not granted until September 1994, because of a lack of appropriate projects. It helped to modernize a steel works in Poland. Agence Europe no. 6309, 7 September 1994.

²¹¹Agence Europe no. 6197, 24 March 1994. One of the first proposed loans, to help complete the Mochovce nuclear power station in Slovakia, generated enormous controversy and had to be shelved. Agence Europe, 6 April 1995.

Council in February 1990), was the first time the Community had approved a macro-financial operation for a third country.²¹² Since then, loans have been extended to several other East European countries. They all fall within the context of the G-24 program, and the other G-24 donors are

TABLE 4.4

EC Macro-financial Assistance to East European Countries 1990-1994 (in million ECU) (date on which maximum amount was authorized is in parenthesis)	
Hungary	870 (1990)
CSFR	375 (1991)
Hungary	180 (1991)
Bulgaria	290 (1991)
Romania	375 (1991)
Albania	70 (1992)
Estonia	40 (1992)
Latvia	80 (1992)
Lithuania	100 (1992)
Romania	80 (1992)
Bulgaria ²¹³	110 (1992/1994)
Romania	125 (1994)
Albania	35 (1994)
Slovakia	130 (1994)
Total	2860

Source: European Commission, "Report on the Implementation of Macro-Financial Assistance to Third Countries in 1994", European Economy, no. 2, 1995.

²¹²See European Commission, "Report on the Implementation of Macro-Financial Assistance to Third Countries in 1994", European Economy, no. 2, 1995. The EC has since also extended such assistance to Israel, Algeria, Moldova, and Ukraine. One of the G-24's first actions, in December 1989, was the establishment of a \$1b stabilization fund for the Polish currency. Five member states contributed over half of the amount, but the Community itself did not participate. Agence Europe no. 5153, 14 December 1989.

²¹³The loan to Bulgaria was approved in October 1992, but was not released until May 1994 because of the slow progress of reform there. Agence Europe no. 6232, 18 May 1994.

supposed to contribute to them, but they have provided less than half of the loan amounts for Bulgaria, Romania, Albania, and Slovakia.²¹⁴ EU assistance was to be discontinued when the recipient could fully rely on financing from international financial institutions and private capital.²¹⁵ Disbursement of the loans depended on IMF approval of the recipient's structural reforms and fulfillment of economic criteria set by the Commission.

In providing macro-financial assistance, the Commission has extended its competence. It has been too successful for some member states, who have complained that the EC is doing the work of the IMF and World Bank.²¹⁶ Economic and finance ministers began to ask whether it was more appropriate for the international financial institutions to provide funds for balance of payments support.²¹⁷ The EU, however, has continued to provide such assistance.

Member states have resolutely retained competence in the area of export credits. As discussed in chapter 3 and section 4.1, the Commission has repeatedly proposed setting up Community export credit instruments. In July 1994, the Commission proposed a directive establishing common principles

²¹⁴"Report on Macro-Financial Assistance in 1994", p. 305. See also Commission, Report on the Implementation of Medium-Term Financial Assistance to the Balances of Payments of Central and Eastern European Countries, COM (92) 400 final, 16 September 1992.

²¹⁵The IMF and World Bank have been lending much more to the East European countries: the EU's share in total macro-financial relief declined from 54% in 1990 to 17% in 1994. "Report on Macro-Financial Assistance in 1994", pp. 5-7.

²¹⁶Interview with Commission official, 22 June 1994.

²¹⁷Agence Europe no. 6205, 7 April 1994.

for credit guarantees to promote national exports.²¹⁸ Even though the proposal was very modest, it sparked opposition.²¹⁹ Export credits are a major part of the member states' assistance to Eastern Europe (see appendix 2).

4.3.4 The Community's Role in Establishing the EBRD

The EBRD has often been touted as an EC project: "The creation of the EBRD is the Community's main multilateral initiative for Central and Eastern Europe."²²⁰ The reality is a bit different, although the Community - a multilateral organization - did play a major role in setting up another multilateral organization. The initiative forms part of the effort to promote private investment in Eastern Europe.

French President Mitterrand launched the idea of creating a development bank for Europe in October 1989, without consulting his EC partners beforehand.²²¹ Many have claimed intellectual ownership of the EBRD idea, and a number of

²¹⁸Agence Europe, no. 6273, 14 July 1994. The proposal was based on two reports issued by a group of experts in March 1992 and June 1993. In May 1991, the expert group had been instructed by the Policy Coordination for Credits, Insurance, Credit Guarantees and Financial Credits (a group which the Council had established back in 1960) to study ways of harmonizing export credit insurance. The member states had evidently overcome some but not all of their reluctance to consider EC measures because the differences between national systems threatened to distort competition and the single European market. Agence Europe no. 6310, 8 September 1994.

²¹⁹Agence Europe no. 6348, 31 October/1 November 1994.

²²⁰Commission of the European Communities, The European Community and its Eastern Neighbours (Luxembourg: OOEPC, 1990), p. 18.

²²¹"Statement concerning the European Council to the EP", 25 October 1989, Document no. 89/245, EPC Documentation Bulletin, vol. 5, no. 2, 1989.

related proposals were made public before Mitterrand's speech.²²² Nonetheless, France held the EC presidency, and so was in a prime position to propel the idea forward. In fact, France's possessive hold on the project sparked opposition from other member states.

Not all of the member states were as enthusiastic; for example, Italy, the Netherlands, the UK, and West Germany did not see the need to create a new institution.²²³ The EIB could just as well lend to investment projects in Eastern Europe.²²⁴ Mitterrand, however, dismissed these objections. The EIB should stick to financing projects primarily within the Community.²²⁵ There were several reasons for this position. The Soviet Union was not a member of the IMF or World Bank, and many states felt Soviet financial needs far outstripped available resources and would detract from aid to Eastern Europe. The EBRD would be a way to help Eastern Europe and Gorbachev's Soviet Union. Perhaps more importantly, France wanted to lead a high-profile initiative, and therefore counter West Germany's influence in the region.

There were other advantages to the EBRD as opposed to the

²²²Among those who also suggested a similar idea are Alfred Herrhausen, the late president of Deutsche Bank, and Giscard d'Estaing. Paul Menkveld, Origin and Role of the European Bank for Reconstruction and Development (London: Graham and Trotman, 1991), pp. 25-26, and Agence Europe no. 5105, 6 October 1989.

²²³Menkveld 1991, p. 32. See also Thatcher 1993, p. 759.

²²⁴And, as seen above, the member states had agreed that the EIB could lend to Poland and Hungary in October 1989.

²²⁵Agence Europe no. 5138, 24 November 1989. The EIB lends far more to member states than to non-members: in 1988-1989, the EIB lent ECU 1.3b outside the EC and ECU 21.1b inside. Menkveld 1991, p. 32.

EIB. The EBRD could lend more because more states would provide more capital. The EIB would be able to continue lending to the ACP states without sparking fears that its funds would be diverted to Eastern Europe.²²⁶

France put the EBRD proposal on the agenda for the informal European Council summit in Paris in November 1989, where the 12 leaders asked the Commission and Troika to study it.²²⁷ On 29 November, senior officials from the member states and Commission agreed that the Community plus the twelve member states would hold the majority of share, but other states would join too. West Germany successfully pushed for participation to be open to the US, although France had originally wanted to limit membership to European states.²²⁸ The Strasbourg European Council in December 1989 then called for negotiations to begin in January 1990.²²⁹

France convened the constitutive conference. On 15 and 16 January, the first meeting was held in Paris (not in Dublin, even though Ireland was EC president) and was chaired by Jacques Attali, an advisor to Mitterrand. Those attending were all the G-24 countries, 7 East European states and the Soviet Union, Cyprus and Malta.²³⁰ France had drafted a

²²⁶Menkveld 1991, p. 46.

²²⁷"Statement Concerning the Events in Central and Eastern Europe", Document no. 89/301, EPC Documentation Bulletin, vol. 5, no. 2, 1989.

²²⁸Agence Europe no. 5143, 1 December 1989.

²²⁹EC Bulletin no. 12, 1989, pt. 1.1.14.

²³⁰Several other states joined later, including South Korea, Israel, Egypt and Mexico. Menkveld 1991, pp. 49-50. The EBRD, however, only lends to eligible countries in Eastern Europe and the former Soviet Union.

statute (which was based on the Community's proposals) and circulated it to non-EC members before an EC position had been reached. Arguably it seemed more a French than an EC project, and several member states accordingly objected.²³¹

Throughout the negotiations, frequently no agreement could be reached to present a common EC position. Some member states, including Italy and the smaller states, pushed for a common EC stand; others, including the UK, felt the G-24 should coordinate their position.²³² The most controversial decisions were those on the location of the headquarters and the appointment of the president. The G-7 apparently decided among themselves that the headquarters would be in London and the president would be Attali (the large member states thus winning the two biggest prizes).²³³ France, as conference president, then put the matter to a vote among the 42 founding EBRD members, instead of trying to define a Community position first.²³⁴ On 19 May, the founding members chose London and Attali. The Netherlands and Belgium protested the apparent emergence of a "directorate" of the major powers.²³⁵ At the signing of the EBRD agreements on 29 May, the Benelux countries objected to the fact "that certain decisions on fundamental questions were taken or strongly influenced through the use of arbitration in non-Community fora, and

²³¹Agence Europe no. 5170, 12 January 1990.

²³²Agence Europe no. 5181, 27 January 1990.

²³³Agence Europe no. 5257, 18 May 1990.

²³⁴Agence Europe no. 5258, 19 May 1990.

²³⁵Agence Europe no. 5260, 23 May 1990. The Commission and EIB representatives abstained from the vote.

without taking account of Community procedures...."²³⁶

The member states also disagreed over the extent of the EC's participation as a shareholder. Most member states favored an EC share equal to that of the larger states; the UK, West Germany and the Netherlands did not.²³⁷ In the end, the Community and the member states together were the main shareholders, with 51% of the capital of ECU 10b: the Commission and the EIB had 3% each; the four large member states 8.5% each.²³⁸

In July 1994, the Commission suggested that all EU directors in the EBRD uphold a previously agreed common position.²³⁹ The proposal has not been approved, an indication of the limits placed by the member states on common EU action and their attempts to retain some freedom of maneuver in relations with Eastern Europe.

²³⁶Agence Europe no. 526, 1 June 1990. Attali's resignation on 25 June 1993, over revelations of financial impropriety, set off another round of electioneering among the member states. The smaller states nominated former Danish finance minister Henning Christophersen. "After Attali", The Economist, 3 July 1993. France, however, successfully pushed for the job to remain in French hands, and Jacques de Larosière, head of the central bank, was elected president. "Now the Deluge", The Economist, 24 July 1993.

²³⁷Agence Europe no. 5186, 3 February 1990.

²³⁸The US had 10%, Japan 8.5%, and the Soviet Union 6%. The EIB's participation was controversial: in March 1990, the US, Japan and EFTAn members opposed full membership for the EIB, since it was not a state. Agence Europe no. 5212, 12/13 March 1990. United Germany retained the same share as West Germany. With the breakup of the Czechoslovak, Yugoslav, Soviet federations, the EBRD's membership grew to include all the resulting republics (except Serbia and Montenegro). See EBRD, Annual Report 1992, pp. 2-3. In April 1996, EBRD finance ministers agreed to double the bank's capital to ECU 20b, from 1998.

²³⁹COM (94) 361 final, p. 17.

The EBRD is the first multilateral organization obliged to link loans to political conditionality.²⁴⁰ Only countries that are committed to and applying the principles of multiparty democracy, pluralism, and market economics are eligible for loans. To determine whether reforms are being effected, the EBRD will assess progress towards free elections, representative government, separation between state and political parties, an independent judiciary, free speech, and equal protection under the law for minorities.²⁴¹ The EBRD's loans mostly finance private sector investment (while other regional banks lend mostly to the state sector).

CONCLUSION

To a remarkable degree, the member states have agreed on a common, consistent policy towards Eastern Europe. They made compromises in the name of a Community endeavor; they allowed the EC to extend its competence to areas (cooperation agreements; loans; aid) where its role had previously been limited or non-existent; they allowed the Community, and Commission, to take the lead in relations with Eastern Europe; and they used conditionality in an attempt to encourage and support the reform process.

The principles (specificity, conditionality) and basic objectives (support for economic and political reform) of the

²⁴⁰Menkveld 1991, p. 52 and Peter Urin, "'Do As I Say, Not As I Do': The Limits of Political Conditionality", in Georg Sorensen, Political Conditionality (London: Frank Cass, 1993), p. 67.

²⁴¹Political Aspects of the Mandate of the European Bank for Reconstruction and Development, EBRD publication (no date). The principle that loan recipients must be implementing reforms was pushed by the US and Japan. Menkveld 1991, pp. 52-53.

Community's policy had already been made fairly clear before the revolutions swept through Eastern Europe. But while the trade and cooperation agreements may have been appropriate instruments in a "pre-revolutionary" era, they were clearly inadequate in late 1989. The Community tried to rise to the occasion, rapidly setting up aid programs and other initiatives, and eliminating many trade barriers.

The member states realized that they could not possibly face the challenge posed by the collapse of communism separately. The most appropriate policy instruments with which they could respond to the events in Eastern Europe were either under the Community's jurisdiction (trade) or more efficiently and effectively wielded by it (a large aid program). In a confusing, fast-moving period, the member states allowed the Commission to lead, although they subsequently tried to rein it in.

Externalization seems to fit here. The Community was the entity to which the reforming East European states turned for assistance, and to a great extent, the Community responded collectively to the East European requests. But there is also a case for the self-styled logic: by applying conditionality, the Community was using its instruments to encourage the East European countries to undertake reforms.

As the revolutionary dust settled in Eastern Europe, however, the Community was forced to rethink its policy: the myriad initiatives launched in late 1989 were still not going to be enough. Europe had changed fundamentally, and its institutional architecture would have to adapt. Enlargement of the Community became a key issue.

CHAPTER 5

THE COMMUNITY'S POLICY: ASSOCIATION AND INTEGRATION

It rapidly became apparent that the policy instruments discussed in chapter 4 - the trade arrangements and the aid program - would be insufficient for reaching the Community's objectives in Eastern Europe. The East European countries were demanding closer relations and most of all, eventual Community membership. Many in Western and Eastern Europe argued that the reform efforts would continue, even as they caused hardship, only if the Community promised that the East European states could eventually become members and established closer, more formal ties with them. The Community thus had to decide to tighten its links with countries whose democratic and capitalist credentials were still uncertain, yet the success of the reforms was perceived to depend on such a decision.

Within the Community, there was a consensus in favor of concluding association agreements with the reforming East European states. But a debate revolved around whether, and when, the East European states should join the EU. As the East Europeans' primary objective was Community membership, the member states had to devise a collective response, in what could almost be a textbook case of externalization. In June 1993, the member states agreed that the East European associates could join. Yet here too, the self-styled logic seems to fit: the EU stipulated membership conditions and then set up an innovative and extensive 'structured relationship' to integrate gradually the associates into the EU.

The first section of this chapter will discuss the incorporation of East Germany into the Community. East European demands for Community membership had particular resonance because East Germany had been swept quickly into the Community as part of unified Germany: why then couldn't the other East European countries join the Community? Section 5.2 will introduce the widening vs. deepening debate, which was initially resolved by deciding to conclude association agreements with the East European countries. In section 5.3, the negotiations with the East European states on association agreements will be discussed. The agreements did not fully answer East European demands for better market access and a clear perspective on enlargement; in section 5.4, the Community's debate over how to answer those demands will be covered. Section 5.5 will discuss the pre-accession strategy to prepare the associates for EU membership.

5.1 EAST GERMANY'S INCORPORATION INTO THE EC

The Community had little or no influence over the process of German unification. The external dimension of German unity was handled in the 2+4 framework, consisting of the four World War II allies and the two Germanies. EPC was not involved at all. It was in the 2+4 forum that crucial Soviet acceptance of German unification and German membership of NATO was obtained.¹ But early on, the Community accepted the prospect

¹Barbara Lippert and Rosalind Stevens-Ströhm, German Unification and EC Integration: German and British Perspectives (London: Pinter, 1993), pp. 17-24. The Treaty on the Final Settlement with respect to Germany was signed in Moscow on 12 September 1990 by both Germanies, the Soviet Union, the US, France and the UK. It came into force on 15 March 1991.

of German unification, thus sending an important signal that the GDR would be welcome in the Community.

The full story of German unification has been covered elsewhere; the process will only be briefly reviewed here. Section 5.1.1 will discuss the Community's policy towards East Germany and section 5.1.2 will review the GDR's incorporation into the EC. This had a significant impact on the Community's relations with the other East European states.

5.1.1 Community Policy Towards The GDR

The GDR had always been a "special case" in the Community's relations with third states. Of the CMEA states, it had been one of the most antagonistic towards the Community, yet its goods could be exported to West Germany without being subject to EC customs regulations. But in June 1988 (when the EC-CMEA agreement was signed), the GDR expressed interest in reaching a trade agreement with the Community that would not interfere with the protocol on inter-German trade.² By the time the Berlin Wall fell on 9 November 1989, the Commission had not even asked for a negotiating mandate.

Immediately after the Wall fell, the Community concentrated on concluding an agreement with the GDR and extending PHARE aid, just as it was doing with the other East European states. On 17 November, the GDR requested that negotiations begin on a trade and cooperation agreement; on 21 December, the Council gave the Commission a mandate to

²See Agence Europe no. 4814, 30 June 1988.

negotiate an agreement.³ It was similar to the other East European agreements: a ten-year agreement providing for the lifting of all quantitative restrictions by 1995 and cooperation in several areas. Negotiations went quickly: the agreement was initialled on 13 March 1990.⁴ The Council concluded it on 8 May, but it never entered into effect because in the meantime, Germany was unified.

In July 1990, the G-24 voted to extend aid to the GDR, and in September, PHARE aid was also extended. Upon unification, the former GDR became ineligible for PHARE and G-24 assistance.⁵

5.1.2 Widening The Community

The fall of the Berlin Wall posed a particular challenge because it immediately raised the question of German unification and therefore the inclusion of the East German länder in the Community. After long proclaiming its desire to overcome the division of Europe, the Community could hardly oppose unification. Several member states, however, were less than enthusiastic about the prospect. But the Commission very early on realized unification was likely, and acted to control the implications for the Community.

Less than a month before the Wall came down, Delors had argued that the right of self-determination applied to

³Agence Europe no. 5134, 18 November 1989 and EC Bulletin no. 12, 1989, pt. 2.2.32.

⁴Agence Europe no. 5213, 14 March 1990.

⁵Regulation 3800/91 (OJ L 357, 28 December 1991) takes the GDR off the list of PHARE beneficiaries. The eastern länder became eligible for structural funds: an extra ECU 3b in structural funds was set aside for the former GDR between 1991 and 1993.

everyone. The 'German question' could be resolved by strengthening the federalist features of the Community.⁶ In late 1989 and early 1990, the Commission's stance on unification remained constant, while several member states vacillated.⁷

The Commission reacted quite quickly to the fall of the Berlin Wall. After a special meeting on 10 and 11 November, it acknowledged that the GDR was a special case and that there were essentially two prospects: either the GDR would join the EC as the 13th member state, or it would join as part of the Federal Republic.⁸ This differed from the position of some member states; at that time, Thatcher was only envisaging an association agreement with the GDR.⁹ France was also initially uncertain about the prospect of unification.¹⁰ The EP preferred accession of the GDR in its own right, because of

⁶"Address by Mr Jacques Delors at the College of Europe in Bruges" in EC Bulletin no. 10, 1989, pt. 3.2.1.

⁷At Delors' last European Council, in December 1994 in Essen, Kohl praised him for being "the man who said yes to German unity without hesitation." Andrew Marshall, "EU Closer to Letting in Central Europeans", The Independent, 12 December 1994. On the Kohl-Delors friendship, see Grant 1994, pp. 139-142.

⁸Agence Europe no. 5131, 15 November 1989.

⁹Thatcher in fact sought to slow down German unification through 1990 (particularly since it was soon coupled with deeper European integration), but could not convince the US or France to support her. Thatcher 1993, pp. 792-799 and pp. 813-815.

¹⁰And Franco-German relations were rocky until January 1990, when Kohl took a stand on the Polish border issue (the Oder-Neisse line) and called for close Franco-German cooperation to push for deeper European integration. Lippert and Stevens-Ströhmman 1993, pp. 16-17.

the implications for representation.¹¹

The extraordinary European Council summit on 18 November 1989 did not discuss German unification. Kohl apparently reassured the other leaders that West Germany was not being distracted by events in the east from its commitment to West European integration.¹² But Kohl then appeared inclined to act unilaterally: on 28 November, he announced a 10-point plan, without consulting any of his neighbors or EC partners first, which envisioned a confederation of the two Germanies in the medium term.¹³

Kohl's move dismayed many, but particularly France, Germany's supposedly closest partner. France, however, took advantage of the row to push Germany into agreeing to convene an intergovernmental conference (IGC) on Economic and Monetary Union (EMU), one of France's goals for its EC Presidency. At the Strasbourg European Council on 8 and 9 December, Germany agreed that the IGC would begin in December 1990, in exchange for France's agreement on the principle of German unification.¹⁴ The European Council then accepted the

¹¹If the balance among the member states within the institutions remained the same, the extra 16 million citizens from the GDR would not be represented. Lippert and Stevens-Ströhmman 1993, p. 14.

¹²Ian Davidson, Robert Mauthner and David Buchan, "EC Heads Pledge Economic Help for Eastern Europe", The Financial Times, 20 November 1989.

¹³"A Ten-Point Program for Overcoming the Division of Germany and Europe", reprinted in Harold James and Marla Stone, eds., When the Wall Came Down: Reactions to German Unification (London: Routledge, 1992), pp. 33-41.

¹⁴David Spence, Enlargement Without Accession: The EC's Response to German Unification, RIIA Discussion Paper no. 36 (London: Royal Institute of International Affairs, 1991), p. 8, and "Deeper, still, and deeper", The Economist, 16 December

prospect of German unification, under certain conditions, indicating implicitly that the GDR could be integrated into the Community. It declared:

We seek the strengthening of the state of peace in Europe in which the German people will regain its unity through free self-determination. This process should take place peacefully and democratically, in full respect of the relevant agreements and treaties and of all the principles defined by the Helsinki Final Act, in a context of dialogue and East/West cooperation. It also has to be placed in the perspective of European integration.¹⁵

Explicit acceptance of the GDR's incorporation into the Community still took some time. In January 1990, Delors stated that "there is a place for East Germany in the Community should it so wish", provided the conditions set in the Strasbourg European Council's declaration were met.¹⁶ But at an informal foreign ministers meeting on 20 January 1990, some member states, including the Netherlands and Belgium, felt that the GDR should be treated like the other East European states. Even if the GDR's particularity was acknowledged, there was a general reluctance to contemplate German unification in the short run.¹⁷ Events, however, conspired otherwise.

An alliance advocating rapid unification won the East German elections on 18 March 1990. Both German governments

1989.

¹⁵"Statement Concerning Central and Eastern Europe", Document no. 89/314, EPC Documentation Bulletin, vol. 5, no. 2, 1989.

¹⁶Address to the EP by Delors, in EC Bulletin Supplement 1/90.

¹⁷Even Genscher argued that if the GDR asked to join the Community, then the EC should examine the request before 1993. Agence Europe no. 5177, 22/23 January 1990.

then agreed to achieve German economic and monetary union on 1 July 1990, without consulting the Community first.¹⁸ Kohl then met with the Commission on 23 March to discuss the implications of unification for the EC and agreed to liaise with it on the unification negotiations.¹⁹

The increasingly dominant view in the Community favored integrating East Germany via unification with West Germany. In March, French Foreign Minister Roland Dumas noted that it would be easier to integrate East Germany in that way than to allow it to join as the 13th member state.²⁰ "It was politically more expedient to treat German unification not as an accession, but as an expansion of the territory of an existing member state."²¹

The Commission's report on the effects of German unification on the Community, presented on 18 April, reflected this.²² It would not be necessary to revise the EC treaties or to conduct formal membership negotiations under article 237 of the Rome Treaty if East and West Germany were to unite. The Commission foresaw a three-stage process of integrating

¹⁸Lippert and Stevens-Ströhmman 1993, pp. 24-25.

¹⁹Agence Europe no. 5214, 15 March 1990 and no. 5221, 24 March 1990. In February 1990, the Commission had formed several special working groups to study the implications of German unification and make arrangements for the GDR's "accession". Lippert and Stevens-Ströhmman 1993, p. 26.

²⁰Françoise de La Serre and Christian Lequesne, "France and the European Union", in Cafruny and Rosenthal, eds. 1993, p. 146.

²¹Spence 1991, p. 9.

²²"The Community and German Unification" in "The European Community and Germany Unification", EC Bulletin Supplement 4/90.

East Germany into the Community, beginning with German economic and monetary union on 1 July 1990²³ and ending with the full application of all EC laws on the former GDR territory. In the transition period, the East German länder would enjoy a derogation from certain EC laws until the end of 1992 (and the entry into force of the single European market). The Commission fudged on the issue of how much unification would cost the EC.

The report was adopted by the extraordinary European Council in Dublin on 28 April 1990, called specifically to discuss German unification and relations with Eastern Europe. The Community thus accepted that no changes would be made to the EC treaties to incorporate the former GDR.²⁴

The two Germanies held negotiations on the unification treaty from 6 July to 31 August 1990. The head of the Commission's special task force on unification took part in

²³On 1 July 1990, the GDR adopted the CCP, including the Commons Customs Tariff. Goods imported into the GDR became subject to the same rules as those imported into the FRG. GDR products could circulate within the Community if they complied with EC rules. The EIB, ECSC and Euratom could extend loans to East Germany, according to the same eligibility criteria applied to other member states. Commission of the European Communities, London Office, "Background Report: The European Community and German Unification", 2 October 1990, and Agence Europe no. 5287, 2/3 July 1990 and no. 5288, 4 July 1990.

²⁴The summit also discussed a possible intergovernmental conference on political union. "Statement Concerning the Dublin European Council Meeting of 28 and 29 April 1990", Document no. 90/195, EPC Documentation Bulletin, vol 6, 1990. The EP agreed with the report, although this meant it relinquished its power of assent on membership applications; instead, the cooperation procedure was used to approve the transitional measures. Benno Teschke, "The Incorporation of the Five New Länder into the European Community: Political, Legal and Economic Aspects", European Access, no. 2, April 1992, p. 8.

the talks.²⁵ Since the 2+4 talks were to end on 12 September, Bonn decided to accelerate unification, bringing the date forward from 1 January 1991 to 3 October 1990. As a result, the EC's legislative process had to be speeded up. On 6 September, the trio of EC presidents - EP President Enrique Baron Crespo, Delors, and Italian Foreign Minister and Council President Gianni De Michelis - set the timetable to push through several extraordinary provisional measures. By 17 September, the special measures were approved by both the EP and Council.²⁶ The final legislative package for integrating the GDR into the Community was adopted on 4 December and entered into force on 1 January 1991.²⁷

German unification had an important implication for the Community's policy towards Eastern Europe: it represented the logical end-point of the attempts to encourage reform in Eastern Europe - enlargement of the Community. Timothy Garton Ash asked the obvious question: "if East Germany can join, why, in logic or justice, should not Czechoslovakia?"²⁸ The

²⁵Lippert and Stevens-Ströhmman 1993, p. 25.

²⁶Spence 1991, pp. 23-24. The cooperative nature of Commission-EP relations helped to smooth approval of the legal provisions. Lippert and Stevens-Ströhmman 1993, pp. 28-30.

²⁷Teschke 1992, pp. 8-9. Germany had agreed that the balance among the member states in the institutions would remain the same. The EP, however, felt that in the name of democracy, the 16 million additional citizens had to be represented in the EP. In July 1990, it decided that the population of the soon-to-be former GDR would be represented by 18 non-voting observers (Lippert and Stevens-Ströhmman 1993, pp. 33-36). No final decision on EP representation could be reached until the December 1992 European Council. In the June 1994 EP elections, the UK, France and Italy each elected 87 MEPs, Germany 99.

²⁸Timothy Garton Ash, "Poor but Clubbable", The Independent, 19 January 1990.

former East Germany fulfilled an aspiration repeatedly expressed by the other East European states, Community membership, and moreover, did so quickly. "This was a fascinating example of the Community's ability to act effectively and rapidly, provided that the political will to do so exists."²⁹ In this case, the political will arose to prevent German unification from wrecking the Community and the Western security order: the will existed "to provide a framework of increased European integration that would ensure limits to Germany's power".³⁰ But because the event was so exceptional, it was questionable whether the political will would be found to integrate the other East European states. A debate over "widening versus deepening" has since dominated the formulation of policy towards Eastern Europe.

5.2 WIDENING VS. DEEPENING: ROUND ONE

Article 237 of the Rome Treaty states that any European state may apply to become a member of the Community. During the Cold War, eligibility was not such a troublesome issue: "As long as the Soviet Union drew the line between Eastern and Western Europe, the question of Europe's institutional limits was containable."³¹ Where the Community's boundaries should lie in the post-Cold War era has been much more difficult to establish.

²⁹Spence 1991, p. 1.

³⁰Spence 1991, p. 1.

³¹William Wallace, "From Twelve to Twenty-Four? The Challenges to the EC Posed by the Revolutions in Eastern Europe", in Colin Crouch and David Marquand, eds., Towards Greater Europe? A Continent Without an Iron Curtain (Oxford: Blackwell, 1992), p. 40.

Soon after they came into power, the new leaders of most of the East European states declared that their number one foreign policy priority was to "rejoin Europe", and membership in the Community was the most sought-after prize. In May 1990, Czechoslovak Prime Minister Marian Calfa said he hoped that his country would be a full EC member by 2000.³² Two months later, Hungary's prime minister, Jozsef Antall, announced that his country wanted to join by 1995.³³

The East European countries argued that they should be allowed to join the European integration process from which they had been forcefully excluded.³⁴ Community membership had helped to consolidate democracy in Greece, Spain, and Portugal, so it could be expected to do the same in Eastern Europe. The prospect of membership would help alleviate 'internal' security threats - particularly the social pressures stemming from the costs of the economic transition. Jiri Dienstbier, then Czechoslovak foreign minister, asserted that "association with and eventual full membership in the EC of Czechoslovakia, Hungary, and Poland is a basic precondition for stability and security in Central Europe."³⁵

In the near future, however, Community membership for the

³²David Usborne, "EC Takes Steps to a New Europe", The Independent, 8 May 1990. He had just signed a trade and cooperation agreement with the Community.

³³John Palmer, "Hungarians Join The Growing Queue for EC Membership", The Guardian, 18 July 1990.

³⁴See Tibor Palankai, The European Community and Central European Integration: The Hungarian Case, Occasional Paper Series no. 21 (New York: Institute for East-West Security Studies, 1991), pp. 19-20.

³⁵Jiri Dienstbier, "Central Europe's Security", Foreign Policy, no. 83, Summer 1991, p. 127.

East European states could not possibly be an option. Even the three fastest reformers, Czechoslovakia, Hungary and Poland, would encounter enormous problems. Their economies were too weak to be able to compete within the EC. In eastern Germany, economic activity had virtually collapsed after unification. "The process of German reunification provides considerable evidence that in their own interests, East European States require a long transitional period before acceding to the EC."³⁶

The former GDR, however, benefitted from substantial help from western Germany; such resources were not available for the other East European states. In January 1990, Delors pointed out that if the East European states were eligible for EC structural funds, they would receive ECU 14b a year, plus ECU 5b in EIB loans. This indicated not only the scale of assistance needed by the East European states (compare this to the 1990 PHARE budget of ECU 500m) but also the impracticality of enlargement before their economies were in better shape.³⁷

Further enlargement raised much more serious difficulties than past enlargements. The queue of applicants was growing, such that the Community could easily double its membership. The Community's institutions and decision-making procedures would have to be reformed; the CAP and structural funds would need to be rehailed if poorer states were to join. Otherwise, the Community risked ineffectiveness, decreasing legitimacy, and possible irrelevancy.

³⁶Teschke 1992, p. 10.

³⁷Presentation of the Commission's 1990 program, in EC Bulletin Supplement 1/90, pp. 6-8.

But within the Community, these virtually intractable 'internal' issues were initially pushed aside. Instead, in 1989-1990, the debate took place between "wideners" and "deepeners". On one side were those who argued that deepening must occur before any further widening. The right response to a more powerful united Germany was further "deepening" and specifically political union. In addition, without a common foreign, security, and defense policy, the Community would be unable to influence the course of events in Eastern Europe. French and Italian leaders, and Commission officials were among those making these arguments. France in particular insisted on deeper integration in response to German unification.³⁸

On the other side were those who argued that deepening could effectively exclude East European countries for decades, as they would have to reach higher economic and political objectives before joining. "Widening" the Community to include the East European states should occur before further integration took place. The UK's more enthusiastic reception of East European membership demands was seen as a strategy for delaying - or blocking - deepening.³⁹ West Germany straddled both positions: it strongly supported further integration, but also supported eventual membership for the new democracies.⁴⁰

³⁸Spence 1991, pp. 1-8.

³⁹Anna Michalski and Helen Wallace, The European Community: The Challenge of Enlargement (London: Royal Institute of International Affairs, 1992), pp. 11-12.

⁴⁰Interestingly, Genscher may have initially opposed deepening, because it would delay widening to East European countries; heavily criticized, he was forced to change his stance. John Eisenhammer, "Weakened for the Strasbourg

In 1990, this first round of the widening vs. deepening debate was resolved by proceeding with deepening and associating the East European countries to the Community. Two IGCs were held during 1991, one on EMU and the other on political union; they resulted in the Maastricht Treaty.⁴¹

The Community also decided to conclude association agreements with the reforming East European countries. In the fall of 1989, Genscher in particular pushed for association. On 14-15 October 1989, the foreign ministers and the Commission held a special meeting during which the new political architecture of Europe was discussed. Genscher called for new models of association with Eastern Europe to be devised; Delors suggested that the same kind of close links being forged with EFTA could be forged with Poland and Hungary.⁴²

At the Paris summit of Community leaders on 18 November 1989, Delors presented the Commission's proposals for the

Scrum", The Independent, 8 November 1989.

⁴¹The East European countries did worry that the Maastricht Treaty would delay their entry into the Community because it would take longer for them to prepare for membership. See, for example, Jolanta Adamiec, East-Central Europe and the European Community: The Polish Perspective, RIIA Discussion Paper no. 47 (London: Royal Institute of International Affairs, 1993), pp. 8-11.

⁴²George Graham, "EC Ministers Agree on Urgent Visits to East Europe", The Financial Times, 16 October 1989 and Agence Europe no. 5112, 16/17 October 1989. In January 1989, the realization that enlargement could impede internal dynamics, and specifically the completion of the single European market, had prompted Delors to try to 'preempt' membership applications from EFTA members. He proposed setting up a European Economic Area, a formal, institutional partnership between the Community and EFTA. Negotiations began in June 1990; the EEA treaty was signed in May 1992. After the Swiss rejected it in a referendum in December 1992, the treaty was revised. It finally entered into force on 1 January 1994.

Community's new Ostpolitik.⁴³ It would be based on three concentric circles: the EC, EFTA (linked by the European Economic Area, or EEA) and Eastern Europe.⁴⁴ The EC, at the center, would be strongly integrated. A new kind of association agreement should be concluded with the reforming East European states, even if they remained members of the Warsaw Pact.⁴⁵ The European Council in Strasbourg the following month agreed that the association concept should be

⁴³David Usborne, "Delors Frames EC 'Ostpolitik'", The Independent, 16 November 1989. On their trip to Warsaw and Budapest, 16-18 November, Delors and Dumas had raised the possibility of association with the Polish and Hungarian governments. See section 4.1.

⁴⁴The Soviet Union had a very different place in the concentric circles scheme. The Commission argued that the trade and cooperation agreement, concluded on 18 December 1989, was the appropriate framework for relations, and the member states agreed. Agence Europe no. 5187, 5/6 February 1990. The Community supported the development of the CSCE, which would involve the Soviet Union in a pan-European security structure. In 1991, a technical and financial assistance program to the CIS, TACIS, with a budget about half that of PHARE, was set up. After the Soviet Union broke up, the Council on 2 March 1992 ruled out membership or association for the former Soviet republics, with the exception of the three Baltic states. Instead, the Community would conclude less ambitious "partnership and cooperation" agreements (which included political dialogue) with them. Council Secretariat, Press Release 4934/92 (presse 28), 2 March 1992. Negotiations proceeded slowly and erratically, given the state of confusion in the CIS. Agreements were signed with Ukraine on 14 June 1994, Russia on 26 June 1994, Moldova on 28 November 1994, Kazakhstan on 23 January 1995, Kyrgyzstan on 9 February 1995, and Belarus on 6 March 1995. An interim trade agreement with Russia was put on ice after the Chechnya crisis, but the European Council in June 1995 decided to sign it. See The European Commission, London Office, "Background Report: The European Union and the New Independent States of the Ex-USSR", ISEC/B20/94. Agreements with Armenia, Azerbaijan and Georgia were signed in April 1996.

⁴⁵The Warsaw Pact existed until spring 1991, although it was defunct before then.

studied further.⁴⁶

Insights from externalization and the self-styled logic can be applied to the decision on association. On the one hand, association agreements were a response to East European demands for better market access and closer ties with the Community. On the other, they would add to the Community's policy instruments, and would place its relations with Eastern Europe on "a more secure and coherent footing"⁴⁷, which the trade and cooperation agreements could not do.

More fundamentally, concentric circles would resolve the widening vs. deepening dilemma, at least in the short run. In fact, David Allen maintains that Genscher developed the concentric circle concept "in a bid to meet the demands of many of his EC partners that Germany pushes ahead with integration while at the same time not closing the EC off from the states in the East."⁴⁸ Another group of observers argues that "Concentric circles is a compromise in the sense that it includes Eastern Europe in Europe, but it retains a major difference between the EC as a core actor and those who are led and helped by it."⁴⁹ France and the Commission favored a strong Community conducting an active Ostpolitik; Germany wanted to erase the border between Eastern and Western Europe as soon as possible.

⁴⁶EC Bulletin no. 12, 1989, pt. 1.1.14.

⁴⁷Pinder 1991, p. 59.

⁴⁸David Allen, "West European Responses to Change in the Soviet Union and Eastern Europe", in Rummel, ed. 1992, p. 122.

⁴⁹Barry Buzan, et al., The European Security Order Recast: Scenarios for the Post-Cold War Era (London: Pinter, 1990), p. 209.

Association could be considered in two ways: as a stepping-stone to EC membership, or as a long-term solution for the future architecture of Europe, a way to stem enlargement. The new associates clearly believed the former proposition; France clearly supported the latter.⁵⁰ Only the association agreements with Greece and Turkey had mentioned the possibility of membership⁵¹ (and only Greece eventually became a member), while the UK, Denmark, Ireland, Spain, and Portugal had not concluded association agreements before they joined the Community. Genscher, however, had envisaged the possibility that states could move from one concentric circle to another, as they met basic conditions for Community membership.⁵²

One observer has argued that in deciding on association, the Community was relying on well-established instruments already used in its relations with other states.⁵³ But the association agreements contain novel elements, notably an institutionalized political dialogue⁵⁴, and are to help

⁵⁰See: de La Serre and Lequesne 1993, p. 156; Josef C. Brada, "The European Community and Czechoslovakia, Hungary, and Poland", RFE/RL Research Institute, Report on Eastern Europe, vol. 2, no. 49, 6 December 1991, p. 29; and István Körmeny, "The Hungarian View: An EC Associate's Perspective from Central Europe", in Rummel, ed. 1992, p. 243.

⁵¹This proved embarrassing when Turkey actually applied to join in 1987; many were thus wary about even promising eventual membership. See Michalski and Wallace 1992, pp. 120-124.

⁵²Allen 1992, pp. 122-123.

⁵³Kramer 1993, p. 234.

⁵⁴Bilateral political dialogues with Czechoslovakia, Hungary and Poland began in 1990, at their request. Meetings were held once each presidency in the capital of the Community's president, between the political director of each

integrate the associates into the Community. Other observers have argued that the Community's policy, and particularly the association instrument, has essentially been aimed at avoiding the membership question.⁵⁵ But association can be seen more positively than a stance to put off enlargement, which in 1990-1991, was much too early to consider seriously anyway. Françoise de La Serre views it as a "model capable of overcoming the dilemma of broadening versus deepening of the Community....[It] is the first step toward a reorganization of the European space around the EC."⁵⁶ Enlargement in the near future was not realistic; in the meantime, the Community, had to draw the East European states closer, to address their demands for closer ties and ensure their reforms succeeded. Concentric circles was an innovative way to address the many internal and external exigencies facing the Community in the immediate post-Cold War period.

5.3 THE EUROPE AGREEMENTS

In section 5.3.1, the development of the association proposal will be traced. Section 5.3.2 will cover the negotiations on the agreements. In section 5.3.3, the content

country concerned and the political directors of the presidency and the Commission. This was lighter than the troika machinery, and took place at a relatively low level. Nuttall 1992, pp. 292-293.

⁵⁵See Redmond 1993, p. 221, and J.M.C. Rollo and Helen Wallace, "New Patterns of Partnership", in Gianni Bonvicini, et al., The Community and the Emerging European Democracies: A Joint Policy Report (London: Royal Institute of International Affairs, 1991), p. 64.

⁵⁶Françoise de La Serre (1991a), "The EC and Central and Eastern Europe", in Leon Hurwitz and Christian Lequesne, eds., The State of the European Community: Politics, Institutions, and Debates in the Transition Years 1989-1990 (Harlow: Longman, 1991), p. 311.

of the Europe agreements will be reviewed.

5.3.1 Developing the Association Concept

In January 1990, the incoming Irish Presidency gave a clear statement of the Community's policy towards Eastern Europe:

the Twelve intend to develop with the countries of Eastern Europe, in so far as they are committed to the path of democratic change, closer and more substantial relations, based upon an intensification of political dialogue and increased cooperation in all areas. A major aim of this policy is support and encouragement for the establishment of free, open and democratic societies in which the full enjoyment of human rights is guaranteed by the rule of law.⁵⁷

The "closer and more substantial relations" entailed association. In a series of reports in 1990, the Commission further developed the association idea. It pushed for further steps to be taken due to the pace of change in Eastern Europe, the expectations of East Europeans, and "the Community's own interests in the political and economic future of Europe..."⁵⁸ It advocated moving quickly to association: "Early approval of the goal of association will contribute to political stability, encourage the development of new instruments for

⁵⁷Foreign Minister Gerard Collins, "Statement on the Programme of Activities of the Irish Presidency", Document no. 90/001, EPC Documentation Bulletin, vol. 6, 1990. The Irish presidency was also keen on ensuring consistency: it organized two meetings on Eastern Europe in which the foreign ministers participated in both their Council and EPC capacities, and were joined by the Permanent Representatives and Political Directors. They took place on 20 January and 21 April 1990. Nuttall 1992, p. 278. The Irish presidency also began the practice of merging the agendas of EPC and EC Council meetings (see chapter 1).

⁵⁸Communication from the Commission to the Council: Implications of Recent Changes in Central and Eastern Europe for the Community's Relations with the Countries Concerned, SEC (90) 111 final, 23 January 1990, p. 5.

cooperation and strengthen confidence on the part of economic operators."⁵⁹

At its extraordinary summit on 28 April, the European Council affirmed the Commission's proposal for three stages of Community policy towards Eastern Europe: the PHARE and G24 aid programs; the trade and cooperation agreements; and association.⁶⁰ Future associates would have to fulfill basic economic and political conditions: democratization and transition towards a market economy.⁶¹

In late August 1990, the Commission presented a much more detailed report on "second-generation" association agreements. The agreements were to be called Europe agreements, "to mark the importance of the political initiative which they represent."⁶² The Europe agreements were to be much more overtly political than previous association agreements. They were to: create a climate of confidence and stability favoring reform and allowing the development of close political

⁵⁹The Development of the Community's Relations with the Countries of Central and Eastern Europe, SEC (90) 196 final, 1 February 1990, p. 6.

⁶⁰"Statement Concerning the Dublin European Council Meeting of 28 and 29 April 1990", Document no. 90/195, EPC Documentation Bulletin, vol. 6, 1990. On the Commission's proposal, see Agence Europe no. 5239, 21 April 1990.

⁶¹"Presidency Conclusions: Special Meeting of the European Council, Dublin, 28 April 1990", in Annex, Agence Europe no. 5245, 30 April/1 May 1990.

⁶²Commission of the European Communities, Association Agreements with the Countries of Central and Eastern Europe: A General Outline, COM (90) 398 final, 27 August 1990, p. 1. The term "Europe agreements" apparently arose out of a dinner conversation between Delors and the Polish prime minister in early February 1990; Delors said the EC wanted to put the "European" flag in each country. Interview with DG IA official, 12 March 1996.

relations; strengthen the foundations of the new European architecture; improve the climate for trade and investment; and help the East European countries better manage the transition process. Membership was not an objective.

Each association agreement would be adjusted for each country, thus maintaining specificity.⁶³ An institutional framework for political dialogue would be set up. A free trade area would be established, but the Community would open up first. Financial support would be provided on a multiannual basis, in a mix of grants and loans.

Prospective associates would have to give "practical evidence of their commitment" to five conditions: the rule of law, human rights, a multi-party system, free and fair elections, and a market economy. Only Czechoslovakia, Hungary and Poland initially met the requirements.⁶⁴

5.3.2 Negotiating the Europe Agreements

Implementation of the association policy was not a smooth process, hampered by the member states' protectionism. The negotiations on Europe agreements all encountered numerous difficulties. The member states were very reticent to make concessions, especially on trade; the East European states, after all, were still developing free market economies. Domestic economic interest groups seemed to be able to block

⁶³An official in DG I said that there had been discussion within the Commission as to whether one Europe agreement or three separate ones should be negotiated. But the three East European countries refused a single agreement. Interview took place on 21 June 1994 in Brussels.

⁶⁴COM (90) 398 final, pp. 1-2. These are the five conditions that had been set for G-24 assistance (see chapter 4), but future associates had to prove they were making progress in meeting them.

liberalization. What is significant, however, is that eventually the member states did give in, after much prodding by the Commission and free-trade advocates, including of course, the East European states.

Table 5.1
Europe Agreements, 1991-1993

	Europe agt. signed	Europe agt. concluded	In force	Official Journal refer.	Interim agt. in force (OJ refer.)
Poland	16/12/91	13/12/93	1/2/94	L348 31/12/93	1/3/92 (L114 30/4/92)
Hungary	16/12/91	13/12/93	1/2/94	L347 31/12/93	1/3/92 (L116 30/4/92)
CSFR ⁶⁵	16/12/91	---	---	---	1/3/92 (L115 30/4/92)
Czech republic	4/10/93	19/12/94	1/2/95	L360 31/12/94	
Slovakia	4/10/93	19/12/94	1/2/95	L359 31/12/94	
Romania	1/2/93	19/12/94	1/2/95	L357 31/12/94	1/5/93 (L81 2/4/93)
Bulgaria	8/3/93	19/12/94	1/2/95	L358 31/12/94	31/12/93 (L323 23/12/93)

Sources: EC Bulletin, Official Journal

Czechoslovakia, Hungary, and Poland

Negotiations with Czechoslovakia, Hungary and Poland opened on 20, 21 and 22 December 1990.⁶⁶ The Commission

⁶⁵The interim trade agreement with Czechoslovakia continued to regulate trade relations between the Community and the Czech republic and Slovakia.

⁶⁶Agence Europe no. 5396, 20 December 1990. The negotiations were carried out with each country separately.

negotiated the agreements, even though they were to include a strong political cooperation element, but the Presidency sat beside the Commission negotiators.⁶⁷ According to a Commission official, this was not so unusual, because the SEA specified the need for consistency in the Community's relations with third countries.⁶⁸

During the protracted negotiations, several problems arose over market access, especially for the 'sensitive' products, agricultural, steel, and textile products. The three East European states maintained that the association agreements differed little from the trade and cooperation agreements.⁶⁹ The attempt to keep association separate from membership also blocked agreement. The East Europeans demanded persistently that a reference be made in the agreements to future accession to the EC.⁷⁰ After three rounds of talks, the negotiations were deadlocked.

To jumpstart the negotiations, the Commission proposed revising the negotiating mandates. On 15 April 1991, the Council agreed, probably because the member states were aware

⁶⁷Interview with Commission negotiator, 12 March 1996. The negotiator says the Presidency was there because the agreements were "mixed", but the Presidency never took the floor. The talks on the political cooperation element, however, took place in the Council Secretariat.

⁶⁸Interview with DG I official, 21 June 1994. Prior to the SEA, however, the Commission's involvement in negotiating arrangements for political dialogue would have been limited, to say the least. See Taylor 1983, pp. 121-132.

⁶⁹David Buchan, "East Europe Hopes of EC Integration Being Dashed", The Financial Times, 26 March 1991.

⁷⁰For example, at the beginning of April, Polish President Lech Walesa requested that the preamble refer to Poland's future accession to the EC. EC Bulletin no. 4, 1991, pt. 1.3.3.

that otherwise the talks could fail, and with them, a pillar of the Community's policy towards Eastern Europe. The most important change was that the preamble to the agreements could mention that the ultimate, but not automatic, goal of the associated states (not of the Community) is accession to the Community; Germany and the UK in particular pushed for this. The Community would offer somewhat better market access for some agricultural products, textiles, and steel.⁷¹

The Council's concessions were not enough. In mid-May, the Polish deputy prime minister charged that EC protectionism was harming Poland's comparative advantage in the sensitive goods.⁷² The sixth round of talks between the EC and Poland, in July, was particularly contentious.⁷³ Although the Commission then indicated that it would probably be necessary to change the mandate, the General Affairs Council on 29 July put off a decision on revisions.⁷⁴

The attempted coup in Moscow of 19-22 August 1991 jolted the member states. It confirmed the precariousness of the democratic transformation in the Soviet Union and raised fears of a return to authoritarianism or nationalism. A more nationalistic Soviet Union could try to reassert its influence over Eastern Europe; the Community should thus draw the East

⁷¹David Buchan, "Brussels Opens Its Doors to Trade With Eastern Europe", The Financial Times, 19 April 1991, and Agence Europe no. 5473, 17 April 1991.

⁷²Martin Delgado, "EC's Deaf Ear to Polish Trade Plea", The European, 17 May 1991.

⁷³Agence Europe no. 5534, 13 July 1991.

⁷⁴Agence Europe no. 5545, 31 July 1991.

European countries closer.⁷⁵

An EPC statement condemned the coup attempt, and stated that the Community and its member states wanted to conclude the association agreements in the near future.⁷⁶ The Commission took advantage of the widespread shock and urged the Council to make further trade concessions and strengthen the political dialogue provisions.⁷⁷ The extraordinary Council meeting on 27 August, however, postponed a decision until 6 September.⁷⁸

On 6 September, the Council considered the Commission's proposals. Portugal objected to liberalizing textile trade, but would drop its reservations in exchange for Community aid to its textile producers. France, backed by Ireland and Portugal, however, would not agree to concessions on meat products. The meeting broke up abruptly, having reached no decisions, and with all in a bad mood.⁷⁹

France was in a particularly sensitive position; its

⁷⁵At this point in time, the Yugoslav war, which broke out in June 1991, does not seem to have motivated the Community to strengthen its relations with the East European countries. But as the situation deteriorated and spread to Bosnia in 1992, concerns for minority rights and 'good neighborliness' increasingly influenced the Community's policy. See chapter 6.

⁷⁶In EC Bulletin no. 7/8 1991, pt. 1.4.19.

⁷⁷EC Bulletin no. 9, 1991, pts. 1.3.13 and 1.3.16. In August the three prospective associates had asked to be included in political cooperation. David Buchan and David Gardner, "A New Wave of Eastern Approaches: Eastern Europe is Knocking on the EC's Door", The Financial Times, 6 September 1991.

⁷⁸Agence Europe no. 5556, 30 August 1991.

⁷⁹Agence Europe no. 5562, 7 September 1991 and no. 5563, 9/10 September 1991.

farmers had regularly protested against concessions for East European imports.⁸⁰ The bovine meat market was depressed; France had suffered because it is a big meat producer.⁸¹ But France's move can best be seen as part of the negotiating game, allowing it to gain favor with its farmers.⁸²

France came under much public pressure to back down. At a press conference afterwards, Hans van den Broek, the Dutch foreign minister and Council president, complained about the attitude of one member state. A vital national interest could not possibly be at stake when the quantity of meat in question was so small.⁸³ Further public criticism of the French move came from the Danish and UK prime ministers, and German president.⁸⁴ Poland announced that negotiations could only

⁸⁰Belgian, German, Greek and Dutch farmers had also demonstrated. Alexandra Frean, "Europe's Farmers Rebel", The European, 4 October 1991. While on holiday in France in the summer of 1991, the Czechoslovak prime minister, Marian Calfa, got caught up in a demonstration by French farmers against East European imports; fortunately the demonstrators did not know who he was. Buchan 1993, p. 98.

⁸¹Agence Europe no. 5576, 27 September 1991. The EC-level interest groups, the Committee of Professional Agricultural Organisations in the EC (COPA) and General Committee for Agricultural Cooperation in the EC (COGECA), also objected to the proposed concessions. In July, they suggested that the EC should encourage the resumption of agricultural trade between the Soviet Union and the East European countries. Agence Europe no. 5544, 29/30 July 1991.

⁸²Brada, "The EC and Czechoslovakia", p. 28.

⁸³Agence Europe no. 5563, 9/10 September 1991. The quantity was an extra 1400 tons of meat in a market where yearly turnover is 7,000,000 tons. Brada, "The EC and Czechoslovakia", p. 28.

⁸⁴Brada, "The EC and Czechoslovakia", p. 28. Just before the meeting, Delors had attacked the reluctance to offer further concessions: "It's no good making fine speeches with a sob in your voice on Sunday, and then on Monday morning opposing the trade concessions enabling those countries (in Eastern Europe) to sell their goods and improve their living

continue on the basis of an enlarged Commission mandate; the next session would not be a formal one, but merely an expert-level working meeting.¹⁵

On 30 September, the Council met again and this time reached a compromise, which was virtually the same one discussed at the earlier meeting. Restrictions on textile imports would be dropped within six years, and Portugal would get EC aid. Triangular agreements would resolve the problem of meat exports: any meat exports to the EC over and above a 10% increase per year would be paid for with EC aid but given to the Soviet Union, Romania and Albania.¹⁶

But a few final difficulties still plagued the negotiators: Spain, among others, called for an additional clause in which the associates undertook voluntary export restrictions on steel. The Commission opposed this, and in the end, Coreper worked out a compromise: the Commission would monitor steel imports and the steel industry in the three associates to ensure that state aids were not distorting competition; no additional safeguard clause for steel was

standards." Buchan and Gardner, "A New Wave of Eastern Approaches".

¹⁵Agence Europe no. 5565, 12 September 1991. The meeting on 19 September was held between the usual negotiators, although Poland said it did not consider the meeting to be a formal negotiating session. Agence Europe no. 5570, 19 September 1991.

¹⁶A safeguard clause would also allow the EC to stop meat imports if they seriously disrupted the market and EC health provisions would be rigorously applied. Lucy Walker, "EC Opens Trade Doors to the East", The European, 4 October 1991, and Agence Europe no. 5578, 30 September/1 October, 1991.

included in the agreements.⁸⁷

The three Europe agreements were signed on 16 December 1991. Because they are "mixed" agreements, containing provisions which do not fall under the Community's competence, each member state had to approve them.⁸⁸ Pending this, interim trade arrangements - consisting of the trade provisions only and based on article 113 - entered into force on 1 March 1992.⁸⁹

On 16 September 1992, the EP gave its assent to the agreements with Hungary and Poland.⁹⁰ The member states did not, however, approve the agreements quickly. Only on 13 December 1993 did the Council conclude the two agreements; they entered into force on 1 February 1994 (see table 5.1).

The breakup of Czechoslovakia on 1 January 1993 complicated matters. In September 1992, the EP refused to assent to the agreement with Czechoslovakia due to the country's impending division.⁹¹ In April 1993, negotiations on separate Europe agreements with both countries began. The

⁸⁷Agence Europe no. 5627, 11 December 1991. It should be noted that Spain and Germany (generally known as an advocate for free trade) were allowed to protect their coal industry for four years, under the terms of the agreements.

⁸⁸The member states had to be parties to the agreements, along with the Council on the Community side, because the Council probably cannot conclude agreements providing for political dialogue with third countries in its own capacity or on behalf of the member states. See Horovitz 1990, pp. 278-279, and footnote no. 78.

⁸⁹These agreements needed only the Council's approval and a favorable EP opinion.

⁹⁰EC Bulletin no. 9, 1992, pt. 1.3.11.

⁹¹"MEPs Endorse Hungarian and Polish Association Agreements", European Report no. 1796, 19 September 1992.

agreements were signed on 4 October 1993, and the EP assented to both on 27 October.⁹² They entered into force on 1 February 1995.

Bulgaria and Romania

Bulgaria and Romania had again been left in the slow lane, because they did not meet the conditions for closer relations with the Community. The EPC statement during the attempted coup in the Soviet Union, however, declared that the Commission would explore ways to expand cooperation with Bulgaria and Romania.⁹³ The Commission proposed negotiating Europe agreements with Romania and Bulgaria.⁹⁴ Geopolitical concerns seem more important in this decision than a positive appraisal of Bulgaria's and Romania's fulfillment of the criteria for concluding Europe agreements.⁹⁵

On 30 September 1991, the Council agreed that exploratory talks with Bulgaria could begin, but that talks with Romania could begin once the political situation was "normalized".⁹⁶ In late September, however, violent demonstrations broke out in Romania, provoking an EPC statement that condemned the violence and reiterated that economic and political reforms

⁹²EC Bulletin no. 10, 1993, pt. 1.3.14. See section 6.2.1 on the breakup of Czechoslovakia.

⁹³In EC Bulletin no. 7/8, 1991, pt. 1.4.19.

⁹⁴The Commission also proposed to negotiate a trade agreement with Albania and formulate a policy towards the newly recognized Baltic republics. EC Bulletin no. 9, 1991, pts. 1.3.13, 1.3.17, and 1.3.18.

⁹⁵Though in April 1991, Andriessen had told the Bulgarian prime minister that an agreement could be signed within a few months. Agence Europe no. 5482, 29/30 April 1991.

⁹⁶EC Bulletin no. 9, 1991, pt. 1.3.17.

were indispensable for the full development of relations with EC.⁹⁷ On 16 December, the foreign ministers agreed that initial talks could begin with Romania.⁹⁸

In April 1992, the Commission asked the Council to approve the negotiating mandates. It wanted the agreements to refer to human rights and democracy, because the Maastricht Treaty (though not yet in force) specifies that the EU will respect fundamental rights and that one of the CFSP's objectives is to develop and consolidate democracy and respect for human rights.⁹⁹ The first three Europe agreements did not contain such a clause, and Bulgaria and Romania objected to their different treatment, considering it a sign that the Community did not 'trust' them.¹⁰⁰ They were probably right: while the proposed clause crowns a policy already based on conditionality and conforms to the Maastricht Treaty, it could also indicate that Bulgaria and Romania did not fully meet the established criteria for Europe agreements and thus the Community had to retain some leverage to encourage political and economic reforms. It also reflects a widespread conclusion that the Yugoslav crisis had resulted partly because human rights, and specifically minority rights, had not been respected.

⁹⁷"Statement on Romania", EPC Press Release P. 95/91, 3 October 1991.

⁹⁸In the Portuguese Presidency's answer to "Question No. H-1233/91 by Ms Banotti on EC/Romania relations", Document no. 92/014 in EPC Documentation Bulletin, vol. 8, 1992.

⁹⁹Title I, article F, and Title V, article J.1, paragraph 3.

¹⁰⁰Agence Europe no. 5704, 4 April 1992.

At its meetings on 7 and 21 April 1992, the Council could not agree on the Commission's proposals, mostly because of concerns about offending Bulgaria and Romania.¹⁰¹ Finally, on 11 May, the General Affairs Council approved the mandates. It decided that the two Europe agreements were to be conditional on respect for human rights and democratic principles.¹⁰² The Council also extended this 'super-conditionality' to future agreements: "respect for democratic principles and human rights...and the principles of the market economy are essential components of cooperation or association agreements between the Community and its CSCE partners."¹⁰³ All the Europe agreements signed after May 1992 - including with the Czech Republic and Slovakia - contain a clause permitting the suspension of the agreements if human rights are not respected.

The mandates were restrictive with respect to steel, envisaging quantitative restrictions, a result of successful lobbying by Spain and a reflection of growing concern about East European steel imports.¹⁰⁴ The Commission also

¹⁰¹Agence Europe no. 5706, 8 April 1992, and no. 5714, 22 April 1992.

¹⁰²EC Bulletin no. 5, 1992, pt. 1.2.12. The clause is also article 1 of the interim trade agreements with Romania and Bulgaria.

¹⁰³The Council's statement is reproduced in EC Bulletin no. 5, 1992, pt. 1.2.13. Thus Bulgaria and Romania should not feel that they had been singled out on the issue of human rights. On 29 May 1995, the Council decided that agreements with all third countries will contain a clause allowing suspension of the agreement if the country violates human rights. Agence Europe no. 6508, 30 May 1995.

¹⁰⁴Agence Europe no. 5728, 13 May 1992. This affected the first three associates too: in November 1992, after receiving complaints from several member states, including France,

unsuccessfully argued for further concessions in textiles and agricultural trade: Commissioner Andriessen even publicly chastised the Council for making inadequate concessions.¹⁰⁵ Bulgaria in particular was unhappy with the Community's protectionism.¹⁰⁶

The negotiations ended with Romania in November, and with Bulgaria, in December 1992.¹⁰⁷ The Europe agreement with Romania was signed on 1 February 1993, and with Bulgaria on 8 March 1993.¹⁰⁸ A lengthy ratification process and internal disagreements over the Community's trade protection measures followed. Both agreements entered into force on 1 February 1995 (see table 5.1).

Interim trade agreements were signed at the same time as the Europe agreements and were supposed to enter into force quickly. Romania's interim trade measures applied from 1 May

Germany, and Italy, and the EC-level interest group, Eurofer, the Commission imposed safeguard measures on steel tube imports from Czechoslovakia, Hungary and Poland. Agence Europe no. 5860, 19 November 1992.

¹⁰⁵Agence Europe no. 5831, 8 October 1992.

¹⁰⁶"Textiles and Agriculture Stunt Association Accord Progress", European Report no. 1805, 21 October 1992.

¹⁰⁷Agence Europe no. 5859, 18 November 1992 and no. 5885, 23 December 1992. Greek-Bulgarian relations in 1992 were strained, over Bulgaria's recognition of Macedonia in January 1992; although it had hinted that Bulgaria's relations with the EC could be disrupted, Greece did not block the Europe agreement. Kjell Engelbrekt, "Greek-Bulgarian Relations: A Disharmonious Friendship", RFE/RL Research Report, vol. 2, no. 28, 9 July 1993, p. 30.

¹⁰⁸General Secretariat, Council of the European Communities, Press Release 4011/93 (Presse 10), 5 February 1993 and Press Release 5015/93 (Presse 28) of 8 March 1993. Both agreements contain an extra safeguard clause for steel products, permitting either party to impose quantitative restrictions during a restructuring period of 5 years.

1993. Conclusion of the interim agreement with Bulgaria, however, was delayed by the Council because of a prolonged dispute about the Community's decision-making procedures for trade protection measures.¹⁰⁹ The interim agreement remained blocked until December 1993, even after the June 1993 European Council had approved further concessions, the EP had condemned the Council, and Bulgaria had demanded compensation.¹¹⁰ It finally entered into force on 31 December.

5.3.3 Content of the Europe Agreements

All six Europe agreements are broadly similar.¹¹¹ The preambles note that the agreements are important for building a stable Europe, of which the Community is a "cornerstone". They stress a commitment to pluralist democracy, based on the rule of law, human rights, a multiparty system and free and

¹⁰⁹In July 1992, the Commission proposed changing the procedure for taking protective measures: it, rather than the Council, would take the final decision, which could be overturned by a qualified majority vote in the Council by a certain deadline. France, Italy and Spain supported the proposal; the northern member states worried that it would increase protectionism. Agence Europe no. 5888, 30 December 1992. In February 1994, the Council decided that it would retain the power to take final decisions, but that it would decide by simple majority, rather than qualified majority. Agence Europe no. 6166, 9 February 1994.

¹¹⁰See EC Bulletin no. 10, 1993, pt. 1.3.13, and Agence Europe no. 6105, 10 November 1993. Italy has been blamed for holding up the agreement. Agence Europe no. 6025, 19/20 July 1993 and interview with DG I official, 22 June 1994. A participant maintains, however, that the member states did not want to create a precedent for future decision-making on anti-dumping measures and so they forced the issue in the Bulgarian case. Bulgaria had relatively few 'friends' in the Community. Interview took place on 28 July 1995.

¹¹¹For a review of the Europe agreements with Hungary, Poland, and Czechoslovakia, see Claude-Pierre Lucron, "Contenu et Portée des Accords entre la Communauté et la Hongrie, la Pologne et la Tchécoslovaquie", Revue du Marché Commun, no. 357, April 1992.

democratic elections, and to the CSCE. The agreements with Bulgaria, the Czech republic, Romania and Slovakia also mention respect for the rights of minorities, indicating the Community's growing concern about minority rights.¹¹² Each preamble mentions that the associate's final objective is Community membership and that the Europe agreement will help achieve that objective. The aims of the association (in article 1) are notably political: the association is to provide a framework for political relations, promote trade, economic and cultural cooperation, and assist the integration of the associate into the Community.

As is the case in other association agreements, an Association Council, consisting of the members of the EC Council, Commission, and the associate's government, will meet at least once a year to examine any major issues arising within the framework of the agreement. It is assisted by an Association Committee, composed of senior civil servants. In addition, members of the EP and the associate's parliament can exchange views in an Association Parliamentary Committee.

The agreements include for the first time provisions concerning political dialogue.¹¹³ The dialogue, regarding international issues of mutual interest, is intended to facilitate the associate's integration into "the community of democratic nations" and rapprochement with the Community, and

¹¹²This is in addition to the human rights clause.

¹¹³EC Bulletin no. 12, 1991, pt. 1.3.2. Marc Maresceau notes that this is the first time that the notion of political dialogue has been included in an agreement based on article 238. Marc Maresceau, "Les Accords Européens: Analyse Générale", Revue du Marché Commun et de l'Union Européenne, no. 369, June 1993, p. 509.

to enhance security and stability throughout Europe. It is to take place "as appropriate" at the highest level between the presidents of the European Council and the Commission, and the associate's president. At ministerial level, the dialogue takes place within the Association Council. Senior officials from the associate, Council presidency and the Commission are to meet regularly. These provisions establish a formal bilateral political dialogue which is more intense than most other bilateral dialogues and the multilateral dialogues with regional groupings, but not as intense as the framework for consultations between the Community and the US provided for in the November 1990 transatlantic declaration.¹¹⁴

The agreements provide a framework for integrating the associates into the Community. The four freedoms of movement, for goods, capital, services, and labor, are to be extended gradually between the Community and the associate. A free trade area will be established over a period of 10 years: the Community will open its markets sooner, while the associates will not open their markets until the end of this period. The main provisions for the associates' goods are listed in table 5.2 (p. 289). National treatment will be extended for the establishment and operation of all firms and professions. Workers from the associates who are legally employed in the Community are to be ensured non-discriminatory treatment, but

¹¹⁴Political matters are discussed informally in meetings with the Community's associates; many other bilateral dialogues are based on troika, rather than full Council, meetings. The dialogues with other regional groupings take place yearly or every eighteen months, with all ministers; meetings with the ministerial troika are also held. The transatlantic declaration provides for more regular consultations at all levels. Nuttall 1992, pp. 282-293.

further measures on the free movement of workers are only to be discussed in the Association Council.

Furthermore, the associates' legislation is to be progressively approximated to the acquis communautaire. Provisions for economic cooperation are spelled out in a wide variety of areas, including industry, science and technology, education and training, energy, and environment. Associates would be able to participate in some Community programs in those areas, as well as in cultural programs.¹¹⁵ The agreements state that the associates are eligible for PHARE funds, EIB loans, and eventual balance of payments or currency stabilization assistance.¹¹⁶

5.4 TOWARDS COPENHAGEN

The Europe agreements provide the associates with a framework for political and economic cooperation, gradual integration into the Community, and greater access to the EC market. But the associates have made two criticisms about the

¹¹⁵In May 1993 and May 1994, the Commission proposed opening EU programs to participation by the associates. SEC (93) 648 final, p. 15, and EC Bulletin no. 5, 1994, pt. 1.3.28. But only in April 1995 did the Council sign protocols which permit participation in Community framework programs, specific programs, and projects, in fields such as research and technological development, information services, the environment, education, energy, and transport. Agence Europe no. 6462, 14 April 1995. The member states had evidently been reticent to allow the associates access to the EU in sensitive areas such as research and development.

¹¹⁶Poland, for one, wanted a financial protocol attached to the agreement, as is the case with the EC's other association accords, but the Community resisted giving specific figures for assistance. See Agence Europe no. 5545, 31 July 1991. Pinder notes that there are good reasons for keeping PHARE aid separate from the Europe agreements: it would give PHARE the flexibility to allocate aid among the beneficiaries as conditions require, rather than having to provide a certain fixed amount. Pinder 1991, p. 70.

agreements: the trade concessions were not enough and no dates or conditions for eventual EC membership were set.

The Community did not immediately answer their criticisms. From early 1992 to the June 1993 Copenhagen European Council, the Community skirted round the enlargement issue and put off decisions on improving market access. In general, it was not a propitious period for Community-East European relations. The Community was distracted by numerous other dilemmas: salvaging the Maastricht Treaty after the Danish 'no' in the June 1992 referendum; concluding the GATT Uruguay Round; dampening volatility in the Exchange Rate Mechanism; trying to resolve the Yugoslav crisis; and enlarging to the EFTAs. Germany, a key player in Community-East European relations, was preoccupied with unification¹¹⁷ and might have been shying away from major foreign policy initiatives after the debacle of the recognition of Slovenia and Croatia in December 1991. Nonetheless, at Copenhagen, the European Council reached several important decisions, on trade, enlargement, and closer ties with the East European associates. The next two sections will discuss the run-up to Copenhagen: section 5.4.1 will cover trade and section 5.4.2 will review the enlargement issue and the political dialogue with the associates.

5.4.1 Improving Market Access

The trade provisions of the Europe agreements, reproduced in the interim agreements, entered into force much earlier

¹¹⁷See Craig Whitney, "3 Months After Maastricht, Europe Finds Itself Bogged in a Slump", International Herald Tribune, 30 March 1992.

than the Europe agreements themselves, so the associates benefitted from the gradual liberalization of trade almost immediately. But since 1990, the EC has been running a trade surplus with its Eastern neighbors (see appendix 1). To some extent this was to be expected given the need for Western technology in the East, and the recession in Western Europe, which stemmed demand for East European exports. Eastern Europe, however, has suffered a much worse economic slow-down, raising serious questions about the Community's growing surplus. EC-East European trade is also much more important for the East European countries than for the Community (see appendix 1). Thus the extent to which the Community market is open to East European products is important, and the associates have been far from satisfied with the market access provided by the Europe agreements.¹¹⁸

The Commission generally agreed with the associates, and continuously urged the member states to offer further trade concessions. In two reports on relations with Eastern Europe, one to the Lisbon European Council of June 1992¹¹⁹ and the other to the Edinburgh European Council of December 1992¹²⁰, it argued strongly in favor of improving the trade provisions

¹¹⁸In September 1992, Czechoslovakia, Hungary and Poland requested further trade concessions. Michalski and Wallace 1992, p. 114. In May 1993, Polish Prime Minister Hanna Suchocka denounced the Community's trade policy towards Eastern Europe as restrictive and unbalanced. "Polish Prime Minister Accuses EC of 'Protectionism'", European Report no. 1859, 15 May 1993.

¹¹⁹Commission of the European Communities, "Europe and the Challenge of Enlargement", EC Bulletin Supplement 3/92.

¹²⁰Commission of the European Communities, Towards a Closer Association with the Countries of Central and Eastern Europe, SEC (92) 2301 final, 2 December 1992.

in the Europe agreements.

Neither European Council, however, took any decisions on the Commission's proposals. The southern member states in particular objected to them.¹²¹ The Edinburgh European Council asked the Commission to prepare another report on relations with Eastern Europe, and promised to reach decisions on it at its Copenhagen meeting.¹²² The member states, however, then warned the Commission not to propose any substantial trade liberalization measures.¹²³

In May 1993, the Commission presented its report to the Copenhagen European Council detailing how relations with the East European associates could be strengthened.¹²⁴ The proposals for improving access to the EC market went much further than some member states had expected, and reflected an alliance between External Economic Relations Commissioner Sir Leon Brittan (a very strong proponent of free trade) and External Political Relations Commissioner Hans van den Broek, who had dropped their rivalry to push for freer trade.¹²⁵ The

¹²¹Paul Ames, "EC Nations Welcome Closer Links with Eastern Europe, Edgy About Membership", Associated Press, 8 December 1992.

¹²²Conclusions of the Presidency, European Council in Edinburgh 11-12 December, 1992, SN 456/92, Part D.

¹²³"Poor Relations", The Economist, 1 May 1993.

¹²⁴Commission of the European Communities, Towards a Closer Association with the Countries of Central and Eastern Europe, SEC (93) 648 final, 18 May 1993.

¹²⁵Lionel Barber, "Commission Opens Doors for Eastern Europe", The Financial Times, 6 May 1993. The rivalry stemmed from the fact that, from January 1993, both were in charge of different aspects of relations with Eastern Europe, as a result of the division of DG I. See "Uncivil War in the European Community", The Economist, 30 January 1993.

Commission proposed speeding up the timetable in the Europe agreements for increasing quotas and cutting tariffs on industrial and sensitive products.

The Commission's report included several other proposals on dialogue with the associates and enlargement (see section 5.4.2), as well as on PHARE. The Danish presidency was determined to keep all of the proposals together in one package, to be decided on by the foreign ministers, who had the larger policy picture in mind; this would prevent trade ministers from blocking the trade concessions.¹²⁶ The growing trade surplus with Eastern Europe also helped curb member states' protectionism.

On 10 May, the foreign ministers welcomed the proposals in a preliminary discussion on them, although the French foreign minister called for a study to be done on the impact of the market access proposals.¹²⁷ At a foreign ministers' meeting on 8 June, a free-trade coalition including the UK, Germany, the Netherlands, and Denmark ensured acceptance of the Commission's proposals.¹²⁸ The European Council in Copenhagen on 21-22 June 1993 endorsed the proposals (see table 5.2).¹²⁹ The Commission and Danish Presidency had

¹²⁶Interview, 12 March 1996.

¹²⁷"Council Gives Thumbs Up to Quicker Trade Access for East", European Report no. 1858, 12 May 1993.

¹²⁸Lionel Barber, "EC and E Europe Progress", The Financial Times, 9 June 1993. Greece and Portugal had been the least enthusiastic, Portugal because of the textiles concessions. "EC Welcomes Plan for Closer East Europe Ties", Reuter, 10 May 1993 and Agence Europe no. 5997, 10 June 1993.

¹²⁹European Council Conclusions, SN 180/93, pp. 30-31. The Commission then negotiated additional protocols with the six associates incorporating the concessions. On 19 July 1993,

succeeded in "upgrading the common interest".

5.4.2 Widening vs. Deepening: Round Two

The Europe agreements did not acknowledge that the Community's objective was enlargement to the associates. For Michalski and Wallace, this is because the member states did not want "to repeat mistakes of the past in giving promises which have proved difficult to honour."¹³⁰ But the associates persistently demanded that the Community set out a timetable and conditions for enlargement.

The demands for a clear stance on enlargement became ever more compelling as turmoil spread throughout the former Yugoslavia and Soviet Union. The popularity of nationalist movements in Russia and a more assertive Russian policy towards the former Soviet republics also sparked fears that Russia might try to re-establish a sphere of influence in Eastern Europe.¹³¹ The disappearance of the old bloc system left the East Europeans feeling exposed.¹³² They needed a framework for integration into Western security organizations.

the Council provisionally approved the protocols with Hungary, Poland, the Czech republic, and Slovakia. On 20 December, the Council definitively concluded all six (OJ L 25, 29 January 1994).

¹³⁰Michalski and Wallace 1992, p. 139. This refers to the case of Turkey.

¹³¹From 1992, Russian "peacekeepers" had been deployed in several hotspots throughout the former Soviet Union, and Russia was exerting strong pressure on recalcitrant republics to join the Commonwealth of Independent States.

¹³²As noted by Commissioner van den Broek in "Speech by Hans van den Broek at the Tilburg University Seminar 'Europe Revisited': The New Europe and the Lessons of History - Tilburg, 4 June 1993", Speech/93/68, 4 June 1993. In 1992-1993, the East European states began to demand NATO membership.

Integration would also reduce internal security threats: "For the stabilization of democracies and the reduction of social and national tensions, Central and Eastern Europe also needs external help, and these conflicts can be dissolved in the process of European unification."¹³³ There was thus much pressure on the member states to respond positively to the membership demands, if the transformation in Eastern Europe was to be consolidated and security ensured in all of Europe.

To a certain extent the internal Community debate on enlargement took place on the same terms, between wideners and deepeners.¹³⁴ But that debate (first one, then maybe the other) was increasingly out of date. Widening and deepening would have to occur simultaneously. Most member states accepted the potential security benefits of enlarging to Eastern Europe, both for the East Europeans and for the Community, because enlargement could ensure a stable, secure and prosperous Eastern Europe, which was in the Community's own interests. In addition, the "European identity" of the East European states could not be disputed, especially as they implemented political and economic reforms in line with Western standards. The option of denying membership to the East European countries was never really considered seriously

¹³³Palankai 1991, p. 74.

¹³⁴For example, in mid-September 1991, UK Prime Minister Major called on the EC to offer membership for the East European and Baltic states as soon as they were ready. A few days later, Mitterrand argued that the Community should be reinforced before it grew larger. Ian Davidson and Ivo Dawney, "Major Urges EC to Admit East European States", The Financial Times, 13 September 1991, and Quentin Peel, "Mitterrand Plea to Strengthen Community", The Financial Times, 20 September 1991.

in the Community.

Enlargement, however, posed many problems. Even if several rich EFTA members joined, the Community could not afford to extend CAP and the structural funds to the East European countries.¹³⁵ Yet CAP reform faced opposition from farmers and especially France, and the poorer member states were concerned about losing EC funds. The 1996 IGC would have to alter decision-making mechanisms to permit a successful enlargement to twenty or more states. Yet the European public did not seem enthusiastic about further integration (the ratification of the Maastricht Treaty was not proceeding smoothly), and several member states, especially the UK, would oppose a reduction in the use of the national veto.

Formulating a response to the East European demands for concrete decisions on enlargement was therefore extremely difficult. In an attempt to address the demands for widening and reduce the need for internal institutional and policy reform, several alternatives were advanced. Some of these ideas have since been incorporated into the Community's policy towards Eastern Europe.

In a 1990 New Year's address, Mitterrand had proposed setting up a European confederation.¹³⁶ The Community should

¹³⁵On one estimate, admitting the Visegrad countries could boost EU spending by 60-75%. "Next, the Baltic States?", The Economist, 22 October 1994. CAP spending could double. "Farm Follies", The Economist, 29 July 1995.

¹³⁶"Les Voeux de M.François Mitterrand", Le Monde, 2 January 1990. Ole Wæver argues that the proposal was "an attempt to give the EC a different purpose, a larger meaning...and France is to lead the Ostpolitik of the European Community." In "Three Competing Europes: German, French, Russian", International Affairs, vol. 66, no. 3, July 1990, p. 484.

first reinforce its structures; then a confederation linking all European states should be built. In June 1991, Mitterrand suggested that the East European states would be in no condition to join the Community for decades. Instead, the confederation would launch trans-European cooperation in areas such as environmental protection and telecommunications.¹³⁷ This was a more inflexible approach to concentric circles. Mitterrand repropounded the idea on various occasions.¹³⁸ It was not welcomed by "Atlanticists" in Eastern and Western Europe, who saw it as an attempt to exclude the US from the European security architecture.¹³⁹ Nor did it please many East Europeans: Czech President Havel said,

I believe it would not be right, and perhaps even harmful to European stability, if the creation of the confederation curbs in any way the rapprochement between the democracies of central and eastern Europe and the European Communities, or if it perpetuates their position as second-class countries.¹⁴⁰

¹³⁷"Mitterrand: Confederazione Tra Est e Cee", Il Sole 24 Ore, 13 June 1991. Pan-European cooperation was actually already in course. Since 1990, several meetings of the environment ministers from across Europe have been held. In June 1990, the Community decided to let the East European countries participate in the European Environment Agency (which was not set up until January 1994). In June 1990, Dutch Prime Minister Ruud Lubbers proposed establishing a Europe-wide energy community. A European Energy Charter Treaty was signed in June 1994 by almost 50 countries, including the US and Russia.

¹³⁸For example, at a summit of the Council of Europe in October 1993, Mitterrand suggested that the Council of Europe itself could become the confederation, with annual summits, regular ministerial meetings, and a permanent secretariat. Marcel Scotto and Claire Tréan, "M. Mitterrand relance l'idée d'une confédération européenne", Le Monde, 10/11 October 1993.

¹³⁹Jan Zielonka, Security in Central Europe, Adelphi Paper no. 272 (London: Brassey's, 1992), p. 45.

¹⁴⁰Vaclav Havel, "Don't Make Us Europe's Second-Class Citizens", The European, 14 June 1991.

It has also been suggested that the East European states first join EFTA or the EEA.¹⁴¹ This of course would still be economically difficult, and the East Europeans suspect that joining EFTA or the EEA would delay Community membership. This option also does not allow for the associates' integration into Western security and defense frameworks.

That integration could be eased by participation in EPC/CFSP. In 1991, Volker R  he, then Secretary-General of the German Christian Democrat Party, advocated involving the East European countries in EPC before they acceded to the Community.¹⁴² In May 1992, the EP Committee on Institutional Affairs suggested that the East European states participate in the CFSP and in discussions on internal affairs and justice.¹⁴³

Under the above proposals, the associates would not fully participate in decision-making; they would not be allowed to vote. Another proposal, however, would give the associates much greater say in decision-making. On 19 April 1991, Commissioner Andriessen suggested that the Community create an 'affiliate membership' category. The Community had to plan for a time when it would have "to open its doors to create a

¹⁴¹Holger Schmieding, "The EFTA Option for Eastern Europe: Comecon and the Community", The Financial Times, 2 August 1989. See also Palankai 1991, pp. 20-22. Richard Baldwin noted that there have been three stages in European integration: the common market, the Single European Act, and the Maastricht Treaty. Prospective EU members were being asked to jump right to the third stage. Baldwin instead suggested the East European countries first join the single market. Baldwin 1994, especially chapter 9.

¹⁴²Quoted in K  rmendy 1992, pp. 251-252.

¹⁴³The report is noted in SEC (92) 2301 final, p. 8.

climate of confidence and security in a continent subject to uncertainty and external shocks."¹⁴⁴ Affiliate membership would allow the Community to offer the benefits of membership, and therefore stability, to those European countries that wanted to participate in European integration but were not ready to accept all of the commitments of full membership. Deepening and widening could proceed simultaneously. Affiliate members would have "a seat at the Council table on a par with full members in specified areas, together with appropriate representation in other institutions, such as the Parliament."¹⁴⁵ The areas included foreign policy, monetary affairs, transport, environment, research and energy.

Andriessen's idea was greeted skeptically within the Community: affiliate membership would complicate Community procedures and be very difficult to realize.¹⁴⁶ If they were allowed to vote, the associates could block proposals in an attempt to influence policies in which they were not included (such as CAP). Partial membership in the Community would be unworkable in practice.¹⁴⁷

This reception is somewhat curious given the rash of proposals to create a "hard core" or "two-speed Europe" which

¹⁴⁴Frans Andriessen, "Towards a Community of Twenty-Four", Speech to the 69th Plenary Assembly of Eurochambers, Brussels, 19 April 1991, Rapid Database Speech/91/41.

¹⁴⁵Andriessen, "Towards a Community of Twenty-Four".

¹⁴⁶Agence Europe no. 5482, 29/30 April 1991.

¹⁴⁷As one official in DG IA told me, 21 June 1994. Another observer argued that partial membership "would cause the Union to unravel as an entity and would only further institutional proliferation with all its negative effects." Mathias Jopp, The Strategic Implications of European Integration, Adelphi Paper no. 290 (London: Brassey's, 1994), p. 70.

followed the rejection of the Maastricht Treaty in a Danish referendum in June 1992 and the UK's reluctance to proceed with ratification.¹⁴⁸ In these proposals, a select group of member states would create a federation, leaving unwilling (or unprepared) member states and associates in a series of less-integrated concentric circles surrounding the core.

There are already precedents for 'variable geometry': the UK and Danish opt-outs from the Maastricht Treaty; optional participation in the Exchange Rate Mechanism of the EMS; and the long 'grace' periods allowed Spain and Portugal before they had to comply with all Community laws. The WEU, the EU's defense arm, had limited membership, and then introduced various levels of membership beginning in 1992. The Eurocorps and the Schengen agreement on open borders signalled further moves towards variable geometry.¹⁴⁹

But the hard core proposals were shelved once they were no longer needed to threaten to leave the UK behind unless it ratified the Maastricht Treaty. The Community even seemed to rule out further opt-outs, in insisting that future members accept the entire acquis communautaire. John Redmond charges that the unwillingness to consider drastically reforming an enlarged Community meant that the Community could not

¹⁴⁸See, for example, Andrew Marshall, "UK Faces Life on the Outside Looking In", The Independent, 26 September 1992; "Pressing On", The Economist, 3 October 1992; and the interview with François Mitterrand in The Financial Times, 9 December 1992.

¹⁴⁹This issue is not new by any means. See Helen Wallace with Adam Ridley, Europe: The Challenge of Diversity (London: Routledge and Kegan Paul, 1985), written at a time when the Community was contemplating institutional reform and moving towards enlargement to Spain and Portugal.

formulate a coherent policy towards aspiring member states.¹⁵⁰ That is too harsh, particularly given that nothing less than the reinvention of the Community was at issue, when it was not even certain that the limited reforms in the Maastricht Treaty would go ahead. It took time, but by mid-1993, the Community had laid out its position on enlargement and had indicated how relations with the associates should develop until then.

In 1992 and 1993, the Community gradually developed a framework for multilateral political relations with the associates. The agreements provided for a bilateral political dialogue with each associate, but this did not begin until they entered into force. Instead of further developing bilateral relations with each associate, however, the "Community and its member states" (in EPC) developed an ad hoc multilateral political dialogue with the associates.¹⁵¹

The multilateral dialogue met both internal and external exigencies. As the number of associates rose, all of whom demanded closer relations, it was the most practical way to strengthen political ties with them. It was also a step towards East European participation in EPC/CFSP, important as turmoil spread in several parts of Eastern Europe and the

¹⁵⁰Redmond 1993, p. 221.

¹⁵¹Political dialogue is traditionally an EPC "instrument", although the Commission also takes part; in the case of Eastern Europe, the dialogue inevitably covered EC issues, such as economic relations and enlargement. Likewise, during the Commission's meetings with East European politicians, political issues were discussed: during his visit to Bulgaria and Romania in April 1993, for example, Hans van den Broek discussed the situation in the former Yugoslavia with both governments. EC Bulletin no. 4, 1993, pt. 1.3.12 and pt. 1.3.15. This highlights once again the "blurring" of the EC-EPC dividing line.

former Soviet Union. The dialogue would help build a common European approach to international issues, the situation in Russia in particular.¹⁵² It would 'train' the associates in EPC's mode of operation, thus aiding their gradual integration into the Community. It would also encourage the East Europeans to cooperate, a Community objective that was not so popular in Eastern Europe (see chapter 6). The member states (through EPC) were thus trying to shape relations with the associates according to their collective interests and objectives, as well as respond to East European demands.

The dialogue began in May 1992 with a meeting between the troika and the Visegrad group (Czechoslovakia, Hungary, and Poland)¹⁵³, at the joint request of the Visegrad countries.¹⁵⁴ (Bulgaria and Romania were not included in the dialogue until later in 1993, because they had not yet concluded Europe agreements.) Development of the dialogue, however, was closely connected to the enlargement issue. Until the

¹⁵²At the first meeting in May 1992, the Visegrad foreign ministers and the troika discussed the Yugoslav crisis and relations with the former Soviet republics. EC Bulletin no. 5, 1992, pt. 1.2.17. The member states were especially interested in East European views on events in Russia. Interview with Council Secretariat official, 23 June 1994.

¹⁵³On 9 April 1990 the leaders of the three countries held a summit, at which they discussed their "return to Europe". They agreed to work out a plan of action for integration into West European organisations such as the EC. In February 1991, they established the Visegrad group, to press for integration into the EC and other organisations. Patricia Clough, "Linking Arms on the March to Europe", The Independent, 15 February 1991.

¹⁵⁴Interview with Commission official, 21 June 1994. The Commission had, however, suggested in September 1991 that a multilateral political dialogue be initiated with the associates, in response to their desire to be involved in political cooperation. EC Bulletin no. 9, 1991, pt. 1.3.13.

Copenhagen European Council, the enlargement question impeded the institutionalisation of the dialogue; relations developed instead on an ad hoc basis.

In June 1992, the Lisbon European Council discussed a Commission report on enlargement.¹⁵⁵ The report suggested several membership conditions, in addition to the three basic ones set out in the Maastricht Treaty (European identity, democratic status, and respect of human rights).¹⁵⁶ Applicants must accept the rights and obligations of the entire acquis communautaire and the CFSP, and they must be able to fulfill all the necessary obligations. In addition, the Community would have to ensure that enlargement did not reduce its effectiveness, by reforming its institutions and decision-making procedures.¹⁵⁷ Some countries (the EFTAns) were already well-prepared for membership, others (including the East European states) were not.

Because the East European countries wanted to strengthen their political links with Western Europe, the Commission suggested creating a European Political Area. European leaders could meet regularly within the framework of a confederation or in a conference convened by the European Council (a clear echo of Mitterrand's confederation proposal).

¹⁵⁵"Europe and the Challenge of Enlargement". The report was requested by the December 1991 European Council in response to the growing interest of non-members in joining the Community.

¹⁵⁶Article O states that any European state could become a member of the European Union, while article F proclaims that the governments of member states are founded on the principle of democracy and the Union is to respect fundamental human rights.

¹⁵⁷"Europe and the Challenge of Enlargement", pp. 11-16.

East European countries could be associated with specific EC policies and participate in certain EC meetings on subjects of trans-European interest (a fainter echo of Andriessen's affiliate membership idea).

The Lisbon European Council, 26-27 June 1992, did not take up the proposals. France, Italy, Spain and Portugal stressed the difficulties the East European states would experience if they joined the Community, and viewed the Europe agreements as a framework for preparing the associates for accession. Germany and the UK, however, wanted the associates, and particularly the Visegrad group, to be more closely integrated with the Community sooner rather than later.¹⁵⁸ As a compromise, the European Council insisted that relations with the East European countries would develop within the framework of the Europe agreements. This was the path of least resistance, already cleared. The multilateral political dialogue would be intensified and extended to include meetings at the highest political level.¹⁵⁹

The reluctance of the Lisbon European Council to go beyond the Europe agreement framework is clearly connected to the enlargement question. On the same occasion, the European Council approved a report by the foreign ministers on possible areas for CFSP Joint Actions. The foreign ministers suggested that with respect to Eastern Europe, the EU should promote political stability and regional cooperation, and encourage

¹⁵⁸Michalski and Wallace 1992, p. 54.

¹⁵⁹"Conclusions of the Presidency at the European Council in Lisbon, 26 and 27 June 1992", in EC Bulletin Supplement 3/92, pp. 23-24.

the full implementation of CSCE commitments, especially on human and minority rights and conflict prevention. To that end, the EU could take Joint Action to establish political frameworks to foster cooperation in Eastern Europe, reinforce EU-East European relations, and develop links between the East European states and other European organizations.¹⁶⁰

Granted, the Maastricht Treaty was not yet in force, so a Joint Action to reinforce relations with East European countries could not be taken. The need to do so was nonetheless clearly recognized. But the member states had not yet decided how to respond to the continuing demands from the associates for a clear perspective on membership; this uncertainty affected the development of closer relations with the associates.¹⁶¹ To go so far as to create a European Political Area could propel the Community towards enlargement, which would mean difficult reforms would have to be tackled, when some member states and their electorates were calling even the Maastricht Treaty a step too far. By strengthening relations within the Europe agreement framework and continuing the ad hoc multilateral political dialogue, the associates could be kept in the "association circle", which might or might not be eventually included in the Community itself. The Community's options were left open.

The incoming British presidency sought to implement the

¹⁶⁰Annex I, Conclusions of the Lisbon European Council, EC Bulletin no. 6, 1992, p. 20.

¹⁶¹Enlargement to the EFTAs was also in doubt: the Lisbon European Council decided that enlargement to the EFTAs could not proceed until the Maastricht Treaty was ratified (the Danes had just rejected it in a referendum) and the Delors-II budget package was approved.

Lisbon conclusions on the political dialogue with the Visegrad group. It announced that it would hold two meetings with Czechoslovakia, Hungary and Poland, one at ministerial level on 5 October 1992 and the other at head-of-state level on 28 October. The exclusion of Bulgaria and Romania did not please several member states, including France, nor Commissioner Andriessen. The Council did agree, however, that relations with Romania and Bulgaria had not yet progressed enough to include them.¹⁶² This debate again reflects the tension between conditionality and the view that stability is best ensured by integration into Western institutions.

Prior to the meetings, on 11 September 1992, the Visegrad countries submitted a memorandum to the Commission and British Presidency on strengthening their integration with the Community. They wanted above all a statement on membership:

We call upon the Communities and the member states to respond to our efforts by clearly stating the integration of our economies and societies, leading to membership of the Communities, is the aim of the Communities themselves. This simple, but historic statement would provide the anchor we need.¹⁶³

The member states, however, could not reach agreement on the membership issue.¹⁶⁴ So on 5 October, when the twelve foreign ministers and Andriessen met the Visegrad foreign ministers, no timetable for membership negotiations was drawn up, nor were any conditions set. Instead, they all reaffirmed

¹⁶²David Buchan, "EC To Meet East Europe Leaders", The Financial Times, 21 July 1992. France also wanted all the EC leaders to attend the summit meeting, an indication perhaps of its resentment of the British initiative in an area where France wanted to lead.

¹⁶³Quoted in Michalski and Wallace 1992, p. 114.

¹⁶⁴Agence Europe no. 5827, 2 October 1992.

that the Europe agreements would help the Visegrad countries achieve their final objective of membership. Political dialogue would be strengthened because it fosters "political convergence, a better mutual understanding and enhanced security and stability throughout Europe".¹⁶⁵

On 28 October, UK Prime Minister John Major and Delors held a summit in London with the four Visegrad prime ministers (Czechoslovakia - soon to be no longer - was represented by both the Czech and Slovak prime ministers).¹⁶⁶ The Visegrad leaders again pressed for better access to EC markets, closer political ties, and a timetable for entry into the EC. Both Delors and Major declared that they favored enlarging the Community to include the Visegrad group, but that a timetable for membership could not be set. They promised that the Community would draw up a list of membership criteria before the Edinburgh European Council in December.¹⁶⁷

The leaders agreed to establish a regular political dialogue. Consultations "as appropriate" would take place at the highest level between the Visegrad group and the presidents of the Council and Commission. Meetings "as appropriate" would be held between the Visegrad ministers and

¹⁶⁵"Meeting of the Ministers of Foreign Affairs of the European Community and the Visegrad Countries - Joint Statement", Council of the European Communities Press Release 9033/92 (Presse 170), Luxembourg, 5 October 1992, p. 3. The Community promised to help the Visegrad countries with the approximation of their laws to the acquis communautaire, and to develop joint infrastructure projects.

¹⁶⁶The Gabčíkovo dam dispute dominated behind the scenes at the summit; see chapter 6.

¹⁶⁷Andrew Marshall, "EC to Improve Links with East Europe", The Independent, 29 October 1992.

either all twelve EC foreign ministers, the EC troika, or the EC presidency (in all cases, the Commission would be represented). Senior officials from the Visegrad group and the troika would also meet regularly.¹⁶⁸ As a schedule of meetings was not specified, the multilateral political dialogue still seemed more ad hoc than institutionalized.

In early December 1992, the Commission added its voice to those pressing for a statement on membership. In a report on relations with Eastern Europe, it urged the Edinburgh European Council to accept the East European countries' objective of EU membership, once they could meet the necessary conditions:

By offering this perspective, the Community will provide encouragement to those pursuing reform and make the short term economic and social consequences of adjustment easier to bear. This perspective will also provide a stimulus to investment and discourage excessive nationalism.¹⁶⁹

To be eligible for membership, candidates must: be able to assume membership obligations (the acquis communautaire); have stable institutions guaranteeing democracy, the rule of law, human rights and respect for minorities; have a functioning market economy; endorse the objectives of political, economic and monetary union; and be able to cope with competitive pressure and market forces within the Union. In addition, the Community would have to be able to absorb new members while maintaining the momentum of European integration.

The Commission suggested that the associates could be

¹⁶⁸"Joint Declaration of the EC Community and its Member States and the Visegrad Group of Poland, Hungary and Czechoslovakia on Political Dialogue", European Union Press Release, 29 October 1992.

¹⁶⁹SEC (92) 2301 final, p. 3.

more closely involved in EPC: they could, for example, sit in on certain expert meetings. This would "help overcome political barriers and pave the way for the involvement of partner countries in political cooperation".¹⁷⁰ The Community could also move beyond the Europe agreements and establish a European Political Area. A structured multilateral relationship could be established, which would still preserve "the Community's own autonomous development".¹⁷¹ Regular enlarged Council meetings with the associates could be held in areas of trans-European interest (such as foreign affairs, energy, and the environment). These proposals clearly reflect the earlier ideas on East European participation in Community discussions and pan-European cooperation.

On 8 December the EC foreign ministers discussed the Commission's proposals. Disagreements among the ministers made it impossible for them to pass the report on to the Edinburgh summit. Germany, the UK, and Denmark favored a formal statement confirming the aim of enlargement; the majority, however, thought the Commission's guidelines still needed to be analyzed.¹⁷² The Edinburgh European Council only encouraged the full implementation of the Europe agreements and the extension of the political dialogue.¹⁷³ Other difficult issues dominated the Edinburgh summit: agreements enabling Denmark and the UK to ratify the Maastricht Treaty,

¹⁷⁰SEC (92) 2301 final, p. 4.

¹⁷¹SEC (92) 2301 final, p. 8.

¹⁷²Agence Europe no. 5876, 11 December 1992.

¹⁷³Conclusions of the Presidency, SN 456/92, Part D: External Relations.

increasing funds for the poorer member states, and launching accession negotiations with the EFTAns. These decisions had to be taken before the Community could consider enlargement to Eastern Europe.

The Community's reluctance to indicate a possible date and conditions for accession was fueling much discontent in Eastern Europe. A Czech official complained: "We fought hard to have the possibility of membership included in the [Europe] Agreement and now it appears that the Community is reneging on its commitment in this domain."¹⁷⁴ Polish Prime Minister Hanna Suchocka called on the Copenhagen European Council to confirm "the will of the Community to see Poland and the other associated states as future members of the European Union."¹⁷⁵

Nor were the Visegrad countries happy with the political dialogue. They charged that meetings were not well prepared, they were not consulted on the agendas, and they were not treated as equal partners.¹⁷⁶ At a meeting of the Visegrad foreign ministers and the EC troika (plus Commissioners Brittan and van den Broek) on 8 March 1993, the four associates called for an institutionalized political dialogue. But because the member states had not yet agreed on the Commission's report on relations with Eastern Europe, the

¹⁷⁴"Copenhagen Strikes Disappointing Chord Among East Europeans", European Report no. 1851, 17 April 1993.

¹⁷⁵"EC/Poland - Suchocka Chastises Community Inaction", European Report no. 1864, 5 June 1993.

¹⁷⁶"Poor Relations", The Economist, 1 May 1993. The Visegrad associates wanted too much at this stage: "in appropriate forms to be agreed upon they intend to contribute, individually and jointly, to shaping common positions." Körmendi 1992, p. 246.

troika could not respond to the request.¹⁷⁷

In May 1993, the Commission presented another report detailing how relations with the East European associates could be strengthened, which was very similar to its December 1992 report. It argued that "the European Council should confirm, in a clear political message, its commitment to membership of the Union for Europe agreements signatories when they are able to satisfy the conditions required."¹⁷⁸ (The conditions were those noted in the earlier report.) The East European countries needed a clear perspective of their membership prospects because it would strengthen their peoples' determination to continue with reforms, regardless of the hardship involved, provide an element of stability against the background of turbulence in the former Soviet Union and Yugoslavia, and "diminish tension in a region where confidence and stability are suffering from the absence of a viable security structure".¹⁷⁹

The Commission once again pushed for institutionalized relations. To prepare the associates for future membership, and try to provide a security structure in Eastern Europe, a European Political Area should be developed, though an intensive multilateral political dialogue. Regular joint meetings should be held at all levels, down to working group level. These closer links would foster a "greater sense of belonging to the process of European integration" which would

¹⁷⁷Agence Europe no. 5936, 10 March 1993.

¹⁷⁸SEC (93) 648 final, p. 3.

¹⁷⁹SEC (93) 648 final, p. 2.

"reduce feelings of insecurity and consequent tensions in the region, with gains for overall security and cooperation in Europe."¹⁸⁰ In addition, there should be enlarged meetings of the European Council, Council, and subordinate bodies, on specific issues, including justice and home affairs.¹⁸¹

On 8 June, the foreign ministers approved the package, although they dropped the term "European Political Area".¹⁸² Just before the Copenhagen European Council, in a clear attempt to put off enlargement, France submitted its own set of stricter membership criteria, which included GNP-per-capita level, degree of privatization, level of social protection, inflation levels, and public deficit size. Several member states objected, pointing out that it would be unfair to demand that some applicants, but not others (the EFTAns), fulfill such conditions.¹⁸³ France also presented a proposal for a Pact on Stability in Europe (see section 6.3.4), which some suspected was an attempt to set obstacles in the way of enlargement. In the event, however, France did not block the enlargement decision; under pressure from both Germany and the UK, France would have had to go along with the decision, or

¹⁸⁰SEC (93) 648 final, p. 2. Commissioner van den Broek had pushed heavily for the creation of a European Political Area. See interview with him in Lionel Barber and David Gardner, "A Brief to Build Bridges", The Financial Times, 8 March 1993.

¹⁸¹SEC (93) 648 final, pp. 4-5 and annex I, p. 17.

¹⁸²As discussed above, the package included trade concessions and PHARE reform. "Copenhagen Summit Set to Endorse Substantial Package on East", European Report no. 1866, 12 June 1993.

¹⁸³"Political Dialogue Remains Only Obstacle to Copenhagen Conclusion on East", European Report no. 1868, 19 June 1993.

risk losing influence.

The European Council in Copenhagen on 21-22 June 1993 finally agreed on a membership perspective for the associated East European countries: "Accession will take place as soon as an associated country is able to assume the obligations of membership by satisfying the economic and political conditions required." Candidate countries must:

- have achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- have a functioning market economy;
- be able to cope with competitive pressure and market forces within the Union; and
- be able to take on the obligations of membership including adherence to the aims of political, economic and monetary union.

The EU would have to be able to absorb new members, while maintaining the momentum of European integration.¹⁴ This last condition could be the most difficult to fulfill, as it is ambiguous and subjective. No timetable for membership was set out; that would depend on progress in meeting the conditions. The EU has used the conditionality of membership (a very powerful lever) to try to influence the reform process and prevent conflicts in Eastern Europe (see chapter 6).

The European Council also agreed to set up a structured relationship between the Community and the East European associates, thus formalizing the ad hoc arrangements for political dialogue and extending them further (but stopping well short of affiliate membership). In addition to regular meetings between the presidents of the European Council and

¹⁴Conclusions of the Presidency, SN 180/93, p. 13.

Commission and the associates' presidents, joint meetings of all the heads of state and government would be held to discuss specific issues, where appropriate. Advisory meetings would be held between the Council and all associated countries on matters of common interest (energy, environment, transport, and so on), the CFSP, and judicial affairs. No decisions would be taken at the meetings. A more intense dialogue on CFSP matters was also set out. There would be:

- one troika meeting at foreign minister level and one meeting at the level of political directors during each presidency;
- briefings at secretariat level after each General Affairs Council meeting and each political directors meeting;
- one troika meeting at working group level per presidency;
- regular troika consultations with the associates ahead of important UN General Assembly and CSCE meetings.

Thus in June 1993, the Community accepted the prospect of enlargement and agreed to intensify its relations with the associates, to integrate them gradually into the Community. This would further the Community's support of the reform process, on which "peace and security in Europe" depended.¹⁸⁵ To reach these decisions, the member states had made significant compromises. Several factors made this possible: the Danish 'yes' to the Maastricht Treaty (and the prior decision to allow Denmark to opt out of some parts of the Treaty), which meant that at least some institutional reform could go through; the agreement to proceed with enlargement to the EFTAs (which logically had to precede any agreement to

¹⁸⁵Conclusions of the Presidency, SN 180/93, p. 12.

enlarge to Eastern Europe); and the growing realization that East European demands for membership and closer relations had to be answered, in the Community's own interest. To ensure Europe's security, the EU would have to enlarge. It also helped that the transformation in several East European countries had proceeded so rapidly that the prospect of enlargement seemed more 'natural'.

Once again, elements of externalization and self-styled logic seem to apply. The decision on enlargement was taken after much pressure from the East European countries, yet the Community also set conditions which reflect the Community's own identity and experiences. There was also strong pressure within the Community (namely Germany, the UK, and the Commission) for enlargement. Likewise, although the associates demanded closer political ties with the Community, the structured relationship sets out a unique path for integration, with the emphasis on multilateralism and cooperation.

5.5 PREPARING FOR ACCESSION

Even with the acceptance of the associates' eventual membership, their demands did not diminish; in fact, pressures to provide a prospective timeframe were growing. On 1 April 1994, Hungary applied to join; Poland did likewise on 8 April.¹⁸⁶ The associates applied partly to force the issue onto the agenda of the 1996 IGC, but also to make sure the EU

¹⁸⁶Later, Romania applied on 22 June 1995, Slovakia on 27 June 1995, Bulgaria on 16 December 1995, and the Czech republic on 23 January 1996. The Baltic republics also applied in 1995: Latvia on 27 October, Estonia on 28 November, and Lithuania on 8 December.

would have to deal with the applications before the mythical date, 2000.¹⁸⁷

A priority of Germany's presidency from July to December 1994 was bringing the East European countries "into the fold".¹⁸⁸ To a certain extent, the rest of the EU agreed, the UK in particular. John Major argued:

Through Community membership we can consolidate democracy and prosperity across our continent. Without it, we risk turmoil among neighbours in Eastern and Central Europe and endanger our own long-term prosperity and stability.¹⁸⁹

The British and German foreign ministers, Douglas Hurd and Klaus Kinkel, cited three reasons why EU (and NATO) should enlarge: "security, prosperity and shared values."¹⁹⁰ There were widespread concerns that failure to give a concrete perspective on membership might intensify economic and political problems in Eastern Europe and spark a return to nationalism or authoritarianism, particularly with the continuing disarray in Russia.¹⁹¹

But as Germany continued to insist, others, France in particular, increasingly voiced their concerns about the

¹⁸⁷A Polish request to participate in the IGC was rebuffed: Commission President Jacques Santer said only EU member states can take part. Agence Europe no. 6457, 7 April 1995. There is overwhelming public support for joining the EU in all of the associates, from 73% in Bulgaria to 88% in Romania. Eurobarometer no. 42, Spring 1995, p. 50.

¹⁸⁸Andrew Marshall, "Germany Pushes Cause of Eastern Neighbours", The Independent, 19 July 1994.

¹⁸⁹John Major, "Raise Your Eyes, There is a Land Beyond", The Economist, 25 September 1993.

¹⁹⁰Douglas Hurd and Klaus Kinkel, "Welcome to our Eastern Cousins", The Times, 26 April 1994.

¹⁹¹Andrew Marshall, "EU Drives East Towards a 'Greater Europe'", The Independent, 29 January 1994.

implications of enlargement. France, and the Commission, reiterated that before enlargement could occur, the EU would have to carry out sweeping institutional reforms.¹⁹² Enlargement could not dilute the EU (already a condition of enlargement). France and several other Mediterranean member states were also worried about an eastward shift in the EU's center of gravity.¹⁹³ All were concerned about the probable cost of enlargement.¹⁹⁴

Ideas for a hard core Europe again appeared. In the fall of 1993, Italian Foreign Minister Beniamino Andreatta proposed that enlargement to Eastern Europe take place as soon as possible, but that a hard federal core should also be created at the heart of Europe to counter the inevitable slowing down of integration.¹⁹⁵ In late August and early September 1994, both French Prime Minister Edouard Balladur and the German CDU parliamentary group proposed a hard core Europe. On 7 September, John Major proposed a Europe à la carte, allowing member states to pick and choose the policies they wanted to

¹⁹²Andrew Marshall, "Germany Pushes Cause of Eastern Neighbours", The Independent, 19 July 1994.

¹⁹³Andrew Marshall, "Central Europe Lines up to Board the Brussels Bandwagon", The Independent, 21 March 1994, and "Southward Swing", The Economist, 14 January 1995. The EFTAn enlargement heightened these concerns. This is partly why Greece was also pushing for enlargement to Cyprus.

¹⁹⁴In July 1995, a Spanish official warned that several member states could block EU treaty amendments if they were going to lose EU subsidies to Eastern Europe. Tom Buerkle, "For Spain, The EU is All About Money", International Herald Tribune, 10 July 1995.

¹⁹⁵Nino Andreatta, "Una Politica Estera per l'Italia", Il Mulino, no. 5, September/October 1993, p. 888.

take part in.¹⁹⁶ Major's proposal was largely ignored; the hard-core proposals were harshly criticized, particularly in those countries excluded from the core.¹⁹⁷

Such ideas were not accepted because "people have become more conscious of the risks of splitting the Union or weakening the acquis communautaire..."¹⁹⁸ The Corfu European Council, 24-25 June 1994, stated that the institutional conditions for ensuring the proper functioning of the EU must be created at the 1996 IGC, which must therefore take place before any accession negotiations begin.¹⁹⁹ While the debate over institutional reform continued, the EU concentrated in the meantime on preparing the associates for membership.

In section 5.5.1, the pre-accession strategy will be discussed. One of the most important elements of the strategy, the structured relationship, will be examined in section 5.5.2.

5.5.1 The Strategy

Beginning in the spring of 1994, the Commission put together a "pre-accession" strategy, to help the associates satisfy the Copenhagen criteria.²⁰⁰ The Commission's reports

¹⁹⁶See "Back to the Drawing-Board", The Economist, 10 September 1994.

¹⁹⁷Stephen Kinzer, "German Plan for Phased Union of Europe Provokes Controversy", The New York Times, 4 September 1994.

¹⁹⁸Lionel Barber, "Opportunity for Fine-Tuning", The Financial Times, 10 May 1995.

¹⁹⁹Conclusions of the Presidency, in EC Bulletin no. 6, 1994, pt. I.13. The leaders also agreed that Cyprus and Malta would be included in the next phase of enlargement.

²⁰⁰Agence Europe no. 6194, 19 March 1994.

were released in July 1994.²⁰¹ The strategy was based on initiatives in five areas: strengthening the structured relationship; creating the legal environment for integration (approximation of laws); enhancing trade opportunities; promoting cooperation in areas such as energy, transport, and the environment; and assistance for integration and reform (with PHARE and EU loans; see chapter 4). The pre-accession strategy is unique; no previous membership applicants had the path to membership so clearly indicated.

The Essen European Council, 9-10 December 1994, approved the strategy, and declared that by preparing for the accession of the associates, the EU would help ensure "the lasting peace and stability of the European continent and neighbouring regions".²⁰² This meant that regardless of the acknowledged difficulties of enlargement, the EU was prepared to take significant steps to "implement" the Copenhagen decision: the acceptance of enlargement was not merely a symbolic decision. Furthermore, Europe agreements were to be concluded with the Baltic States and Slovenia so that they could be included in the pre-accession strategy.²⁰³ The pre-accession strategy is

²⁰¹Commission documents: The Europe Agreements and Beyond: A Strategy to Prepare the Countries of Central and Eastern Europe for Accession, COM (94) 320 final, 13 July 1994, and Follow Up to Commission Communication on "The Europe Agreements and Beyond: A Strategy to Prepare the Countries of Central and Eastern Europe for Accession, COM (94) 361 final, 27 July 1994.

²⁰²Presidency Conclusions, SN 300/94, p. 3. The European Council also decided that to balance its relations with Eastern Europe, the EU would develop a program for a Euro-Mediterranean partnership.

²⁰³The Copenhagen European Council had called for free trade agreements with the Baltic states, to replace the trade and cooperation agreements. The agreements were signed on 18

an important watershed: EU-East European relations would from then on be focused on preparing for enlargement.

Trade was not such an important part of the strategy, even though the Copenhagen trade concessions did not stem the associates' disappointment. One Polish official complained, "The EC's concessions are rather modest and far short of expectations."²⁰⁴ But the Union was reluctant to go further. As the Commission argued, in a vigorous defence of trade policy towards Eastern Europe, by 1993, 60% of the Visegrad countries' total exports entered the EC free of duties and quantitative restrictions; by 1998, the percentage would be 85%, the remainder being agricultural products.²⁰⁵

In July 1994, the Commission noted, "it does not appear that further trade measures affecting tariffs or quotas are necessary over the medium term."²⁰⁶ The Essen summit did

July 1994; they entered into force on 1 January 1995. EC Bulletin no. 12, 1994, pts. 1.3.37-1.3.43. Negotiations on Europe agreements with the Baltic states began in December 1994; the agreements were signed on 12 June 1995. The Europe agreement with Slovenia was held up by Italian objections over the rights of ethnic Italians in Slovenia, and the property rights of Italians who had left Yugoslavia after World War II. In March 1995, the Council agreed that talks with Slovenia could begin. Sarah Helm, "EU Stalls on Russia Trade Deal", The Independent, 7 March 1995. The agreement was initialled on 15 June 1995. Agence Europe no. 6502, 16 June 1995.

²⁰⁴Boris Johnson, "Eastern Recruits Cool Over EC Status", The Daily Telegraph, 2 February 1994.

²⁰⁵European Commission, "Trade and Aid in Relations Between the European Union, the Countries of Central and Eastern Europe and the Countries of the Commonwealth of Independent States", MG/PRH/FW/vf, 9 June 1994. Commissioner Hans van den Broek also argued that tariff quotas have not been fully used up by East European exporters. Interview in The Philip Morris Institute for Public Policy Research, Is the West Doing Enough for Eastern Europe?, November 1994, p. 45.

²⁰⁶COM (94) 361 final, p. 7.

agree, however, to align the timetables for trade liberalization in the Europe agreements with Bulgaria and Romania with those of the other associates, since the Copenhagen European Council had accepted the possibility of membership for all the associates.

A variety of measures to help the associates integrate their economies into the EU and meet the Copenhagen criteria were instead agreed. The Commission suggested that the EU help the associates implement competition and state aid policies that were compatible with EU policies, so that safeguard measures would not be needed.²⁰⁷ The Essen European Council stated that once adequate competition rules were implemented, the EU would 'consider refraining from using commercial defense instruments for industrial products' (not exactly a firm promise).

At Essen, the leaders agreed some measures to encourage regional economic cooperation.²⁰⁸ The EU would help the associates to promote their exports. But the European Council

²⁰⁷COM (94) 361 final, 27 July 1994, pp. 6-7. France, Spain and Portugal initially opposed the initiative. Lionel Barber, "EU to Tackle Blueprint for Enlargement", The Financial Times, 28 November 1994. The Commission noted in 1994 that since the interim Europe agreements entered into force, the Community had initiated only two anti-dumping cases (on steel products), and activated the safeguard clauses twice (on steel and cherries). "The Economic Interpenetration between the European Union and Eastern Europe", European Economy, no. 6, 1994, pp. 163-170.

²⁰⁸Baldwin notes that the Europe agreements set up a "hub-and-spoke bilateralism" which marginalizes the "spoke" (East European) economies. Because trade between the East European countries is not as liberalized as that with the "hub" (the Community), East-East trade is hindered, and investment thus discouraged. The East European countries should offer each other the same market access as offered under the Europe agreements. Baldwin 1994, pp. 133-136, pp. 206-209.

hesitated over a Commission proposal to introduce full cumulation of origin in EU-East European trade; the consequences would first have to be studied.²⁰⁹

In addition, as part of the pre-accession strategy, EU programs were opened to participation by the associates (see footnote 115). PHARE assistance has been given to further cooperation across EU-East European borders (see chapter 4).

The Essen European Council also asked the Commission to produce a White Paper of all the internal market legislation that needed to be adopted by the associates, and to report annually on its implementation.²¹⁰ PHARE will provide technical and legal assistance to help the associates adopt the acquis communautaire.

5.5.2 Consolidating the Structured Relationship

An important part of the pre-accession strategy has been the 'structured relationship' with the associates, which builds on the Copenhagen framework and the earlier proposals for East European participation in EU affairs. But as Hans van den Broek pointed out, there were worries about the legal implications of allowing the associates in on Council meetings; the EU had to be firm about maintaining its

²⁰⁹This would mean that goods made or assembled in several associated countries would still benefit from preferential trade access. Such a proposal had also been made back in 1992. French and Portuguese manufacturers were concerned that such moves would lead to job losses. Lionel Barber, "EU to Amend Origin Rules", The Financial Times, 2 December 1994. The associates were not thrilled with the proposal either (see chapter 6).

²¹⁰The White Paper was published in May 1995. Preparation of the associated countries of Central and Eastern Europe for integration into the internal market of the Union, COM (95) 163 final, 3 May 1995.

autonomous decision-making capacity.²¹¹ The associates have also been less than pleased by the multilateral approach (see chapter 6).

But by the end of 1994, the EU had set up remarkable and unprecedented mechanisms for dialogue with all the associates, in all three pillars, before there is even a firm date for beginning accession negotiations. All of the associates, even those whose membership prospects are doubtful in the medium term, have been included. The EU has thus apparently played down the importance of conditionality to try to spread the "Community method" of inter-state relations, hopefully contributing to stability and security in Europe.²¹²

The Copenhagen framework for an institutionalized dialogue was not fully implemented for some time. Over the following year, only two informal meetings were held between the Council and the associates on 'sectoral' matters: transport (30 November 1993) and economic development (5 June 1994).²¹³ No summits were held until December 1994. The first ministerial meeting within the framework for multilateral political dialogue took place on 21 September 1993, when the troika and a Commission representative met with

²¹¹In Is the West Doing Enough For Eastern Europe?, p. 43.

²¹²The structured relationship, however, only involves those countries that have concluded Europe agreements and the EU retains conditionality in its membership conditions. The three Baltic states took part in many meetings under the structured relationship before they had signed Europe agreements, but Slovenia did not. While the Baltic states have 'friends' in Germany and the Scandinavian countries, Slovenia's dispute with Italy delayed its integration into the EU.

²¹³Agence Europe no. 6119, 2 December 1993 and no. 6246, 8 June 1994.

all the foreign ministers of all six associates (including Bulgaria and Romania).²¹⁴

To take the Copenhagen conclusions further, Italy and the UK launched an initiative to link the associates with the two intergovernmental pillars of the Maastricht Treaty, the CFSP and cooperation in home and justice affairs. In November 1993, Italian Foreign Minister Andreatta proposed the joint Anglo-Italian initiative.²¹⁵ Andreatta felt that the East Europeans needed to be included in political dialogue, not least because it would be a visible sign of their participation in the EU and could thus increase the legitimacy of the governments in the eyes of their electorates.²¹⁶ The initiative would involve the UK in a European project, boost Italy's role, balance the Franco-German axis, and respond to East European requests for greater security.²¹⁷ In early December, Douglas Hurd agreed with the initiative.²¹⁸

Andreatta and Hurd wrote to Willy Claes, Belgian foreign minister and Council president, to propose developing new

²¹⁴They discussed the proposed Pact for Stability (see chapter 6), relations with Russia, the situation in the former Yugoslavia, and minority rights issues. EC Bulletin no. 9, 1993, pt. 1.3.7 and Agence Europe no. 6069, 22 September 1993.

²¹⁵Communication with Italian foreign ministry official, 4 August 1995.

²¹⁶Interview, 28 July 1995.

²¹⁷Ministero degli Affari Esteri, "Elementi per la Stampa: Iniziativa Italo-Britannica di Associazione dei Paesi dell'Europa Centrale ed Orientale all'Area Politica dell'Unione Europea", Rome, 23 December 1993. The initiative follows closely on a Franco-German proposal to offer the associates some form of association with the WEU (see chapter 6).

²¹⁸Interviews with Italian and UK foreign ministry officials.

links between the six associates and the EU on the two intergovernmental pillars. They argued that such links were necessary because relations with the associates tended to be dominated by economic issues. The associates desired a closer political relationship which would allow them "to anchor their societies and institutions to well-established democracies and to a common system of values."²¹⁹ Closer links in foreign policy areas and home affairs would help prepare the six associates for eventual EU membership.

The joint proposal was presented to the General Affairs Council on 20 December 1993. Claes noted it was timely, given the political turmoil in Russia and Ukraine, and the consequent growing anxiety in Eastern Europe.²²⁰ France was not so enthusiastic, because Italy and the UK had taken the initiative in a region which was supposed to be one where France traditionally exercised more influence.²²¹ Delors supported it, as did the associates: they wanted to take part in CFSP meetings.²²²

²¹⁹Text of the Letter from the UK and Italian foreign ministers (Coreu).

²²⁰The far right had just done well in Russian parliamentary elections, while there were worries that Ukraine would not dismantle its nuclear arsenal. Stephen Nisbet, "Britain, Italy Urge Closer EC-East Europe Links", Reuter, 20 December 1993.

²²¹Interview, 28 July 1995. The idea had been initially mentioned to German Foreign Minister Klaus Kinkel, but he was more interested in pursuing initiatives with France, such as pushing for WEU associate partnership status for the associates (see section 6.3.2).

²²²Andrew Marshall, "East Pushes for Tighter Integration with EU", The Independent, 3 March 1994, and "Delors Returns to Notion of Political Initiative", European Report no. 1926, 16 February 1994.

Less than three months later, on 7 March 1994, the Council agreed to reinforce the political dialogue with the six associated countries.²²³ The Council would make provisions for:

- an annual summit of the European Council president, the Commission president and the heads of state or government of the associated countries; in addition, the presidency would brief the associates' ambassadors after each European Council;
- special joint Councils on CFSP matters during each presidency with the associates' foreign ministers; the presidency could also organize troika meetings of the foreign ministers;
- political directors' meetings during each presidency; troika meetings could be held to discuss urgent matters;
- meetings of experts, in the form of working parties on security, terrorism and human rights, based on the troika or participation by all partners.

The associates could also back Troika demarches and EU statements, participate in certain Joint Actions, and could be invited to coordinate their positions with the EU's position in international organizations and conferences.²²⁴

The Council decision clearly implements the early proposals for East European participation in CFSP, and even moves closer to a form of affiliate membership. Undoubtedly, many member states agreed to do so because they felt it was

²²³EC Bulletin no. 3, 1994, pt. 1.3.37 and Agence Europe no. 6186, 9 March 1994. The decision was taken within the CFSP context, prepared in Political Committee meetings on 17-18 January and again on 28 February-1 March 1994, but was not a Joint Action. Links with the third pillar were held up because cooperation within the EU on home and justice affairs was proving to be a sensitive matter. Ministero degli Affari Esteri, Direzione Generale degli Affari Politici, "Appunto per il Segretario Generale", Rome, 26 January 1994.

²²⁴Member state and Council officials note that cooperation in international organizations has been working particularly well. There have also been several joint statements, and the associates have participated in demarches.

necessary to include the associates in a security framework, as the situation in Russia and turmoil elsewhere in the former Soviet Union and Yugoslavia provoked so much concern.

In two July 1994 reports, however, the Commission noted that neither the structured relationship agreed at Copenhagen nor the 7 March Council decisions had been fully implemented. The political dialogue, which had so far taken place mainly in troika format²²⁵, did not sufficiently address key foreign policy and security issues; yet development of this part of the structured relationship was "especially important as a means for overcoming the widespread sense of insecurity in central and eastern Europe."²²⁶ The Commission suggested that joint meetings of the EU and associates replace the troika format (as the Council had already decided in March).²²⁷ It further proposed that the structured relationship apply to all three EU pillars. Joint meetings of the associates and sectoral Councils should be held on matters of common interest, including environment, transport, internal market and social policy.²²⁸

Germany then weighed in with its strong support for the structured relationship. It put forward a paper on the

²²⁵On 19 April, the troika of foreign ministers, plus van den Broek, held talks with the foreign ministers of the six associates. EC Bulletin no. 4, 1994, pt. 1.3.21. There was supposed to have been a meeting with the full Council the previous month, but the EFTAn membership negotiations were still in progress and the meeting had to be postponed. Agence Europe no. 6187, 10 March 1994.

²²⁶COM (94) 320 final, p. 3.

²²⁷COM (94) 320 final, p. 4.

²²⁸COM (94) 361 final, pp. 1-2.

arrangements for joint meetings between the EU ministers and their counterparts from the six associates.²²⁹ The meetings would parallel those of the Council, and be held once or twice a year, on foreign affairs, internal affairs, the environment, economy, agriculture, and transport. The proposals were intended to be "practical guidelines" for implementing the Copenhagen European Council decisions. The German input was crucial in moving implementation forward.

At a Council meeting on 4 October, the German plan was basically approved, although five members states, including France, Spain and Belgium, objected to regular meetings and insisted that no decisions could be made at them.²³⁰ French Foreign Minister Alain Juppé argued that there should not be a proliferation of meetings and that the EU's independence of decision must be respected.²³¹

On 28 November 1994, the EU foreign ministers approved the Commission's report on a structured dialogue (which

²²⁹Under the German presidency, a few sectoral joint Council-associates meetings were held, including one on organized trans-border crime on 8 September 1994 and one on the environment on 5 October. Agence Europe no. 6312, 10 September 1994, and EC Bulletin no. 10, 1994, pt. 1.3.20. The political dialogue provisions were also more fully implemented. On 31 October, the foreign ministers from the EU, associates, and four EFTAns, met, along with Delors, Brittan, and van den Broek, to discuss the pre-accession strategy, regional cooperation, and closer links. The framework of the meeting was more official and formal than previous meetings, and was extensively prepared in Coreper. Agence Europe no. 6346, 28 October 1994.

²³⁰Andrew Marshall, "German Plan to Reach Out to Central Europe Triggers Row with EU Partners", The Independent, 5 October 1994.

²³¹Agence Europe no. 6329, 5 October 1994.

reflected the German, Italian and British proposals).²³² The Essen European Council then endorsed it. Each year the heads of state would meet on the margins of the European Council. The foreign ministers would meet semi-annually, to discuss the full scope of relations with associates. Ministers responsible for internal market development, transport, telecommunications, research, environment, cultural affairs, and education would meet once a year, in connection with regular Council meetings. Justice and home affairs ministers would meet twice a year.²³³ These meetings are additional to the "enhanced" political dialogue, as set out in the 7 March 1994 Council decision, which is much more intense.

Each presidency should arrange meetings for that year according to the above schedule, and identify priority themes at the beginning of the presidency. The associates will not participate in decision-making. Launching the structured relationship, the East European leaders were invited to the Essen European Council meeting.²³⁴ The French and Spanish

²³²"Essence of Essen", The Economist, 3 December 1994.

²³³Coreper will prepare the sectoral meetings. Preparation of foreign ministers meetings could be done in form of joint preparatory meetings at ambassadorial level. Coreper is to ensure the horizontal coherence of the dialogue. Presidency Conclusions, SN 300/94, Annex IV, pp. 9-10.

²³⁴The invitation was late in reaching the associates, however. Some observers say that reservations from London and Paris caused the uncertainty. Others point out that the southern member states were complaining about the neglect of Mediterranean economic and security issues. Agence Europe no. 6364, 25 November 1994, and Tony Barber, "Norway Shows the Way for EU Doubters", The Independent, 30 November 1994. The leaders from the six associates and the three Baltic states also met with the EU leaders after the Cannes European Council in June 1995, and after the Madrid European Council in December 1995. Twenty-ninth General Report on the Activities of the European Union 1995, p. 318.

presidencies drew up a schedule of meetings in 1995.²³⁵

Numerous problems with the structured relationship have become evident. Some associates are still 'putting their houses in order': finding interlocutors on the associates' side can be difficult. The associates want to extend the political dialogue provisions to other areas, but the EU refuses to do so: that would increase the burden on officials and let the associates in on too much EU business.²³⁶ The associates would also prefer to develop their bilateral links with the EU.

The structured relationship (and particularly the enhanced political dialogue) is burdensome; one official has said the EU is "drowning in political dialogue".²³⁷ Often ministers send their deputies to ministerial meetings. The large meetings, with 27 parties present, vividly illustrate the problems the EU will face when it enlarges.

But the structured relationship should help integrate the associates into the EU, particularly by socializing the associates into the process of consensus-building in the EU, and acquainting them with EU procedures and dossiers. Integration into the CFSP should also help the associates to develop a coordination reflex. This might avoid some of the dangers that enlargement poses for foreign policy cooperation, notably the disruption of discipline.²³⁸

²³⁵See Agence Europe no. 6415, 8 February 1995.

²³⁶Interviews with member state and Council Secretariat officials.

²³⁷Interview took place on 12 March 1996.

²³⁸As Nuttall warns, in Nuttall 1992, p. 321.

CONCLUSION

The Community/Union has set up a remarkable structure for the gradual integration of the East European associates into the EU, based on the Europe agreements, the pre-accession strategy and, in particular, the structured relationship. Several member states and the Commission pushed through initiatives, successfully upgrading the common interest. Again and again, reticent member states made concessions, on trade, on the structured relationship, and, above all, on enlargement. Externalization certainly seems to apply: the constant East European demands for action at the Community/Union level with regards to trade, dialogue, and enlargement forced the member states to respond jointly. But the collective response (conditionality of membership, structured relationship) has also been unique, reflecting the Community/Union's principles, goals, and experiences.

The most significant decision was that on enlargement. The Europe agreement framework, initially considered at least a medium-term strategy to help reform efforts and draw the associates closer to the Community, soon appeared inadequate. No doubt several member states would have preferred to postpone a decision on enlargement, but the demands of the East European states (supported by Germany, the UK, Denmark, and the Commission, in particular), combined with security concerns and an awareness of the EU's role as a stabilizing force in Europe, eventually forced those states to agree to enlarge the EU.

TABLE 5.2
EC Trade Provisions For East European Goods Since 1992

	Industrial products	Textiles	ECSC products	Agricultural products
Interim agreements with Hungary, Poland, CSFR	Duties eliminated for some goods immediately; others more gradually; all to be eliminated in 5 years (by 1 January 1997) All QRs removed immediately	All duties eliminated in 6 years (by 1 January 1998) All QRs removed in 5 years at earliest	Steel: All duties eliminated by 1 January 1997; all QRs removed immediately Coal: All duties eliminated in 1 year (for Hungary, by 31 December 1995); QRs removed in 1 year (derogations for Germany and Spain)	Schedule of annual reductions of levies and duties, and increases in quotas, depending on product
Interim agreement with Romania	Same as above; final deadline is 1 January 1998	Same as above (by 1 January 1999 for duties)	Steel: same as above; (by 1 January 1998 for duties) Coal: all duties removed by 31 December 1995; QRs same as above	Same as above
Interim agreement with Bulgaria	Same as above; final deadline is 1 January 1998	Same as above	Steel: all duties eliminated by 1 January 1997 Coal: all duties removed by 31 December 1995; QRs same as above	Same as above
Copenhagen European Council (June 1993) concessions	Duties removed in 4 years will be removed in 2 All duties to be removed in 3 years (by 1 January 1995 for Visegrad group; by 1 January 1996 for Bulgaria and Romania)	Duties to be eliminated one year earlier (for Visegrad group, by 1 January 1997; for Bulgaria and Romania, by 1 January 1998)	Steel: duties to be removed one year earlier	Levies to be reduced by 60% 6 months earlier than in interim agreement 10% increase in quotas applied 6 months earlier
Essen European Council (December 1994) concessions	All duties on Bulgarian and Romanian goods to be removed by 1 January 1995	Duties on Bulgarian and Romanian goods to be removed by 1 January 1997	Duties on Bulgarian and Romanian goods to be removed on same date as for Visegrad goods (1 January 1996)	Concessions on Bulgarian and Romanian goods extended on same date as for Visegrad goods

Sources: Official Journal; Copenhagen and Essen European Council Conclusions; Commission, "The Economic Interpenetration between the European Union and Eastern Europe", Europe Economy, no. 6, 1994, pp. 35-38.

CHAPTER 6

THE COMMUNITY'S POLICY: CONFLICT PREVENTION

The end of the Cold War was supposed to bring peace to Europe. At their Paris summit on 19-21 November 1990, CSCE leaders declared optimistically that their relations from then on would be "founded on respect and cooperation".¹ The euphoria did not last long. War erupted in the former Yugoslavia in mid-1991. Then conflicts and civil war broke out in the disintegrating Soviet Union. Tensions developed between other states in Eastern Europe, often over the treatment of ethnic minorities. The declaration of the CSCE leaders at their next summit in Helsinki in July 1992 has a much different tone:

This is a time of promise but also a time of instability and insecurity. Economic decline, social tension, aggressive nationalism, intolerance, xenophobia, and ethnic conflicts threaten stability in the CSCE area....For the first time in decades we are facing warfare in the CSCE region. New armed conflicts and massive use of force to achieve hegemony and territorial expansion continue to occur.²

The evolution of the Community's policy towards Eastern Europe reflects these changing circumstances. In 1988-1990, the Community had concentrated on aiding economic reforms. Democracy's roots would not spread if economic reforms failed, so supporting economic reform was considered necessary for the democratic transition. In addition, by extending aid and

¹"Charter of Paris for a New Europe", in EC Bulletin no. 11, 1990, p. 126.

²"CSCE Helsinki Document 1992: The Challenges of Change", in Alexis Heraclides, Helsinki-II and its Aftermath: The Making of the CSCE into an International Organization (London: Pinter, 1993), p. 211.

trade concessions on a conditional basis, the Community hoped to encourage political reform. By 1990, many within the Community agreed that more had to be done to consolidate the economic and political transformation, and the policy's instruments expanded to include association and integration. Eventual integration with the Community is widely believed to be the best way to spread security and stability in Eastern Europe, but in a longer-term perspective. In the shorter term, however, the Community would have to take other measures to ensure the success of the transformation, given the worrisome developments in Eastern Europe. The strengthening of ties with the associates and the acceptance of their eventual membership also meant that the Union would be that much 'closer' to instability. This made it more imperative to focus attention on preventing conflicts. Conflict prevention measures, which "aim at preventing disputes from arising and preventing existing disputes from deteriorating into armed conflict"³, would have to be implemented.

Until the end of the Cold War, the Community was better known for preventing conflicts between its own member states. The EU's involvement in conflict prevention has since expanded, as a result of its increasing foreign policy responsibilities and external exigencies. The Yugoslav war made manifest the EU's severe shortcomings in dealing with violent conflicts; the EU is much better equipped to try to prevent conflicts from erupting in the first place. In using

³Gabriel Munuera, Preventing Armed Conflict in Europe: Lessons from Recent Experience, Chaillot Paper 15/16 (Paris: Western European Union Institute for Security Studies, 1994), p. 3.

its instruments to try to prevent conflicts, the EU has also been evidently more pro-active than reactive.

Conflict prevention is one of those areas where spillover between foreign economic relations, foreign policy, and security policy is quite evident. Consistent with this, the Commission has been very involved in implementing conflict prevention measures.

In section 6.1, the perceived threats to security in Eastern Europe will be discussed. Section 6.2 will examine the measures that the Community has taken to try to reduce "internal" threats to security. Section 6.3 will then survey the measures taken to address "external" threats to security.

6.1 THREATS TO SECURITY IN EASTERN EUROPE

In this chapter, the sources of insecurity in Eastern Europe will be divided into "internal" and "external" sources, although such a division is fairly arbitrary, since intra-state ethnic conflicts or internal instability can spread across borders, or can be exacerbated or even fomented by groups or governments in other states. Internal sources of insecurity, arising within states, include: economic and political instability resulting from a failure of reforms; the risk that a population disillusioned with reforms could elect authoritarian and/or nationalist rulers; and disputes between ethnic groups. Jan Zielonka has argued that the most acute source of instability in the region emerges "from the possible failure of economic reforms and democracy-building in the

region."⁴ Such a failure could produce economic chaos and political anarchy, which could result in aggressive populism, hyper-nationalism, militarism and economic demagoguery, or even foreign intervention.⁵ Ethnic disputes are another internal source of insecurity. In a joint declaration in November 1991, the Community and the U.S. proclaimed that one of the greatest challenges to democracy and prosperity in the East was "dealing with ethnic diversity and the rights of persons belonging to national minorities."⁶

External sources of insecurity include concerns about Soviet (then Russian) foreign policy intentions: Russia could try to re-establish a sphere of influence in Eastern Europe. At the very least, this would destabilize the region, and could potentially inflame existing disputes between East European countries in different "spheres". Other external sources are inter-state disputes over ethnic minorities and boundaries. Jenonne Walker has warned that the most likely source of conflicts between states in Eastern Europe stems from one state's concern over the treatment of ethnic minorities in a neighboring state. Disputes over territory also arise in part from minority grievances - states might

⁴Zielonka 1992, p. 5. This was also the view of the former Czechoslovak foreign minister. See Dienstbier 1991, especially p. 126.

⁵A report by several research institutes asserted that "it is economic success or failure that will determine the fate of the new democracies." Falk Bomsdorf, et al., Confronting Insecurity in Eastern Europe: Challenges for the European Community (London: Royal Institute of International Affairs, 1992), p. 21.

⁶"EC-US Statement on Peaceful and Democratic Transformation in the East", EPC press release P.111/91, 9 November 1991.

want to change their boundaries to include more of their dominant ethnic group within their state.⁷

Clearly, conflicts in Eastern Europe could adversely affect the EU's security.⁸ There are several kinds of measures that outsiders can take to try to prevent violent conflicts arising from these internal and external sources. One observer noted: "as many conflicts and tensions are rooted in political, social and economic instabilities, the Union is much better equipped than any other international organisation to address related problems."⁹ At a 1993 conference, Commission President Delors asserted that

[t]he European Community has a special responsibility not only because of its importance as a pole of stability and prosperity, but also because it has an armory of instruments to deal with the most pressing problems in the East and in the South. Never has the link between economic stability and security been so obvious.¹⁰

PHARE, the Europe agreements, the structured relationship, all support the political and economic reforms in Eastern Europe, and thus help engender security. Delors stated, however, that

⁷Jenonne Walker (1993a), "European Regional Organizations and Ethnic Conflict", in Regina Cowen Karp, ed., Central and Eastern Europe: The Challenge of Transition (Oxford: Oxford University Press, 1993), p. 45.

⁸For a more detailed discussion of possible threats to the West stemming from the collapse of communism, see Bomsdorf, et al. 1992, pp. 60-81, and Edward Mortimer, European Security After the Cold War, Adelphi Paper no. 271 (London: Brassey's, 1992), pp. 5-18. One could add that the negative "public relations" effects of not dealing successfully with conflicts, as in the former Yugoslavia, could reduce public support for European integration.

⁹Jopp 1994, p. 67.

¹⁰Jacques Delors, "European Unification and European Security", in European Security after the Cold War Part I, Adelphi Paper no. 284 (London: Brassey's, 1994), p. 11.

the EU's priority would be "to promote stability on the eastern and southern borders by paying more attention to preventive diplomacy."¹¹

This chapter will examine how the Community, then Union, has tried to prevent conflicts in Eastern Europe, particularly since 1991, when the issue became more pressing. "Conflict prevention" will be interpreted fairly widely, to include not only mediation or economic and diplomatic pressure on disputants, but also attempts to reduce the internal and external sources of insecurity (beyond integrating the associates in the EU and providing aid for economic reforms). The Community/Union has used conditionality to foster democratization, respect for human and minority rights, and friendly relations with neighbors; provided aid specifically for democratization; encouraged regional cooperation; and integrated the associates into the WEU. These measures are not specifically and solely aimed at preventing conflict, but are expected to achieve that objective, and so will be covered in this chapter. The Community has also, however, stepped in directly to mediate a dispute between Slovakia and Hungary, using conditionality to prod the parties to compromise, and devised the Pact on Stability in Europe. The Pact is clearly the EU's foremost effort to prevent conflict, and has been developed specifically for that aim.

The Community's efforts to eradicate or mitigate the perceived causes of instability and insecurity in Europe have taken place alongside similar efforts by other organizations,

¹¹Delors 1994, p. 9.

namely, the CSCE, Council of Europe, and NATO. Those efforts cannot be discussed here, except insofar as they have been linked to the Community's measures.

6.2 THE COMMUNITY'S RESPONSE TO INTERNAL THREATS

The measures taken by the Community to address the internal sources of conflict reflect very "liberal" ideas. Democracy, respect for human and minority rights, economic growth, and integration would lead to stability and peace. The June 1991 Luxembourg European Council declared that respect for human rights was necessary for peace and lasting security.¹² The Community and the US jointly declared, in November 1991:

The potential for inter-ethnic tensions and aggressive nationalism to destabilize the emerging democracies of the region can best be addressed through adherence to the principles and commitments enunciated through the CSCE process, including as reaffirmed at the recent Geneva meeting of experts on national minorities.¹³

Reinhardt Rummel has noted that the EU is applying its own experiences with regards to Eastern Europe. Democracy and integration had created peace in Western Europe; "[d]eveloping democracy within the states of Eastern Central Europe and the CIS as well as integration among these states is therefore regarded as a road to peace in this region as well."¹⁴

¹²Presidency Conclusions, Luxembourg European Council, 28-29 June 1991, Annex V, EC Bulletin no. 6, 1991, p. 18.

¹³EPC press release P.111/91.

¹⁴Reinhardt Rummel (1995b), "CFSP's Conflict Prevention Policy", Paper prepared for the ECPR Second Pan-European Conference in International Relations, Paris, 13-16 September 1995, p. 4. A debate about whether democracy actually engenders peace is currently raging among international relations theorists, but not, it seems, among policy-makers who appear to be convinced that it does.

Several observers have warned, however, that democratization could exacerbate ethnic tension. After all, violent ethnic conflicts have broken out during the process of democratization.¹⁵ But in their November 1991 joint declaration, the Community and the US stated: "We specifically want to underline that political freedom is not the cause of such problems [ethnic tensions and nationalism] but is the necessary pre-condition for achieving durable solutions in the spirit of compromise and mutual tolerance."¹⁶ Munuera agrees: "Ultimately, the basis for stability is well-known: democracy and socio-economic development provide the greatest hope for managing the problems of Central and Eastern Europe, particularly inter-ethnic relations."¹⁷

To encourage democratization and respect for human and minority rights, the Community adopted two main approaches: it set political conditions for closer relations and eventual membership, and it extended aid and technical assistance to help build democracy. In section 6.2.1, the application of the conditionality principle will be examined in more detail;

¹⁵On this issue, see Renée de Nevers, "Democratization and Ethnic Conflict", *Survival*, vol. 35, no. 2, Summer 1993. De Nevers notes that whether or not ethnic conflict erupts during democratization depends on several factors: the speed with which ethnic issues are recognized, the level of ethnic tension when democratization begins, the size and power of different ethnic groups within the state, the ethnic composition of the previous regime and its opposition, the political positions of the leaders of the main ethnic groups, the presence or absence of external ethnic allies, and the ethnic composition of the military (pp. 31-32). She suggests that, to try to prevent ethnic conflict during democratization, the international community should emphasize the need to protect group rights (p. 46).

¹⁶EPC press release P.111/91.

¹⁷Munuera 1994, p. 104.

section 6.2.2 will review the Community's direct attempts to help the transition to democracy.

6.2.1 Conditionality

Conditionality has been the guiding principle of Community policy since 1988, when negotiation and conclusion of the trade and cooperation agreements depended on the progress of reforms and respect for CSCE principles. In this section, the principle of conditionality (and the problems with it) will first be examined in greater detail; then its application will be discussed.

The Community's conditions have been explicitly stated. The preambles to all the Europe agreements stress commitment to pluralist democracy, based on the rule of law, human rights, a multiparty system, and free and democratic elections. The agreements with Bulgaria, the Czech republic, Romania and Slovakia (concluded as the risks of ethnic conflict became clearer) also mention respect for minority rights, and contain a clause stipulating that continued association depends on respect for human rights and democracy.¹⁸

With the outbreak of war in the former Yugoslavia in June 1991, the Community increasingly emphasized respect for human and minority rights and the peaceful resolution of border disputes.¹⁹ A consensus has developed that the East European

¹⁸See also the Commission's Communication, On the Inclusion of Respect for Democratic Principles and Human Rights in Agreements between the Community and Third Countries, COM (95) 216, final, 23 May 1995.

¹⁹The Community had not insisted so much on minority rights before. The June 1991 Luxembourg European Council stated: "The protection of minorities is ensured in the first

states (but not necessarily the EC member states) must guarantee minority rights.²⁰ For example, in a joint declaration in November 1991 (as war raged in Croatia), the EC and US asserted that "the full observance and implementation of all CSCE principles and commitments and the respect for the diversity of minorities in a spirit of tolerance are essential to the development of close, cooperative and mutually beneficial relations in the new Europe."²¹ The Pact for Stability in Europe (see section 6.3.4) in particular emphasizes minority rights guarantees as a way to reduce disputes between neighbors.

Conditionality extended to the recognition of new states emerging with the disintegration of communist federations. On 16 December 1991, the Community and the member states adopted criteria for recognizing new states in Eastern Europe and the Soviet Union, or more correctly, for establishing diplomatic relations with new states.²² The criteria were at this point

place by the effective establishment of democracy. The European Council recalls the fundamental nature of the principle of non-discrimination. It stresses the need to protect human rights whether or not the persons concerned belong to minorities." Presidency Conclusions, Annex V, EC Bulletin no. 6, 1991, p. 17.

²⁰In June 1992, the CSCE set up the post of High Commissioner on National Minorities. In November 1994, the Council of Europe adopted a Framework Convention on the Protection of National Minorities.

²¹EPC press release P.111/91.

²²Marc Weller points out that these criteria go far beyond the traditional standards, under international law, for recognizing statehood. They were "not meant to be criteria of statehood as such, but rather introduced political criteria concerning the possibility of establishing diplomatic relations." Marc Weller, "The International Response to the Dissolution of the Socialist Federal Republic of Yugoslavia", American Journal of International Law, vol. 86, no. 3, July

familiar principles of the Community's policy towards Eastern Europe, including: respect for CSCE principles of the rule of law, democracy and human rights; guarantees for the rights of ethnic and national groups and minorities; respect for the inviolability of frontiers which could only be changed by peaceful means and common agreement; and commitment to settle questions of state succession and regional disputes by agreement.²³ Such conditions were novel in international law; as Margaret Doxey notes, the "EC conditions were collectively set and far-reaching, reflecting security and welfare norms of an international public-policy nature."²⁴ Of course, such conditions are really powerful only prior to recognition, but they reiterate the principles of good governance and friendly inter-state relations that the Community has tried to promote in Eastern Europe.

The Copenhagen European Council's declaration on membership conditions could certainly prove to be the EU's most powerful instrument for influencing the transformation of Eastern Europe. Mathias Jopp has argued that "conditions for accession, together with a realistic perspective for membership, are the most effective lever for the Union to influence developments in Central and Eastern Europe."²⁵

1992, p. 588.

²³"Declaration on the 'Guidelines on the Recognition of New States in Eastern Europe and in the Soviet Union'", EPC Press Release P.128/91, 16 December 1991.

²⁴Margaret Doxey, "'Something Old, Something New': The Politics of Recognition in Post-Cold-War Europe", Diplomacy and Statecraft, vol. 6, no. 2, July 1995, pp. 312-313.

²⁵Jopp 1994, pp. 58-59.

Munuera maintains that the appeal of EU membership contributes to conflict prevention in two ways. It imposes self-restraint on countries that want to show their good intentions and readiness for membership and its appeal provides the EU with important external leverage over the behavior of potential candidates.²⁶ No dates have been indicated for enlargement, as this depends on fulfillment of the conditions; providing a date could be counterproductive.

To what extent applying conditionality will allow the EU to influence the development of democracy - and therefore, in the liberal view, the potential for conflicts - is still an open question. Some of the associates have been irritated by conditionality: Hungary once described it as "patronizing", while Poland argued it was not necessary since it had already demonstrated its commitment to democracy.²⁷ The success of democratization in a particular state may have more to do with domestic factors, including a general consensus favoring democratization, than with the EU's insistence that the state fulfill certain conditions. But where democratic reforms are more contested, the EU's conditions could be influential. Georg Sorensen argues that political conditionality could help to dissuade governments from human rights abuse, or to discourage a return to authoritarian rule, but needs to be backed up by positive measures to strengthen civil society.²⁸ Peter Urin, however, counters that it would be difficult to

²⁶Munuera 1994, pp. 91-92.

²⁷Merritt 1991, pp. 23-24.

²⁸Georg Sorensen, "Introduction" in Sorensen 1993, p. 4.

impose democracy or human rights protection against a government's will.²⁹

The leverage provided by membership conditions did support the democratization process in three Southern European countries, Greece, Spain, and Portugal, which had been excluded from the Community because they were not liberal democracies. Several observers agree that this had a crucial effect in encouraging democratization in those three countries from the 1970s.³⁰ The new political elites saw the "European option" as a way to strengthen the new democracies, acquire international respectability, overcome isolation, and receive financial aid. The prospect of EC entry provided a powerful incentive for democratization.³¹ As democratization was launched in the three countries, the EC responded by expressing solidarity, holding out the prospect of membership, and promising tighter trade links and modest amounts of aid. But Geoffrey Pridham argues that domestic developments were still the primary influence on democratization, because the Community could not have prevented a disruption or reversal of the transition process.³²

There are several problems with conditionality. How is

²⁹Urin 1993, p. 68.

³⁰See Lawrence Whitehead, "Democracy by Convergence and Southern Europe: A Comparative Perspective", and Geoffrey Pridham, "The Politics of the European Community, Transnational Networks and Democratic Transition in Southern Europe", in Geoffrey Pridham, ed., Encouraging Democracy: The International Context of Regime Transition in Southern Europe (Leicester: Leicester University Press, 1991).

³¹Pridham 1991, pp. 225-226.

³²Pridham 1991, p. 243.

it to be applied? As Peter Urin asks: What is the minimum degree of democratization required? Which human rights are to be respected as a matter of priority?³³ How would the EU determine whether associates are fulfilling conditions for association or membership?³⁴ What would be considered violations of the conditions? Any such judgment is bound to be highly subjective, and therefore influenced by politics.³⁵

Several members states have argued that it is more important for the EU to strengthen relations with the East European states than to apply conditionality. A strict application of conditionality would only isolate those states that most needed aid and ties with the Community, and generate instability. There is still a reluctance (as there was during the Cold War) to use trade and relations with Eastern Europe as a "stick", rather than as a "carrot". This was evident, for example, in the discussions about relations with Bulgaria and Romania in 1992 and early 1993 (see chapter 5). The extension of the structured relationship to all the associates, irrespective of their progress in political and economic reforms, reflects the view that integration is crucial for maintaining stability. The tensions between these two views are manifest in several other instances, discussed further below.

³³Urin 1993, p. 70.

³⁴A Commission official noted that the governments of some associates believe constitutional provisions on human rights are enough; in daily practice, however, those provisions may be violated. Interview, 19 April 1996.

³⁵Relations with Slovenia, for example, have been subject to the vagaries of changing Italian governments.

There is also the risk that applying conditionality could turn the "targeted" state back to Moscow; the EU has become increasingly aware of this. Geopolitical considerations more than a positive appraisal of the progress of reforms, for example, affected the decision to negotiate Europe agreements with Bulgaria and Romania (see section 5.3.2).³⁶

There are problems with insisting on the protection of minority rights. States could fear that by granting substantial autonomy to minorities, they create a precedent for separation. By granting rights on the basis of ethnic or other exclusionary criteria, states perpetuate divisions. Minority rights and individual human rights may not be compatible. Community member states themselves are divided over the concept of minority rights, with France and the UK in particular more inclined to emphasize individual rights. One observer argues that insisting on guarantees for minority rights is only one conflict prevention measure, and should be emphasized along with democratic practices and economic stability. The progressive reduction in the importance of borders, by cross-border cooperation and regional integration, would also help prevent disputes over minorities.³⁷ The EU has in fact combined these sorts of measures.

The conditionality of membership, while a powerful

³⁶Relations with the Baltic states have been strengthened for similar reasons - to prevent Russia from re-establishing a sphere of influence including those countries. There are concerns that Russia may pressure Bulgaria, unlikely to accede to the EU and NATO any time soon, to join a "counter-alliance". Adrian Bridge, "Bulgaria Torn by Row Over Kremlin Alliance", The Independent, 1 April 1996.

³⁷Munuera 1994, pp. 79-83.

instrument now, may prove troublesome in the future. Munuera warns that unless membership is likely to be granted in the near future, frustration could result.³⁸ If enlargement occurs gradually, to some East European states before others, then stability could be undermined if it appears that Europe is being divided again. Should all of the associates thus be integrated at the same time, irrespective of their performance in economic and political fields? This would be highly impractical, and undesirable, from the EU's point of view. Why should governments not wholly committed to democracy and the market economy be granted membership in a "club" based on those foundations? But there is a risk that those associates that join the EU could veto further enlargements or take an aggressive attitude towards non-members over minority issues. Encouraging regional cooperation (see section 6.3.1) is one way to try to avoid this, but the risks remain. In addition, the promise of membership is a "consumable power resource"; once fulfilled, the EU's leverage would have been exhausted.

The application of conditionality in practice makes manifest these various problems. Elections in several associates have returned former communists to power: Lithuania in November 1992, Poland in September 1993, Hungary in May 1994, and Bulgaria in December 1994. The hardship resulting from the transition from communism and the mistakes made by the first, inexperienced post-communist governments have been

³⁸Munuera 1994, pp. 91-93.

cited as reasons for the popularity of the "pink" communists.³⁹ At one level, the election of such governments in Eastern Europe has not affected relations with the EU (or even caused much concern within the EU) - as all the countries are still democratizing, the governments have pledged that reforms will continue (more slowly), and all remain committed to seeking EU membership. The EU has pressed ahead with the pre-accession strategy and the structured relationship. But eventual membership in the EU depends on the associates meeting the conditions, and for some associates, that may not happen for quite a while if the pace of reforms slows.

The Community's response to the Czechoslovak split illustrates a subtle use of conditionality. While the risk of a conflict between the two successor states was very unlikely, here was an opportunity to demonstrate that disputes could be handled peacefully.

The immediate reactions of several EC officials to the prospect of a division of Czechoslovakia were not positive. The EC tried to indicate that the reasons for a division of the country were by no means clear to outsiders. On 21 June 1992, EC Council President Joao de Deus Pinheiro said that the division of the CSFR was a mistake, and would make things more difficult for them. Delors publicly agreed with him.

³⁹"A Return, but not a Rerun", The Economist, 16 April 1994. Some, however, blamed the Community: "Neglect by the West Europeans may even be partly responsible for the emergence of Europe's new east-west divide. With the EC beacon shining too feebly, some East Europeans are being drawn to more familiar lights." "The Nightmare Continent", The Economist, 13 June 1992. But even in eastern Germany, where the German government has poured massive amounts of aid, former Communists have done well in elections.

Andriessen indicated that the Europe agreement would have to be reexamined in the event of a split.⁴⁰ The Lisbon European Council a few days later stated:

In light of the results of the 5 and 6 June elections in Czechoslovakia and the joint public declaration of Mr Klaus and Mr Meciar after their talks of 19 and 20 June, the European Council expressed the hope that the ongoing talks between the different political forces will continue in a peaceful and constructive manner and that the important steps in regional and international cooperation already achieved may be further developed without any major difficulty.⁴¹

Once the decision to divide Czechoslovakia had been taken, the EC strengthened its message. The two successor states were told that unless they established a customs union, a number of serious technical problems could hinder their trade with the EC.⁴² The need to reopen negotiations on Europe agreements thus gave the Community some leverage.⁴³

The division of Czechoslovakia, as of 1 January 1993, went relatively smoothly, and the question of recognizing the successor states, the Czech republic and Slovakia, did not even arise (regardless of the list of conditions for recognition).⁴⁴ The Czech republic was pressing for the two

⁴⁰Agence Europe no. 5755, 22/23 June 1992.

⁴¹Presidency Conclusions, EC Bulletin no. 6, 1992, p. 14.

⁴²Interview with DG IA official, 12 March 1996.

⁴³Jenonne Walker (1993b) contends that the EC made a Czech-Slovak customs union a precondition for continued association. In "International Mediation of Ethnic Conflicts", Survival, vol. 35, no. 1, Spring 1993, p. 110. On 25 and 26 October 1992, Czech and Slovak leaders signed several agreements including one establishing a customs union. Sharon Fisher, "Czech-Slovak Relations Two Years After the Elections", RFE/RL Research Report, vol. 3, no. 27, 8 July 1994, p. 11.

⁴⁴Interviews with two Commission officials.

new countries to be treated on the same terms. Slovakia was basically included in the unofficial "first tier" - those associates most likely to become EU members first. Both new countries signed Europe agreements at the same time (October 1993), even though reform in Slovakia was much less advanced and Slovak-Hungarian relations were still strained.⁴⁵

Events in Slovakia, however, have caused considerable concern. In July 1992, the Community inquired about the future status of Slovakia's minorities (and especially the 600,000 ethnic Hungarians), but the new prime minister, Vladimir Meciar, refused to consider legislating minority rights guarantees.⁴⁶ He also refused to consider signing a treaty with Hungary which included provisions on minority rights, fearing that the Hungarian minority would try to secede from Slovakia and reunite with Hungary.⁴⁷

⁴⁵The Gabcikovo dam dispute had been defused (see section 6.3.3), but the issue of the Hungarian minority in Slovakia was still problematic. Czech pressure, and support from EC member states, also helped overcome Hungarian objections to Slovakia's membership in the Council of Europe; both successor states joined in June 1993. Munuera 1994, pp. 16-17.

⁴⁶And relations between Meciar and the ethnic Hungarian deputies in the Slovak parliament were very strained. Alfred Reisch, "Meciar and Slovakia's Hungarian Minority", RFE/RL Research Report, vol. 1, no. 43, 30 October 1992. From February 1992, the CSCE High Commissioner for National Minorities sent observers to study conditions in Slovakia (and in Hungary, where there are an estimated 100,000 ethnic Slovaks). Munuera 1994, p. 16.

⁴⁷See also Alfred Reisch, "The Difficult Search for a Hungarian-Slovak Accord", RFE/RL Research Report, vol. 1, no. 42, 23 October 1992. It should be noted that Hungary's attitude on the minorities issue has not always been constructive: it has long argued that it has a special obligation towards Hungarians living outside Hungary. See "Minorities: That Other Europe", The Economist, 25 December-7 January 1994, and Edith Oltay, "Minorities as Stumbling Block in Relations with Neighbors", RFE/RL Research Report, vol. 1, no. 19, 8 May 1992.

Since autumn 1994, the EU has been very concerned that the political situation in Slovakia is deteriorating, and democratization being undermined; because of the Hungarian minority issue, this has negatively affected Slovak-Hungarian relations. After expressing concern through less visible channels of communication, the EU brought out the "heavy artillery".⁴⁸ In less than a year, the EU presented two demarches to the Slovak government. On 23 November 1994, a demarche reiterated that the strengthening of relations between Slovakia and the EU would depend on the new government's policies.⁴⁹ On 25 October 1995, the troika presented the Slovak prime minister with a demarche emphasizing that Slovakia must meet democratic norms before it can join the EU.⁵⁰ In November 1995, the EP threatened to suspend aid to Slovakia because of violations of human and minority rights, and disregard for the rule of law.⁵¹ The EU put much pressure on Slovakia and Hungary to sign a good-neighborly agreement within the framework of the Stability

⁴⁸As one national official called it. Interview took place on 14 March 1996.

⁴⁹Sharon Fisher, "Turning Back?", Transition, vol. 1, no. 1, 30 January 1995, p. 62. Although no government had been formed after elections ended on 1 October 1994, Meciar's party, in conjunction with two small parties, formed a voting bloc and took over the broadcast media and intelligence service, and ousted the privatization minister.

⁵⁰Peter Javurek, "US, EU Formally Express Disquiet on Slovak Turmoil", Reuter, 25 October 1995. The concerns stemmed from the suspected involvement of the prime minister in the kidnapping of one of the president's sons.

⁵¹Agence Europe, 18 November 1995, and "Madness", The Economist, 2 December 1995. The EP was reacting to Meciar's attempts to expel an opposition party from parliament.

Pact (see section 6.3.4); an agreement was signed in March 1995, but Slovakia did not ratify it until one year later.⁵²

Developments in Romania have not prompted as much concern, although the political situation there is also worrying, with implications for inter-state relations. Romania has between 1.6 and 2 million ethnic Hungarians, and its position on minority rights is similar to Slovakia's. In August 1994, an extreme anti-Hungarian party, the Romanian National Unity Party, joined the cabinet. In January 1995, ruling Social Democrats signed an agreement with the anti-Semitic and racist Great Romania Party. Western diplomats had pointed out beforehand that such alliances would not improve Romania's image and help prepare the way for EU membership.⁵³ Relations with Hungary have consequently been strained.

Within the framework of the Pact for Stability, the EU unsuccessfully pressed Romania and Hungary to agree on a friendship treaty, including minority rights provisions. Romania has stated that it fears that including minority rights provisions would give ethnic Hungarians too much autonomy, and fuel demands for self-determination.⁵⁴ In summer 1995, there were signs that the Romanian government was contributing to anti-Hungarian sentiment, making it unlikely

⁵²At the same time, the Slovak parliament approved a controversial "anti-subversion" law. Adrian Bridge, "Slovak Uproar Over Free Speech", The Independent, 27 March 1996.

⁵³"Getting Nastier", The Economist, 4 February 1995.

⁵⁴"Hungary Calls on Romania To Compromise in Talks", Reuter, 20 June 1995.

a Romanian-Hungarian agreement would be signed soon.⁵⁵

At a trilateral meeting of the French, German, and Romanian foreign ministers on 17 July 1995, less than a month after Romania applied to join the EU, Herve de Charette and Klaus Kinkel reminded Teodor Melascanu that economic reform and democracy were necessary conditions for EU membership. They again pushed for a rapid agreement between Romania and Hungary on minority rights.⁵⁶ But the EU has not presented Romania with a demarche; concern has instead been expressed in the context of the association council (set up under the Europe agreement).⁵⁷

EU and member state officials maintain that the EU has treated Romania and Slovakia differently because the situations in both countries are different: in Slovakia there has been a marked deterioration, whereas in Romania, the situation is at least not getting worse. Some acknowledge, however, that because Romania is so much further behind (economically and politically) and further away (geographically), expectations for it are lower; it would not have joined the EU in the first enlargement eastwards anyway.

⁵⁵The Romanian government distributed a book blaming Hungarians for atrocities committed during the 1989 revolution, and passed an education bill that limited minority language rights (which was condemned by the EP in July 1995). See Adrian Bridge, "Romania Set for New Row with Hungary", The Independent, 26 August 1995, and "Romania Slams EU Over Gypsy Resolution", Reuter, 18 July 1995.

⁵⁶But the French and German foreign ministers also indicated that military contacts between the three countries would be increased. "Paris, Bonn Remind Romania of EU Entry Conditions", Reuter, 18 July 1995.

⁵⁷Interview with Council Secretariat official, 12 March 1996.

Slovakia is Austria's neighbor, and there had been higher expectations for it.⁵⁸

Whether the EU successfully encourages the development of democracy within Slovakia or Romania remains to be seen; much of course depends on the countries themselves. In neither case has there been any consideration of suspending the Europe agreements: it is too blunt a weapon. The EU has again shown a preference for the "carrot" over the "stick". If developments worsen, however, the EU could suspend some clauses of the Europe agreements and PHARE aid; the EP in particular could press for such action.⁵⁹

Romanian-Hungarian and Slovakian-Hungarian relations will be a crucial test for the EU's conflict prevention measures. All three countries have already been included in the structured relationship and the WEU's associate partnership scheme (see section 6.3.2), so the conditionality of EU membership is the EU's primary conflict prevention instrument. How enlargement is handled will be decisive. The unofficial "two tiers" of potential EU membership candidates, in which Hungary is in the top tier and Romania, and perhaps now Slovakia, in the bottom, could make the situation worse if Romania and Slovakia feel isolated.⁶⁰ The tensions between conditionality and stability (which could be provided by closer relations with the EU) are particularly evident in

⁵⁸Interviews with UK, German, Belgian, Council Secretariat, and DG IA officials.

⁵⁹Interviews with UK, Belgian, and DG IA officials.

⁶⁰The situation would be compounded if the first round of NATO enlargement left either or both outside.

these cases. In addition, the risk of alienating both countries is high; if EU membership appears to be a too-distant prospect, they could turn instead to Russia for security and aid.⁶¹

6.2.2 Aid for Democratization

Although conditionality has been the primary way in which the Community tries to influence the democratization process, PHARE aid has been increasingly directed to helping the political transformation. The amount of aid targeted specifically to support democratic reforms, however, is dwarfed by that to help the economic transition. The Commission estimated that in 1992 and 1993, ECU 100m was pledged for various programs to help build democratic institutions.⁶² But PHARE committed a total of ECU 2016m in those two years (see table 4.2). Of course, the prevailing view was and is that by supporting the transition to a market economy, the Community helps the transition to democracy.

To develop civil society, non-governmental organizations (NGOs) have been involved in PHARE programs. Assistance has been given to NGOs (including trade unions and professional associations) so that they act as implementers of reform policies or organize education activities, for example. This arose out of the Polish "civic dialogue" program, specifically requested by the Polish government in its 1991 indicative program. Programs have since been implemented in the other

⁶¹Since 1993, Slovakia has signed over 70 agreements with Russia. "The Visegrad Three...", The Economist, 9 March 1996.

⁶²Commission of the European Communities, PHARE Information Service, "PHARE and TACIS: Democratic Institution Building and Civic Society", January 1994.

recipient countries. PHARE provides project grant aid, plus support for training in management, public relations, fund raising, and improving the legislative framework for NGOs.⁶³

In July 1992, a trial PHARE democracy program was launched, with a budget of ECU 5m, after the EP insisted that such a sum be allocated for aid for democratization.⁶⁴ In 1993, the program was formally adopted and allocated a budget of ECU 10m. The first 52 projects were to help develop parliamentary practices, promote and monitor human and minority rights, establish an independent media, develop NGOs, encourage local democracy, and educate. The projects involved partnerships between NGOs based in Eastern Europe and Community-based NGOs.⁶⁵ For 1995, the program was allocated ECU 8m, for 50 macro-projects and over 100 micro-projects (which do not need an EU-based partner).⁶⁶

In 1993, the PHARE Partnership and Institution Building Program was launched, and allocated ECU 10m. Funds were given to support the development of partnerships between non-profit organizations in the Community and Eastern Europe. PHARE pays part of the cost of developing cooperation in sectors such as economic development, local and regional government, community development, and worker and consumer interests.⁶⁷

In addition to PHARE aid, of course, aid to help build

⁶³PHARE Annual Report 1991, pp. 19-20.

⁶⁴PHARE Annual Report 1992, p. 10.

⁶⁵"PHARE and TACIS: Democratic Institution Building and Civic Society".

⁶⁶Info Phare, no. 5, December 1994, pp. 13-14.

⁶⁷PHARE Annual Report 1993, p. 52.

democracy has been given by the member states, and national and trans-national organizations (such as political parties). The UK's Know How Fund and the Westminster Fund for Democracy are two such aid programs.⁶⁸

6.3 THE COMMUNITY'S RESPONSE TO EXTERNAL THREATS

To address the various threats to security that stem from external sources (a potentially threatening Russia; disputes with neighbors over minorities and borders), the Community has taken several measures. It has encouraged regional cooperation; the WEU has strengthened its ties with the EU's associates; the Commission mediated in the Gabčíkovo dam dispute; and the EU launched the Pact on Stability in Europe.

6.3.1 Encouraging Regional Cooperation

Encouraging regional cooperation has long been a goal of Community foreign policy, the 'export' of the Community model of multilateral, inter-state relations. "[I]ntegration was not seen as something for Western Europe alone but as a process which serves as an example for the rest of the world to build on and emulate."⁶⁹ Elfriede Regelsberger noted:

From a European point of view it is worth supporting integrationist trends in other parts of the world, even if such attempts are more modest than the Community model....Such developments are judged as stabilising factors in world politics, particularly where such trends are accompanied by internal political reforms in third countries centred on democratic values.⁷⁰

⁶⁸See, for example, UK Foreign Office, Know How Fund Annual Report 1994, p. 5.

⁶⁹Bomsdorf, et al. 1992, p. 9.

⁷⁰Elfriede Regelsberger, "The Twelve's Dialogue with Third Countries - Progress Towards a Communauté d'action?", in Holland, ed. 1991, p. 174.

The exception to the Community's support for regional cooperation initiatives was, of course, the CMEA. The Community wanted to limit the Soviet Union's control over the East European states' foreign economic policies, and so insisted on concluding trade agreements with the separate CMEA member countries rather than the CMEA itself (see chapter 3). After the CMEA had agreed to this, the Community negotiated trade and cooperation agreements with the East European states on the basis of "specificity" and conditionality (see chapters 3 and 4). Applying the principle of conditionality, in fact, required the differentiation of relations with the East European states. This meant that the development of bilateral ties between the Community and each CMEA member was privileged over the development of bloc-to-bloc cooperation. The conclusion of the Europe agreements with separate East European countries further developed these bilateral ties, and responded to the wishes of the East European countries.⁷¹

To try to balance this bilateralism, the Community has encouraged the East European states to replace the CMEA with a regional organization. Regional cooperation would help economic growth, but more importantly would contribute to political stability and the establishment of good-neighborly relations, thereby reducing the chances of intra-state

⁷¹All of the Europe agreements contain a clause, under the section on economic cooperation, that states: "Special attention must be devoted to measures capable of fostering cooperation between the countries of central and eastern Europe with a view to a harmonious development of the region."

conflict.⁷² The formation of the Visegrad group was considered hopeful. The joint statement issued at the Community and Visegrad foreign ministers meeting in October 1992, for example, noted that "The Community and the Visegrad countries stressed that regional cooperation represents a major contribution towards stability in Europe. The Community therefore welcomed the Visegrad countries' efforts to foster such cooperation."⁷³

The Community encouraged the Visegrad group to form a free trade area. While it did sign a free trade agreement on 21 December 1992, the group's primary purpose still seemed to be that of pressing for integration into the Community. The Central European Free Trade Agreement (CEFTA) aimed to create a free trade zone by 2000 or 2002, but tariffs among the CEFTA states remain high and a Czech proposal to cut customs duties on agricultural goods was ignored at a CEFTA summit in September 1995. Slovenia, Romania, Bulgaria, and the Baltic states are all to join CEFTA by 2000.⁷⁴

The East European states have been reluctant to cooperate with each other, wary of any attempt to revive the CMEA.

⁷²A Commission official maintained that before the East European states can be considered for EU membership, they must prove that they can cooperate with their neighbors and are willing to surrender sovereignty to regional integration schemes. Interview took place on 21 June 1994. But regional cooperation has not been made a formal condition for relations with the EU.

⁷³"Meeting of the Ministers of Foreign Affairs of the European Community and the Visegrad Countries - Joint Statement", Council of the European Communities, General Secretariat Press Release 9033/92 (Presse 170), 5 October 1992.

⁷⁴"Concrete Heads", The Economist, 16 September 1995.

Zielonka wrote in 1992 that the Visegrad countries feared that

strengthening trilateral economic cooperation would provide the West with an excuse to deprive Central Europe of easy access to its markets....Poland, Hungary and Czechoslovakia still give unequivocal priority to their integration with the West, and any development of trilateral cooperation should be seen as a means towards this goal, rather than as a goal in itself.⁷⁵

Some East European countries have claimed that the encouragement of regional cooperation is an attempt to block their accession to the EU because a separate regional grouping could serve as an alternative to EU membership.⁷⁶

Czechoslovakia, Hungary and Poland rejected the Commission's initial suggestion that the Community conclude only one Europe agreement with all three countries.⁷⁷ Cooperation among the Visegrad countries has been adversely affected by tensions over minorities and the Gabčíkovo dam (see section 6.3.3), and by Czech reluctance to bind itself too tightly to countries whose prospects of joining the EU seem less bright.⁷⁸ The Visegrad four have also hesitated to cooperate with Bulgaria and Romania (slower reformers) for fear that might delay their own accession to the EU.⁷⁹

⁷⁵Zielonka 1992, p. 43.

⁷⁶Körmendy 1992, p. 248, and Adamiec 1993, pp. 24-25.

⁷⁷Interview with Commission official, 21 June 1994.

⁷⁸Milada Anna Vachudova, "The Visegrad Four: No Alternative to Cooperation?", RFE/RL Research Report, vol. 2, no. 34, 27 August 1993. The Czech republic thus believes the Visegrad membership applications should be evaluated separately. In 1989-1990, Hungary had been reluctant to form a Central European grouping, because it was optimistic about its chances of joining the Community first.

⁷⁹Interviews with two Commission officials, 22 June 1994. One of the officials charged that the associates were blocking the dossier on cumulation of rules of origin for these

The multilateral political dialogue, initiated in 1992, clearly sought to spur regional cooperation, in contrast to the framework for bilateral economic relations set up by the Europe agreements (see section 5.4.2). Commissioner Andriessen commented in September 1992:

We must also continue to support the efforts of the reforming countries to cooperate among themselves. Already a process has begun between the Community and the three Visegrad countries which points towards a multilateralisation of relations between the parties involved. This could provide a valuable model for other countries in the future.⁸⁰

The multilateral dialogue developed into the structured relationship. As the Commission notes, the structured relationship "also strengthens intra-regional cooperation among the CEEC's [Central and East European Countries] themselves when dealing with the Institutions of the Union."⁸¹ The associates are not entirely pleased with the multilateral approach. The multilateral dialogue "aims to further regionalism in political dialogue rather than to intensify bilateralism between individual countries and the EU, as many Central Europeans wish."⁸² At a troika-associates meeting in April 1994, the troika emphasized the innovative nature of the multilateral dialogue, while the associates' ministers stated

reasons.

⁸⁰Frans Andriessen, Speech at the UK Presidency Conference, "Europe and the World After 1992", London 7 September 1992.

⁸¹"Report of the Commission to the Council on the promotion of intra-regional cooperation and 'bon voisinage'", prepared for the General Affairs Council of 6/7 March 1995, p. 1.

⁸²Jopp 1994, p. 56.

that they preferred the bilateral approach.⁸³

The EC tried to encourage the associates to set up a "rotating presidency", to lead on contacts with the EU in the structured relationship, but they refused to do so.⁸⁴ In addition, the EU had proposed that the associates participate as a group in CFSP Joint Actions and common declarations, but had to drop the proposal when the associates objected. The associates can sign up individually; this also prevents one associate from blocking the participation of others.⁸⁵

In their June 1992 report on possible CFSP Joint Actions, the foreign ministers declared that in Central and Eastern Europe, the EU will "promote political stability and contribute to the creation of political and/or economic frameworks that encourage regional cooperation or moves towards regional or sub-regional integration."⁸⁶ The Pact on Stability in Europe (a Joint Action) has been by far the EU's most important initiative to encourage regional cooperation. Promoting intra-regional cooperation is also an important part of the pre-accession strategy, as agreed by the Essen European Council.⁸⁷ In addition, the EU uses the association councils

⁸³EC Bulletin no. 4, 1994, p. 1.3.21.

⁸⁴Interview with UK official, 13 December 1995.

⁸⁵Interview with Council Secretariat official, 12 March 1996.

⁸⁶"Report to the European Council in Lisbon on the likely development of the common foreign and security policy (CFSP) with a view to identifying areas open to joint action vis-à-vis particular countries or groups of countries", Annex I, Presidency Conclusions, in EC Bulletin no. 6, 1992, p. 20.

⁸⁷Presidency Conclusions, SN 300/94, Annex IV, pp. 24-25. Some member states have been particularly active in encouraging regional cooperation. In 1989, Italy launched what

to emphasize the importance of regional cooperation."⁸⁸

PHARE, since 1991, has been increasingly directed to encouraging regional cooperation and dialogue. The Commission has boasted that PHARE regional cooperation programs "have played a major role in stimulating such a dialogue and promoting cooperation on a wide range of issues of common concern and interest in the CEECs."⁸⁹

In 1991, in recognition that several projects would be more effectively implemented on a regional basis, a number of joint projects were developed within the PHARE framework, including a regional environmental program, a support project for research and development infrastructure, and joint TEMPUS projects. The Commission then decided that the 1991/1992 PHARE general guidelines would specify that 10-15% of PHARE resources would be reserved for cross-national or regional projects involving two or more PHARE countries.⁹⁰ In December 1991, a regional coordination group was established among the recipients' national aid coordinators. The group was responsible for evaluating project proposals and agreeing on

is now called the Central European Initiative, which includes Austria. Germany and Denmark have promoted the Council of Baltic Sea States, which includes new members Finland and Sweden. Greece belongs to the Black Sea Cooperation Council. Sub-national regional cooperation groups have also been promoted: Italian, German and Austrian border regions, for example, have been involved in the Alpe Adria initiative, which includes regions in Hungary and the former Yugoslavia. See EBRD, Regional Cooperation: Countries of Central and Eastern Europe including the former Soviet Union, March 1993.

⁸⁸Interview with member state official, 13 March 1996.

⁸⁹PHARE Annual Report 1993, p. 52.

⁹⁰PHARE Annual Report 1991, p. 5 and p. 9.

the sectors to which aid should be allocated."¹

Between 1990 and 1994, over ECU 700m was allocated to multi-country programs in areas such as education, environment, and infrastructure.² In 1994, programs were also developed to aid cooperation between border regions in PHARE countries and in EU member states, and to eliminate bottlenecks at border crossings between PHARE countries.³ Such initiatives are now part of the pre-accession strategy. PHARE funds are used for regional cooperation projects within the framework of the Stability Pact (see below).

The Community has also used (directly or more subtly) the conditionality of Europe agreements and membership to influence relations between the associates. Thus, it encouraged a Czech-Slovak customs union, a resolution of the Gabčíkovo dam dispute between Slovakia and Hungary, and treaties between Slovakia and Hungary, and Romania and Hungary.

The EU's efforts to encourage regional cooperation might be undermined by its emphasis on conditionality. Each membership application would be judged separately to determine whether the country has met the EU's conditions. On the one hand, this could spark competition among the associates (although such competition could be 'healthy' if it encourages reform) and spoil cooperation initiatives. On the other hand, however, the EU's position should also reassure the associates

¹PHARE Annual Report 1992, pp. 10-11.

²PHARE 1994 Annual Report, p. 37. See Appendix 3.

³PHARE 1994 Annual Report, pp. 11-12.

that each country would join on its own merits, and so cooperation with "slower" neighbors would not damage their chances.⁹⁴ Strong support for regional cooperation will become even more important once the EU begins to consider applications from the East European associates. To ensure that the entrance of some associates does not damage their relations with associates left outside the EU, ties will have to be strengthened further. Munuera argues that by encouraging regional cooperation, the EU could also avoid frustration among those not chosen for membership.⁹⁵

6.3.2 The WEU's Relations with Eastern Europe

The East European countries - particularly after the attempted coup in the Soviet Union in August 1991 - have been concerned that Russia may try to reestablish a sphere of influence in Eastern Europe. They have declared that their reforms can only succeed if they feel secure. The Community/Union has shared their concerns; an assertive Russian foreign policy could destabilize the region, disrupt the transformation, exacerbate existing intra-state tensions, and, of course, strain relations with the West. The Europe agreements and structured relationship have been extended partly in response to these concerns. Whether any of these countries is actually threatened militarily by Russia is doubtful, but the East Europeans certainly perceive such a threat. Their preferred solution to the threat is membership

⁹⁴As noted by a Commission official. Interview took place on 22 June 1994.

⁹⁵Munuera 1994, p. 105.

in NATO and the WEU.⁹⁶

How to respond to East European demands for a Western security guarantee has been a problem for Community member states. The Community has encouraged the development of the CSCE as a way of including the Soviet Union and later Russia in a pan-European security structure.⁹⁷ The perceived inadequacies of the CSCE in providing security, however, are partly why the East European countries have pressed for integration into Western security organizations.⁹⁸ But including the East European countries in WEU and NATO may not be the best way to engender security in Europe, as it would certainly antagonize Russia and recreate a divided Europe.

The WEU's relations with East European countries developed gradually. On 23 April 1990, the WEU Council of Ministers decided that the Council president and the Secretary-General would visit several East European countries. They visited Hungary in October 1990, Czechoslovakia in November 1990, Poland in March 1991, Bulgaria in October 1991, and Romania in November 1991; the Secretary-General visited

⁹⁶There are concerns that Russia should not be isolated or antagonized. See, for example, the address by Romanian President Ion Iliescu to the Royal Institute of International Affairs, "Romania's Approach to Europe", 3 November 1994.

⁹⁷The CSCE has become progressively 'institutionalized' and was renamed the Organization for Security and Cooperation in Europe (OSCE) at the December 1994 summit in Budapest.

⁹⁸In a plug for his confederation idea, Mitterrand in October 1993 asked: "La CSCE c'est tout le monde et personne. Qui a jamais vu sa sécurité protégée par elle?" Marcel Scotto and Claire Tréan, "M. Mitterrand Relance L'Idée d'une Confédération Européenne", Le Monde, 10/11 October 1993.

the three Baltic states in January 1992."⁹⁹ One observer contends that the WEU was implementing the Community's principle of conditionality:

It was developing links first with countries which had started to implement political and economic reforms; and it was adopting, at least implicitly, the key element in the EC's foreign policy towards Central and East European countries, namely the principle of differentiation.¹⁰⁰

In June 1991, the WEU foreign and defence ministers agreed to strengthen relations with the East European countries. The WEU would consider organizing ad hoc meetings at ministerial level with the East European states. Several countries, including apparently the UK, did not want to institutionalize the ministerial dialogue because it could undermine NATO's role in this area.¹⁰¹ The NATO summit on 7 and 8 November 1991 agreed to establish a North Atlantic Cooperation Council (NACC) with the East European countries and the Soviet Union.¹⁰²

In the fall of 1991, the relationship of the WEU to the future EU and to NATO was still uncertain. A compromise between "Atlanticists" and "Europeanists" was then embodied in the Maastricht Treaty. The WEU can be asked to elaborate and implement CFSP decisions which have defense implications

⁹⁹Andrzej Podraza, The Western European Union and Central Europe: A New Relationship, RIIA Discussion Paper no. 41 (London: Royal Institute of International Affairs, 1992), pp. 26-28.

¹⁰⁰Podraza 1992, p. 28.

¹⁰¹Podraza 1992, pp. 28-29.

¹⁰²See "Rome Declaration on Peace and Cooperation, Issued by the Heads of State and Government Participating in the Meeting of the North Atlantic Council in Rome on 7-8 November 1991" in NATO Review, vol. 39, no. 6, December 1991.

(article J.4, paragraph 2). The WEU was to be built up as the defense component of the European Union; it would also be developed as the European pillar of the Atlantic Alliance.¹⁰³ As the WEU's Secretary-General, Willem Van Eekelen, noted, it was then quite logical that those East European countries seeking close ties with the Community would also want close ties with the WEU.¹⁰⁴

After a WEU Council meeting in Petersberg near Bonn on 19 June 1992, the WEU ministers met with the foreign and defence ministers of Czechoslovakia, Poland, Hungary, Bulgaria, Romania, Estonia, Latvia, and Lithuania. They agreed to establish a Forum of Consultation to discuss European security and stability. The foreign and defence ministers would meet at least once a year, while the WEU Permanent Council (composed of ambassadors) and East European ambassadors would hold twice-yearly consultations, and senior officials from the East European countries and an ad hoc WEU troika could meet regularly.¹⁰⁵ The Forum would create mechanisms for consultation in crises, and consider joint training exercises, especially for peacekeeping operations. Van Eekelen characterized the Forum as an instrument of preventive

¹⁰³"Declaration on Western European Union", appended to The Treaty on European Union (Luxembourg: OOEPEC, 1992), pp. 242-246. In an attempt to rationalize the membership of the EU, WEU and NATO after the Maastricht Treaty was signed, three kinds of WEU membership were created: full membership (Greece became a member); associate membership, for those NATO members that are not EU members (Turkey, Iceland, and Norway); and observers, for those EU members unwilling to become full WEU members (Ireland, Denmark, Austria, Finland and Sweden).

¹⁰⁴Agence Europe no. 5755, 22/23 June 1992.

¹⁰⁵Podraza 1992, p. 29.

diplomacy.¹⁰⁶

The establishment of the Forum of Consultation preceded the development of the Community's relations with Bulgaria, Romania, and the three Baltic states. These states, particularly the Baltic republics, were included in the Forum of Consultation to give them a greater sense of external security (particularly vis-à-vis Russia): this was evidently considered more important than applying conditionality.¹⁰⁷

The WEU initiative at this stage was also competing with NACC. Van Eekelen argued that the WEU's Forum was smaller (NACC included all of the former Soviet republics) and therefore could host more structured, in-depth discussions on European security issues.¹⁰⁸ NATO was reportedly not happy that the WEU had created such a forum parallel to NACC.¹⁰⁹

The WEU's East European partners, however, were not

¹⁰⁶Willem Van Eekelen, "WEU Prepares the Way for New Missions", NATO Review, vol. 41, no. 5, October 1993, p. 21.

¹⁰⁷Romania, for example, had been admitted to the Forum even though it was not enforcing sanctions on the former Yugoslavia, and it had recently been told that its record in enforcing sanctions would be a factor in its relations with the West. Walker 1993b, p. 116.

¹⁰⁸Agence Europe no. 5755, 22/23 June 1992.

¹⁰⁹Jopp 1994, p. 31. There is plenty of evidence of rivalry between the WEU and NATO. In June 1992, NATO declared it would support CSCE peacekeeping activities (and in December, it declared it would also support UN peacekeeping operations). In June 1992, the WEU agreed it would contribute to UN or CSCE peacekeeping, humanitarian or peacemaking missions. Both organizations were monitoring the UN embargo on the former Yugoslavia in the Adriatic. The rivalry stemmed from the fact that some states (notably France) preferred to develop the WEU, while others preferred NATO. Relations improved by the fall of 1992, when formal mechanisms of cooperation were agreed. Tom Dodd, "The Maastricht Debate: The Common Foreign and Security Policy", Research Paper no. 93/27, House of Commons Library, 9 March 1993, pp. 13-14.

entirely pleased with the level of cooperation in the Forum, or in NACC. Nor were they satisfied with the follow-up to NACC, the Partnership for Peace program, which was launched by the NATO summit in January 1994 and provided for much closer military cooperation with all the NACC countries and other CSCE members.¹¹⁰ The East European countries wanted to be distinguished from Russia, which they still considered their principle security threat.¹¹¹

At the third annual meeting of the German, French and Polish foreign ministers (the Weimar triangle) on 12 November 1993, Klaus Kinkel and Alain Juppé declared that the WEU should offer associate member status to the EU's associates, and that they would propose this at the 22 November meeting of the WEU Council.¹¹² At the meeting, France and Germany proposed the creation of an "enhanced status" for the EU's associates and prospective associates.¹¹³ This would not entail a security guarantee, but would involve the associates in the WEU's structures.

Some members were concerned that the status was being offered to non-EU members, and, more importantly, to non-NATO

¹¹⁰See "Partnership for Peace: Invitation", in NATO Review, vol. 42, no. 1, February 1994, p. 28.

¹¹¹Jopp 1994, pp. 50-51.

¹¹²"Réunion des ministres des Affaires étrangères d'Allemagne, de Pologne et de France - Déclaration commune" (Warsaw, 12 November 1993), in La Politique Étrangère de la France: Textes et Documents, November-December 1993 (Paris: French Foreign Ministry), pp. 64-65. France's proposal for a Stability Pact in June 1993 had suggested that the inaugural conference could consider allowing certain countries to become WEU associate members.

¹¹³Jopp 1994, pp. 51-52.

members, with all of the implications that could have for the WEU and NATO security guarantees. But the WEU ministers agreed to study the proposal further.¹¹⁴ Some of the more "Atlanticist" member states considered the plan to be a rival to NATO's Partnership for Peace program. French Foreign Minister Juppé, however, pointed to the parallelism between EU and WEU links to the East European countries.¹¹⁵

On 9 May 1994, the WEU admitted the six EU associates and the three Baltic republics as "associate partners", without a security guarantee. The WEU Council of Ministers declared that the initiative would help prepare the associate partners for their integration and eventual accession to the EU. It was "fully complementary" with NATO's Partnership for Peace program and the Stability Pact.¹¹⁶ The associate partners can attend every second weekly meeting of the Permanent Council, send liaison officers to planning groups, and take part in joint operations to maintain or restore peace and provide humanitarian assistance. They would be included in preparations to build up a future joint defense and security umbrella. The agreement would be officially implemented only after Greece's membership in the WEU had been ratified by all members and all the East European states had concluded Europe

¹¹⁴Turkey, an associate member, reportedly also objected to the idea. Agence Europe no. 6113, 24 November 1993. It does certainly complicate even further the variable geometry of membership in European organizations.

¹¹⁵"WEU Opens up to East Europe", European Report no. 1949, 12 May 1994. France would naturally have supported a WEU initiative over a NATO one.

¹¹⁶Western European Union, "Kirchberg Declaration", 9 May 1994. This was two months after the EU Council had reinforced the political dialogue with the associates (section 5.5.2).

agreements with the EU, but in practice, the associate partner agreement was put into effect immediately.¹¹⁷

Russia was not pleased with the WEU decision. A foreign ministry spokesman warned that it could cause further division in Europe and that the WEU should have taken Russia into account.¹¹⁸ Russian concern centered on associate partner status for the Baltic republics; later it voiced concerns that by concluding Europe agreements with the EU, the three Baltic republics would be on a fast track to WEU security guarantees.¹¹⁹

Their limited participation in the CFSP (through the enhanced dialogue) and WEU provides the associates with some framework for security and defense integration. The associate partnership with the WEU is essentially symbolic, however, as the WEU is still undeveloped as a military organization and it is still unclear whether the EU will formulate a common defense policy. But it also signals the 'beginning of the end' of the EU's civilian power image. EU enlargement to Eastern Europe will now inevitably be bound up with NATO enlargement. Once the East European states join the EU, they would certainly want to become full WEU members. As only NATO and EU members are full WEU members, and the WEU is to function as NATO's European pillar, a decision on full WEU

¹¹⁷Nicholas Doughty, "WEU Admit East Europe States as Associates, Reuter, 9 May 1994.

¹¹⁸Agence Europe no. 5230, 14 May 1994.

¹¹⁹There had been talk about requiring the Baltic states to declare their neutrality as a condition for concluding Europe agreements, but this was dropped. Andrew Marshall, "Neutrality Price of Baltic Entry", The Independent, 31 October 1994.

membership would have to be taken alongside a decision on NATO enlargement (if it had not been taken already).¹²⁰ Edward Mortimer argues that

[t]he further east the EU expands, the more important its security dimension will become. To deny its easternmost members the right to participate in common security arrangements will prove an untenable position; and it would be dangerously incoherent to have a European defence union with some members allied to the US and others not.¹²¹

This of course raises the sensitive problems of relations with Russia and with those EU associates that have not yet joined the EU: there is a real danger of re-creating a divided Europe. It is not clear that full membership in a military alliance (NATO and/or the WEU) will engender security in Eastern Europe, particularly given the diverse nature of security threats in Europe.

6.3.3 Mediation in the Danube Dam dispute

The Community's leadership role in Eastern Europe, and its attempts to negotiate a resolution to the Yugoslav conflict, meant that parties to other disputes might naturally turn to it for good offices. In 1992, Hungary and Czechoslovakia asked the Commission to mediate a dispute over a hydroelectric project on the Danube. The dispute was potentially serious because tensions between Hungary and

¹²⁰At an informal meeting on 12 September 1994, EU foreign ministers discussed three possibilities for integrating the associates (without deciding on one in particular): all of the associates join the EU, WEU, and NATO simultaneously; membership is differentiated according to the associate; or the associates are gradually integrated into all three organizations. Agence Europe no. 6313, 12/13 September 1994.

¹²¹Edward Mortimer, "Bigger and Better?", The Financial Times, 23 November 1994.

Slovakia were already rising as Slovakian nationalism aggravated relations with the Hungarian minority in Slovakia.¹²² The Community's involvement demonstrates the extent to which it was considered a political and diplomatic actor in Eastern Europe; the Commission's rather remarkable role in mediating the dispute shows how far its involvement in foreign policy was accepted by the member states.

In 1977, Hungary and Czechoslovakia agreed to build a series of dams on the Danube.¹²³ The Hungarian democratic opposition, however, coalesced around opposition to the project. In 1989, the Hungarian government halted work on the Nagymáros dam located in its territory (only 10% of the work had been completed). The Czechoslovak government protested, and demanded financial compensation (having already completed 90% of the project).¹²⁴ It also proceeded with the construction of a new diversion dam wholly inside Slovakian territory, which would channel water from the Danube to the Gabčíkovo dam and power station, also in Slovakia. In May 1992, Hungary announced it was abrogating the 1977 agreement, and would turn to the EC or the International Court of Justice (ICJ) if Czechoslovakia continued work on the project.¹²⁵

¹²²Munuera 1994, p. 7.

¹²³For background on the dispute, see Vera Rich, "Central Europe II: The Battle of the Danube", The World Today, vol. 48, no. 2, December 1992, and "The Murky Politics of the Danube", The World Today, vol. 49, nos. 8/9, August/September 1993.

¹²⁴Sharon Fisher, "The Gabčíkovo-Nagymaros Dam Controversy Continues", RFE/RL Research Report, vol. 2, no. 37, 17 September 1993, p. 8.

¹²⁵Nicholas Denton and Ariane Genillard, "Hungary Stokes Bitter Row Over Danube Dam", The Financial Times, 20 May 1992.

Hungary cited environmental concerns as reasons for halting the project; it also complained that diverting the Danube to power the Gabčíkovo turbines would effectively redraw the border to Slovakia's advantage. Czechoslovakia pointed out that the dam project provided an alternative source of electricity to coal-fired and nuclear power plants. In an increasingly tense atmosphere, the project then became a symbol of Slovakia's new nationhood and sovereignty.¹²⁶

The dispute had earlier come before the Commission. Back in January 1991, Hungary and Czechoslovakia asked the Commission to provide a technical opinion on the environmental impact of the dam project.¹²⁷ But in May 1992, Commissioner Andriessen's proposals to set up an independent committee of technical experts to try to resolve the dispute were rejected. The two sides would not commit themselves to accept the committee's final recommendation.¹²⁸

By the fall of 1992, Germany in particular was increasingly concerned by developments. Foreign Minister Klaus Kinkel raised the issue at the special European Council summit in Birmingham on 19 October 1992. He suggested that a three-party commission be formed to try to resolve the dispute. At a meeting with the Czechoslovak foreign minister

¹²⁶See Tony Barber, "Danube Dam Splits Nations", The Independent, 9 January 1993, and Nicholas Denton and Anthony Robinson, "Danube Dam Threatens to Open Floodgates of Hostility", The Financial Times, 29 October 1992. The Hungarian minority in Slovakia opposed the dam project, another source of tension between the Slovak government and the Hungarian minority. See Reisch, "Meciar and Slovakia's Hungarian Minority", p. 19.

¹²⁷Agence Europe no. 5413, 19 January 1991.

¹²⁸Munuera 1994, p. 10.

in Bonn four days later, Kinkel - on behalf of the EC - stressed that a unilateral diversion of the Danube would violate conditions for negotiations with the Community and the Community would judge both successor states to Czechoslovakia as unreliable partners.¹²⁹

During the same period, the Commission became involved. On 19 October, a Slovakian delegation visited Environmental Commissioner Karl Van Miert, to ask the EC to mediate the dispute. Van Miert responded that the Commission would provide good offices, on the condition that the talks were technical, not political. By emphasizing much less emotional technical issues, the Commission attempted to de-politicize the dispute.¹³⁰ The member states were quite willing to let the Commission take the lead on this rather tricky issue; the Commission was a neutral, disinterested party and could thus potentially be an effective mediator.¹³¹ In addition to providing good offices, Commission officials would participate in a tripartite committee, along with Czechoslovak and Hungarian experts, which would examine the economic and ecological consequences of the project.¹³²

The Commission delegation was led by Pablo Benavides

¹²⁹Karoly Okolicsanyi, "Slovak-Hungarian Tension: Bratislava Diverts the Danube", RFE/RL Research Report, vol. 1, no. 49, 11 December 1992, p. 52.

¹³⁰Munuera 1994, p. 11.

¹³¹Interview with Commission official, 15 November 1995.

¹³²Agence Europe no. 5841, 21 October 1992, and "Slovakia Delays Danube Dam Project", The Financial Times, 21 October 1992.

Salas, head of the Eastern Europe unit in DG I.¹³³ Benavides was given a great deal of freedom to mediate between the parties; the member states did not interfere with the Commission's work. He met frequently with the unofficial, informal "advisers' group", composed of officials from the Permanent Representations.

Beginning 21 October, the Commission hosted talks with Czechoslovak and Hungarian negotiators.¹³⁴ The talks broke down the next day, however, and Hungary said it would invoke CSCE emergency procedures. On 24 October, the Slovak state construction company blocked the river, prompting an angry reaction from Hungary, which also questioned the future of cooperation within the Visegrad group.¹³⁵ Two days later, Kinkel warned against rash decisions, appearing to condemn the Slovak move. He suggested that the Community's willingness to provide economic aid would be negatively affected.¹³⁶

The dispute reportedly overshadowed all other issues at the summit between Delors, Major and the Visegrad group in London on 28 October.¹³⁷ Commission, Hungarian, and Slovakian representatives negotiated behind the scenes, apparently

¹³³Officials from DG XI (Environment) were also involved in the mediation. Once DG IA (to which Benavides moved) was established in January 1993, it led the mediation. Interview with DG IA officials, 21 June 1994 and 12 March 1996.

¹³⁴Lionel Barber, "Danube Row Hits Plan to Widen EC", The Financial Times, 23 October 1992.

¹³⁵Agence Europe no. 5844, 24 October 1992, and Nicholas Denton and Ariane Genillard, "Hungary Backed by Germany Over Dam", The Financial Times, 27 October 1992.

¹³⁶Denton and Genillard, "Hungary Backed by Germany".

¹³⁷Okolicsanyi, "Slovak-Hungarian Tension", p. 53.

successfully. Hungary and Czechoslovakia signed a provisional agreement: work on the dam would stop; Czechoslovakia would ensure that 95% of the normal flow of water would flow in the Danube and would not operate the Gabčíkovo dam turbines.¹³⁸ A fact-finding mission would investigate the consequences of the existing structures for navigation, possible flooding and the environment. A group of experts nominated by the Commission, Hungary and Czechoslovakia would then examine the issues. If no agreement could be reached, the dispute would be submitted to binding international arbitration or the ICJ.¹³⁹ One reason why the London agreement was reached is that the Community pointed out much more strongly that its relations with the parties would be endangered if the dispute escalated.¹⁴⁰

Czechoslovakia, however, was still diverting water, leaving the Danube along the Hungarian-Slovak border almost empty.¹⁴¹ On 6 November, the working group established by the Commission to examine navigation, water management and environmental issues, told Czechoslovakia to halt work on the dam by 21 November (which it did).¹⁴²

The dispute was clearly disturbing relations within the

¹³⁸Anthony Robinson, "End In Sight to Danube Dam Row", The Financial Times, 30 October 1992.

¹³⁹"Tripartite Discussion on the Gabčíkovo-Nagymaros System of Locks", EC Press Release IP/92/865, 29 October 1992. Czechoslovakia had not previously acknowledged the ICJ's jurisdiction.

¹⁴⁰Okolicsanyi, "Slovak-Hungarian Tension", p. 53.

¹⁴¹Rich 1993, p. 151.

¹⁴²"Czechoslovakia Told To Halt Dam", The Financial Times, 7 November 1992.

Visegrad group. A Polish minister announced that the signing of the Visegrad free trade agreement, scheduled for 30 November, was postponed because of the Czechoslovak split and the tensions over the dam.¹⁴³

On 27 November, Benavides hosted a meeting in Brussels with the Czechoslovak deputy minister for foreign affairs and the Hungarian secretary of state for foreign affairs to discuss the working group's report. Both sides agreed to apply the London summit agreement and to submit the dispute to the ICJ. They also agreed to continue discussing a Commission proposal to resolve the dispute. The Danube by-channel would be navigable throughout the year and supply the Gabčíkovo power station, which would be brought into service only for trial purposes.¹⁴⁴

In early January 1993, Hungary accused Slovakia - now an independent country - of operating the Gabčíkovo dam turbines and redirecting only 25%, rather than 95%, of the Danube's waters back to the Danube.¹⁴⁵ On 5 February, Hungarian-Slovak talks on water management failed. A meeting with the Commission was postponed until 16 February. Both sides seemed to harden their positions.¹⁴⁶ The meeting in Brussels on 16-17 February 1993 between the Slovakian and Hungarian secretaries of state for foreign affairs and Commissioner van

¹⁴³Agence Europe no. 5868, 30 November/1 December 1992. The agreement was signed on 21 December.

¹⁴⁴"Gabčíkovo Dam Talks Continue", European Report no. 1817, 2 December 1992.

¹⁴⁵Barber, "Danube Dam Splits Nations".

¹⁴⁶Agence Europe no. 5916, 10 February 1993.

den Broek left the dispute unresolved. The two sides did not agree to take the case to the ICJ: Slovakia argued that the question of state succession had to be resolved first.¹⁴⁷

Quite a lot of pressure was then put on the parties. On 24 and 25 February, Slovak Prime Minister Meciar met with Delors, Brittan, and van den Broek in Brussels; the dam dispute was discussed at those meetings.¹⁴⁸ Benavidès went to Slovakia and Hungary in early March, but could not secure agreement on the submission of the dispute to the ICJ or on a scheme for the temporary management of the Danube's waters.¹⁴⁹ The EP, on 12 March, called for the dispute to be referred to the ICJ and for a rapid solution to the water management problem.¹⁵⁰ On a visit to the Visegrad countries between 15 and 19 March, van den Broek met with the Hungarian president and prime minister and the Slovak president and prime minister.¹⁵¹

Finally, after another EC-sponsored meeting on 7 April 1993, chaired by van den Broek, the Hungarian and Slovak state secretaries for foreign affairs agreed to submit the dispute to the ICJ, although they did not agree on a water management

¹⁴⁷"Negotiations on Gabčíkovo Dam Fail Again", European Report 20 February 1993.

¹⁴⁸EC Bulletin no. 1/2, 1993, pt. 1.3.13. The Visegrad-troika political dialogue meeting on 8 March would have provided another opportunity to pressure the disputants.

¹⁴⁹Agence Europe no. 5934, 6 March 1993. The Commission had suggested that two-thirds of the Danube's waters be kept in the river, allowing one-third to be directed to the by-channel supplying the Gabčíkovo power station. Agence Europe no. 5922, 18 February 1993.

¹⁵⁰EC Bulletin no. 3, 1993, pt. 1.3.14.

¹⁵¹EC Bulletin no. 3, 1993, pt. 1.3.15.

system.¹⁵² In July 1993, Hungary and Slovakia referred the dam dispute to the ICJ. This defused much of the tension, and both countries agreed to continue working on a water management scheme, with the Commission's good offices.¹⁵³

Munuera argues that "the basic underlying factor imposing a certain measure of restraint on the parties has been their shared interest in joining the European Union....[N]either Bratislava nor Budapest could afford to jeopardize its privileged position by failing to resolve minority issues and the dispute over the Gabčíkovo-Nagymáros project."¹⁵⁴ The Community could thus exert a considerable amount of leverage on the parties, as it did at the October 1992 London summit.

Munuera, however, charges that more could have been done earlier, had the Community realized the potential dangers of escalation.¹⁵⁵ The Community became involved only at the insistence of the parties to the dispute, and at the instigation of Germany (whose concern arose relatively late as well). The dispute, however, illustrated the potential dangers of conflicts in Eastern Europe; the Community subsequently undertook a very active conflict prevention role,

¹⁵²Agence Europe no. 5957, 8 April 1993.

¹⁵³Agence Europe no. 6020, 12/13 July 1993.

¹⁵⁴Munuera 1994, p. 22. The Commission never actually threatened to delay the Europe agreement with Slovakia, although Hungary had presumptuously asked it to do so. Instead, it used positive arguments with both countries, emphasizing that it would be in their own interests to reach an agreement. Interview, 12 March 1996. The Commission's mandates to negotiate Europe agreements with the Czech republic and Slovakia, though, were approved on 5 April 1993, two days before the agreement to send the dispute to the ICJ.

¹⁵⁵Munuera 1994, p. 23.

launching the Stability Pact.

6.3.4 The Pact on Stability

With the Yugoslav crisis serving as a stark reminder of the enormous problems left after the fall of Communism, the newly-installed French prime minister, Edouard Balladur, came up with a proposal to try to prevent such crises from occurring in the Community's associates. On 15 April 1993, Balladur proposed a treaty to guarantee stability and peace in Europe, which he would present to the other EC member states.¹⁵⁶ At a Franco-German summit on 2 June, Kohl backed Balladur's plan, although Germany was concerned it was intended to keep the East Europeans out of the EU.¹⁵⁷ The proposal was made shortly before the Copenhagen summit, when the European Council agreed on enlargement to Eastern Europe (see section 5.4.2); it may well have been an attempt to put off enlargement, but it also addressed legitimate concerns about conflicts in future member states, and would reiterate principles and objectives (regional cooperation, protection of minority rights) already expressed by the Community. Furthermore, it would provide another opportunity for France to lead the Community's Ostpolitik, as it was becoming clearer that Germany and the UK were going to "win" the debate on enlargement.

On 9 June, France outlined the plan, on which Balladur

¹⁵⁶"In France, Peace Plan for Europe is Outlined", International Herald Tribune, 16 April 1993.

¹⁵⁷David Buchan, "Summit Backs Sovereign Bosnia", The Financial Times, 3 June 1993. Kohl's backing for the proposal may have been timed to ensure France's support for the Copenhagen European Council conclusions on enlargement.

and Mitterrand were collaborating closely. The Pact on Stability in Europe would be an exercise in preventive diplomacy; it would be more effective than the CSCE because a smaller group of countries could come up with firmer security commitments and incentives. Sought-after EU membership would only be offered to those states that settled problems which could threaten European security, by concluding good neighborly agreements. France admitted that the agreements might entail small frontier changes, which would be endorsed by the conference.¹⁵⁸

For Balladur, the initiative would place the Community at the center of a new political and security arrangement in Europe, and give the EU something to do under the CFSP.¹⁵⁹ But there were initially many criticisms. The possibility of territorial revisions caused particular concern. Poland, the Czech Republic, Romania, and Bulgaria cited the potential for re-opening border and minority disputes as one reason for their doubts about the idea. Some within the Community saw the initiative as primarily serving French domestic political interests.¹⁶⁰ It was a French bid to undermine the CSCE, and thus US involvement in Europe.¹⁶¹ Many East Europeans felt that the EC member states needed to deal with their own

¹⁵⁸David Buchan, "New French Pact Aims to Avoid 'Second Yugoslavia'", The Financial Times, 10 June 1993.

¹⁵⁹"Helping Whom?", The Economist, 17 July 1993.

¹⁶⁰Rummel 1995b, p. 14. As Balladur and Mitterrand were from different parties, the Pact proposal was seen as an attempt by Balladur to try to increase the prime minister's involvement in foreign policy, thus limiting the socialist president's role.

¹⁶¹"West Meets East", The Economist, 19 June 1993.

unresolved minority and border problems.¹⁶² Hungary, however, backed the plan, because of the large numbers of ethnic Hungarians living in neighboring states.¹⁶³

The French proposal for a Pact on Stability in Europe was presented to the Copenhagen summit, 21-22 June 1993. It noted that the Community, in its own interest, had to promote stability in Europe. The Pact would give the East European countries a forum in which to settle potential sources of conflict. The Community should "contemplate new long-term accessions only on the express condition that those countries first settle, in the framework of the preparatory conference, the problems liable to threaten European stability."¹⁶⁴

Despite the reservations, the Copenhagen European Council asked the Council to study the proposal and report back to it in December.¹⁶⁵ According to one foreign ministry official, the leaders went along with the French plan as an "homage to French grandeur".¹⁶⁶ But several EU and member state officials have also maintained that the Pact was necessary and useful to put pressure on Hungary, Slovakia, and Romania (in particular) to reach agreements on minority rights.

At its July meeting, the Council set up a high-level

¹⁶²Jopp 1994, p. 53 and Jonathan Eyal, "France's False Sense of Security", The Independent, 27 January 1994.

¹⁶³Tom Dodd, "Developing the Common Foreign and Security Policy", Research Paper no. 94/131, House of Commons Library, 19 December 1994, p. 12.

¹⁶⁴"French Proposal for a Pact on Stability in Europe (Copenhagen, 22 June 1993)", Statement translated by the Press Department of the French Embassy in London.

¹⁶⁵Conclusions of the Presidency, SN 180/93, pp. 16-17.

¹⁶⁶Interview, 28 July 1995.

working party to prepare the report on the Pact.¹⁶⁷ In October, the foreign ministers approved the working party's timetable for action and suggested procedures.¹⁶⁸ The special European Council on 29 October 1993, called to welcome the Maastricht Treaty's entry into force, declared that the Pact would be one of the first CFSP Joint Actions.¹⁶⁹

On 6 December, the General Affairs Council briefly discussed the Pact. Some member states wanted all the CSCE countries to participate; others, including France, favored a more restricted list.¹⁷⁰ A consensus was developing, however, to restrict participation to the EU's six associates and the three Baltic republics.¹⁷¹ Slovenia, embroiled in a dispute with Italy over (paradoxically) minority rights, was to be excluded.¹⁷² Albania, where the problem of minorities was

¹⁶⁷Council of the European Communities, General Secretariat, Press Release 7714/93 (Presse 128), 19 and 20 July 1993. Coreper (and not the Political Committee) would submit the working group's proceedings to the Council. The working group would collaborate with EPC. Agence Europe no. 6026, 21 July 1993. Although Coreper "won" this task, the CFSP machinery would later take over.

¹⁶⁸Council of the European Communities, General Secretariat, Press Release 8907/93 (Presse 156), 4 October 1993. Third countries were then consulted. The Pact was discussed during the multilateral political dialogue with the associates, and with the US, Canadian, and Russian foreign ministers. Andrew Marshall and Annika Savill, "EC Pact to Calm Security Fears", The Independent, 6 October 1993.

¹⁶⁹Conclusions of the Presidency, Brussels European Council, 29 October 1993, EC Bulletin no. 10, 1993, pp. 7-8.

¹⁷⁰Agence Europe no. 6122, 6/7 December 1993.

¹⁷¹Agence Europe no. 6125, 10 December 1993.

¹⁷²The long-established tradition of keeping member states' disputes off the collective agenda prevailed here. Italy's dispute with Slovenia (over the rights of ethnic Italians in Slovenia and property expropriated from ethnic Italians by the Yugoslav government after World War II) had been aggravated by

potentially very dangerous (as well as a source of disputes with Greece), also would not participate, presumably because it was much further behind in reforms and in its relations with the EU.¹⁷³ This of course meant that the Pact remained uncontroversial, so that all the member states could go along with it, more or less enthusiastically.

The Council presented its proposal for the Pact to the Brussels European Council in December. The objective was

to contribute to stability by preventing tension and potential conflicts in Europe; it is not concerned with countries in open conflict; it is intended to promote good neighborly relations and to encourage countries to consolidate their borders and to resolve the problems of national minorities that arise; to this end it is an exercise in preventive diplomacy in which the European Union will have an active role to play as catalyst...¹⁷⁴

The foreign ministers suggested that the project focus on those East European countries that are prospective members "vis-à-vis which the Union had greater opportunities to exert its influence more effectively...": the six associates and the three Baltic republics.¹⁷⁵ The inaugural conference would set up multilateral round tables in addition to the bilateral discussions. The EU's primary role would be to encourage the

the new government in Italy, led by Silvio Berlusconi, in office from March 1994. The government blocked Slovenia's participation in the Pact.

¹⁷³Interview with DG IA official, 23 June 1994. Although Greece is the second largest investor in Albania (after Italy), their relations have been strained over the ethnic Greek minority in Albania. "Border Blows", The Economist, 30 April 1994.

¹⁷⁴Annex I, Conclusions of the Presidency, Brussels European Council, 10-11 December 1993, EC Bulletin no. 12, 1993, p. 14.

¹⁷⁵EC Bulletin no. 12, 1993, p. 14.

parties to conclude good neighbor agreements covering the problems of national minorities and borders, and to set up regional cooperation arrangements. A final conference would ratify all the agreements concluded, and forward the Pact to the CSCE, which would act as its guardian. In contrast to France's initial proposals, the Council's report did not mention the possibility of revising borders, nor state that participation in the Pact was a condition for EU membership.

The European Council approved the report and called for the inaugural conference to be held in Paris in April 1994. It instructed the Council to implement the initiative as a Joint Action.¹⁷⁶ On 20 December, the Council approved a Joint Action under which the EU would convene the inaugural conference.¹⁷⁷ France, in collaboration with Council President Greece, would organize the conference, as host country.¹⁷⁸ The CFSP Secretariat and France then did most of the work on the Pact.¹⁷⁹

¹⁷⁶EC Bulletin no. 12, 1993, pt. I.9.

¹⁷⁷Council Decision 93/728/CFSP in OJ L 339, 31 December 1993. The Council did not specify that any further decisions would be taken by qualified majority.

¹⁷⁸Agence Europe no. 6139, 31 December 1993. The Joint Action states that no "operational expenditure" would be entailed by the decision. The CFSP provides for two types of expenditure: administrative, met by the EC budget, and operational, met by either national contributions or the Council or Commission section of the EC budget. Who pays for Joint Actions was in 1994 a matter of some dispute, between member states and between the Council and EP. France, as host country, eventually agreed to pay for all of the costs of the inaugural conference. Dodd 1994, p. 7.

¹⁷⁹Other member states and the Commission were involved, however. The Belgian and Greek presidencies (in 1993 and 1994) appointed special representatives to discuss the Pact with third countries and organize the round tables. The German presidency (1994) appointed a special ambassador to organize

The inaugural conference convened on 26-27 May 1994, in Paris. Nine countries were "directly concerned" (the three Baltic republics and the six associates), but other CSCE members and international organizations were observers. The participants declared:

Our aim is to encourage countries which have not yet concluded cooperation and good neighborliness agreements and arrangements, extending also to issues concerning minorities and borders, to do so...¹⁸⁰

The conference agreed to set up two regional round tables, for the Baltic region (including the Baltic republics and Poland) and for all the other East European countries (including Poland), chaired by the EU.¹⁸¹ The round tables were to identify projects to further good-neighborly relations, in areas such as regional transborder cooperation, questions relating to minorities, cultural and economic cooperation, and the environment.¹⁸² Neighboring or other

the round tables. Agence Europe no. 6238, 27 May 1994. Several EU missions (of the troika or presidency and the Commission) visited the East European countries to discuss the Pact. Interview with DG IA official, 23 June 1994.

¹⁸⁰"Concluding Document from the Inaugural Conference for a Pact on Stability in Europe", EU Bulletin no. 5, 1994, p. 100.

¹⁸¹The EU set up an ad hoc group, consisting of member state representatives, to form the round tables. Agence Europe no. 6239, 28 May 1994. Some round table meetings were chaired by the Commission. Interview, 19 April 1996.

¹⁸²See the conference documents annexed to Council Decision 94/367/CFSP of 14 June 1994 on the continuation of the Joint Action, in OJ L 165, 1 July 1994. The decision stipulates that expenditure relating to meetings convened by the EU, away from the seats of the EU institutions, would constitute administrative expenditure (charged to the EU budget, which in 1995 would contain funds for CFSP implementation in 1994 and 1995), in so far as the costs exceeded those usually borne by host countries.

countries, as well as international organizations, could join the nine countries "directly concerned" at their round tables. Slovenia was then asked to join the East European round table; Belarus, Moldova, Turkey and Ukraine also participated.¹⁸³ The EU also convinced an initially hesitant Russia to participate in Baltic round table.¹⁸⁴

The EU Presidency, and sometimes also the Troika, visited several capitals to promote the Pact and encourage cooperation and bilateral negotiations.¹⁸⁵ Quite clearly, attention was focused on the thorny issues of the Russian minorities in the Baltic republics and the Hungarian minorities in Slovakia and Romania. The troika visited the Baltic republics in July 1994, and Romania, Hungary, and Slovakia in the fall, to prod them into reaching agreements.¹⁸⁶

The EU increasingly emphasized regional cooperation, in addition to the bilateral negotiations.¹⁸⁷ In its June 1994 decision to continue the Joint Action, the Council requested

¹⁸³See "Political Declaration adopted at the Conclusion of the Final Conference on the Pact on Stability in Europe and List of Good-Neighbourliness and Cooperation Agreements and Arrangements", EU Bulletin no. 3, 1995, p. 113. France had pushed hard for Slovenia's participation. Agence Europe no. 6238, 27 May 1994.

¹⁸⁴Agence Europe no. 6236, 25 May 1994.

¹⁸⁵An interim assessment conference was held at the margins of the December 1994 CSCE summit in Budapest, to spur the negotiations.

¹⁸⁶Agence Europe no. 6439, 3 November 1994. In a meeting with Romanian President Iliescu in March 1995, shortly before the Pact was to be concluded, Commission President Santer and van den Broek said they hoped activities evolving within the framework of the Stability Pact would help resolve problems regarding human and minority rights in Romania. Agence Europe no. 6439, 13/14 March 1995.

¹⁸⁷Jopp 1994, p. 53.

the Commission to take appropriate economic measures to help reach the objectives of the Pact. An annex to the Pact contains a list of specific 'good-neighborly' projects supported by the EU, such as language training and regional economic cooperation. The list includes measures already financed by PHARE (for ECU 200m) and projects still being studied (ECU 60m worth).¹⁸⁸

The Pact, consisting of a declaration and the agreements included by the participants, was then adopted by the members of the OSCE (formerly the CSCE) on 20-21 March 1995.¹⁸⁹ The final conference was fairly low-key, at least in the media, perhaps a reflection of the Pact's modest achievements.

The Pact declaration stated:

We undertake to combine our efforts to ensure stability in Europe. A stable Europe is one in which peoples democratically express their will, in which human rights, including those of persons belonging to national minorities, are respected, in which equal and sovereign States cooperate across frontiers and develop among themselves good-neighborly relations. A stable Europe is necessary for peace and international security.¹⁹⁰

Over 100 agreements were attached to the Pact. Most of them were concluded before the inaugural conference, including several significant ones, such as the 1991 agreement on minorities between Hungary and Ukraine, the 1992 treaty

¹⁸⁸See the Commission's report, requested by the Essen European Council, on the promotion of regional cooperation and good neighborly relations in relation to the Pact's objectives. "Report of the Commission to the Council on the Promotion of Intra-regional Cooperation and 'Bon Voisinage'", prepared for General Affairs Council of 6/7 March 1995.

¹⁸⁹The final declaration of the Pact and a list of the agreements are in EU Bulletin no. 3, 1995, pt. 2.2.1.

¹⁹⁰EU Bulletin no. 3, 1995, p. 112.

confirming the Polish-German border, the 1992 friendship treaty between the Czech republic and Slovakia, and the Polish-Lithuanian treaty concluded a month before the inaugural conference opened (26 April 1994).

A Hungarian-Slovak treaty was agreed on 19 March 1995, a day before the final conference convened. It includes a Council of Europe recommendation providing for minorities to have an autonomous administration where they constitute a majority, and the principle of the inviolability of borders. At the conference, however, Slovakian Prime Minister Meciar stated that he considered the concept of minority rights destabilizing.¹⁹¹ Hungary ratified the agreement over the summer, but Slovakia did not do so until March 1996.¹⁹² Hungary and Romania only promised to continue with negotiations on an agreement.¹⁹³ The Pact does not include a Russian-Estonian agreement.

The OSCE is to supervise the Pact's implementation. In case of disagreements over the implementation of the agreements and arrangements included in the Pact, the participants can resort to OSCE procedures for conflict prevention and the peaceful settlement of disputes.

It is not certain that a large conference was necessary to meet the EU's objectives. The EU could have instead encouraged states to cooperate within the framework of the

¹⁹¹Agence Europe no. 6445, 22 March 1995.

¹⁹²Adrian Bridge, "Slovaks Protest as their Freedoms are Whittled Away", The Independent, 1 April 1996.

¹⁹³Marie Jégo and Yves-Michel Riols, "A Paris, le Chef de la Diplomatie Russe S'Oppose à Une Extension 'Précipitée' de l'OTAN vers l'Est", Le Monde, 22 March 1995.

CSCE, for example. In this sense, the Pact seems to have served more to give the CFSP something to do, potentially successful, in contrast to its perceived failures in the former Yugoslavia. The relative lack of agreements concluded during the Pact could indicate either that the Pact's objective was not fully met, or that it was not really necessary - as most of the participants had already concluded good-neighborly agreements.

This, however, does not diminish the significance of publicly vowing to respect certain principles and acknowledging that regional cooperation and good-neighborliness are legitimate concerns for all European states. It has also increased the pressure on specific associates (Hungary, Romania, and Slovakia in particular) to reach agreements with their neighbors.

The Pact's success will depend above all on the effectiveness of the conditionality of EU enlargement. The participants agreed to the plan because they considered it a prerequisite for EU membership. As France's European affairs minister, Alain Lamassoure, declared: "No country with unsettled border or minority conflicts will be allowed to join."¹⁹⁴

CONCLUSION

The Community, then Union, has become much more active in conflict prevention, by trying to reduce the sources of insecurity in Eastern Europe, mediate agreements, and encourage regional cooperation. Whether conflicts will

¹⁹⁴"Whose Stability Pact?", The Economist, 18 March 1995.

actually be prevented remains to be seen; much depends on the countries of Eastern Europe themselves. The EU has found it difficult to convince the associates to cooperate among themselves, and there are evident problems in encouraging Slovakia and Romania to democratize and get along with their neighbors. Enlargement could exacerbate those problems.

The EU's initiatives and attempts to prevent conflict have arisen less because of specific demands from outsiders to act (externalization), and more because the EU acknowledged that it would have to assume more responsibility for conflict prevention. It is well equipped to address the internal and external sources of conflicts, and to encourage democratization and economic development (and much less equipped to deal with violent conflicts that have already erupted). The conditionality of EU membership in particular provides the EU with considerable influence in Eastern Europe. Recognizing this, the member states have worked through the Community/Union to try to prevent conflicts and spread security in Eastern Europe, as the EU can bring much greater leverage to bear than national policy could.

CHAPTER 7

EXPLAINING COOPERATION ON THE POLICY TOWARDS EASTERN EUROPE

This thesis has shown that the EU can be an international actor; it has the capacity to produce collective decisions and have an impact on events.¹ With respect to Eastern Europe since the late 1980s, the Community/Union has formulated and implemented an active, consistent, common policy. The policy's principal aim has been to support the economic and political transformation in Eastern Europe; as circumstances have changed in Eastern Europe, the Community/Union has had to use different policy instruments to try to fulfill that aim. In the fall of 1989, the Community responded actively, with a variety of instruments, to the collapse of communism throughout the region. As the transformation in Eastern Europe progressed, the Community agreed that the best way to consolidate democratization and the market economy was to integrate the East European countries into the EU. By the end of 1994, the EU had approved an innovative and unprecedented pre-accession strategy to facilitate enlargement. The prospect of enlargement, coupled with increasing concerns about security and stability in Eastern Europe, made it more imperative for the EU to emphasize conflict prevention, to ensure the success of the transformation.

From 1988 to 1995, the EU's policy has shifted in emphasis from one directed towards third countries to one addressed to near-members. The evolution of the policy is remarkable in and of itself; the speed with which it occurred

¹As Hill defines actorness, in Hill 1993, p. 306.

even more so (although the policy has not evolved quickly enough for the East Europeans).

To explain further why the member states cooperated on this policy, this chapter will reconsider the questions raised in chapter 2, and draw out the theoretical implications of the responses to these questions. Was there spillover (political, cultivated, and/or functional) between external economic relations and foreign policy? Is the policy a case of externalization or self-styled logic? Were the member states' positions "Europeanized"? Did the member states compromise? How important were domestic pressures in determining the member states' positions? Were decisions made in the "supranational" style? What role did the Commission play in the formulation and implementation of the policy?

7.1 WAS THERE SPILLOVER?

As discussed in chapter 2, Stanley Hoffman argued in 1966 that a "logic of diversity" would limit the spillover process envisaged by neo-functionalists: the member states would block integration in the political ("high politics") sphere. More recently, neorealists such as Alfred Pijpers have repeated this argument, pointing out that the Community has not eroded national foreign policy competences. Yet in the case of cooperation on a policy towards Eastern Europe, spillover between the "external economic relations" and "foreign policy" sectors did occur.

During the Cold War, the interconnection between economic relations and security with Eastern Europe had already been made clear - partly because the US insisted that there was a negative connection, but also because there was a strong

belief (especially in West Germany) that trade and increased contacts would foster political and economic liberalization in Eastern Europe, and therefore enhance Western Europe's security (see chapter 3). But because trade relations with Eastern Europe were politically significant, the member states sought to retain control over them (no matter how small the volume of trade actually was). Matters of military security were dealt with in NATO. The EC and EPC collaborated to a certain extent, on issues such as the CSCE and the gas pipeline dispute. But the uneasy connection between economics and security is precisely what limited the Community's relations with Eastern Europe during the Cold War.

When communism collapsed, the interconnection became even more pronounced. As David Buchan noted: "Security and economic issues had become hopelessly intertwined due to the fact that the Community's former enemies in Eastern Europe were now clamouring for aid and trade from Brussels."² The Community had the right instruments to act in the region.

The Community's policy was very much a security policy. "Security" in the post-Cold War world acquired a much broader connotation than military security: threats to security could arise from a variety of sources, including mass migration, ethnic disputes, violations of human rights, and economic deprivation.³ Military instruments would not reduce such threats; "civilian" instruments would be much more effective.

²Buchan 1993, p. 33.

³Arguably, in much of the world this has always been the case, but the NATO-Warsaw Pact stand-off during the Cold War - based on the threat of nuclear annihilation - precluded much consideration of the non-military sources of insecurity.

In the case of Eastern Europe, the Community used its civilian instruments (including trade and aid) in a very political way, to bolster democratization and economic reforms, in the belief this would engender stability and security. The Community/Union's conflict prevention efforts (discussed in chapter 6) illustrate most directly how it has used civilian instruments to try to achieve those objectives.

There was, then, certainly functional spillover between "external economic relations" and "foreign policy", and it was reflected in extensive EC-EPC/CFSP collaboration. Decisions on trade concessions and aid were taken in the context of the overall foreign policy towards Eastern Europe. "The Council" acted simultaneously as the General Affairs Council and the Council of foreign ministers (EPC). But spillover was also cultivated, as the Commission used its external relations powers to elbow its way into areas that might earlier have been considered to fall within the domain of EPC. The Commission was in effect involved in formulating and implementing foreign policy, rather than simply ensuring consistency between EC and EPC/CFSP. There was also political spillover, because for the most part the governing elites in the member states tacitly or explicitly supported the Commission's role and the EC-EPC/CFSP overlap. In fact, there would have been no common foreign policy had the member states tried to block spillover. The logic of integration proved stronger than the logic of diversity. Why this was so will be explored further in the rest of this chapter.

7.2 EXTERNALIZATION OR SELF-STYLED LOGIC?

The external environment obviously influenced the

Community's policy towards Eastern Europe: there would have been no policy to aid the transformation of Eastern Europe if communism had not collapsed there. But were the Community's initiatives a (defensive) response to East European demands? Were the East European countries setting the policy agenda? Or did the Community act on its own accord, in its own interests, independent of external pressures to do so? Was the Community proactive, rather than reactive? In sum, was the policy towards Eastern Europe a case of externalization or self-styled logic (in Ginsberg's terms)?

Determining whether the Community's policy is a case of externalization or self-styled logic is difficult because there has been a profound synergy between external and internal developments in the relations between the Community and its eastern neighbors, ever since the Community was founded (as discussed in chapter 3). With respect to the policy in the period 1988-1995, the easy, but correct, assertion is that the policy has elements of both.

In the late 1980s in particular, external and internal dynamics were mutually reinforcing. The Community clearly was a magnet for the "liberalizing" countries of the former Soviet bloc. When communism crumbled, virtually all of the new regimes declared that their number one foreign policy goal was to "rejoin" Europe - and that meant joining the Community.

The Community of the late 1980s was particularly attractive to the East Europeans: after the so-called "Euroclerosis" (stagnant economic growth, institutional gridlock) of the 1970s and early 1980s, the Community

manifested a new assertiveness and self-confidence.⁴ The Single European Act, the single European market, and plans for economic and monetary union, coupled with accelerated economic growth, fueled this confidence. Spain and Portugal joined the Community, hoping to consolidate their young democracies, thus enlarging the single market and the range of the Community's external ties. To East European states, the Community apparently bolstered economic growth, democracy, and international stature.

By the late 1980s, the Community seemed much more able to act collectively, and on a wider world stage, than previously. Increasingly, its member states accepted (or expected) that it should and could assume a leading role in some aspects of international affairs, at a time when the change in the international environment facilitated such a role for a "civilian" power. In particular, the transformation under way in Eastern Europe could best be encouraged by a civilian policy; the Community was considered to be the right institution for the job.⁵ A less confident Community might

⁴As reflected in the titles of books, such as: Rummel, ed., The Evolution of an International Actor: Western Europe's New Assertiveness, and Crawford and Schulze, eds., The New Europe Asserts Itself: A Changing Role in International Relations. Had the Berlin Wall fallen 10 years earlier, one wonders if the East Europeans would have been as keen to join the Community.

⁵The CSCE, which had been a main forum for East-West cooperation, was in effect "bypassed". It has remained important as a forum for building a sense of collective responsibility for European security. In the liberal view, the EU is much more suitable for engendering long-term security, based on economic growth, democracy, and integration. But the East European countries want a military security guarantee, and several member states agree that EU action must be complemented by NATO enlargement.

have passed up the opportunity to lead efforts to support reform in Eastern Europe, regardless of any demands on it to do so.

There is, however, much evidence to suggest that externalization played a large part in the Community's relations with Eastern Europe. Time and again, the East European countries made ever greater demands on the Community/Union, for better market access, aid, political dialogue, and above all, a firm commitment to membership and a timetable for enlargement. A joint response would have to be forthcoming, yet the Community's responses seemed to fuel higher expectations. Furthermore, the East Europeans objected to certain options, such as a confederation or partial membership, thus limiting the Community's potential response. It could be argued that in responding positively to the East European demands, the Community/Union elaborated a "common foreign policy where none existed previously."⁶

In particular, the decision on enlargement taken at the June 1993 Copenhagen European Council fits externalization well: it followed months of pressure from the East Europeans for a declaration on membership, during which the Community had insisted relations would develop within the framework of the Europe agreements. Perhaps the decision on membership was thus taken too soon: the Community should have reflected a great deal more about the wisdom of enlargement, rather than allow itself to be "pushed" into a decision.

Seen this way, the Community seems to have taken a series

⁶As the externalization hypothesis states. Schmitter 1969, p. 165.

of incremental, reactive steps: the EC's initial actions did not entirely satisfy East European demands, so it was forced to take further steps to try to fulfill those demands. Unable to meet the ultimate demand for accession in the short term, the EU tried several intermediate solutions, none of which fully pleased the East Europeans. External pressures were the main "cause" of a Community/Union policy.

Importantly, Schmitter's negative hypothesis was not fulfilled, although in 1988 it seemed that there was a risk it would be (see section 4.1). The member states did not react separately to the challenges (and opportunities) posed by the revolutions in Eastern Europe, scrambling for "special and exclusive advantage." Nor did they "remain indifferent or opposed to joint external policy formation", the null hypothesis.⁷

To a varying extent, two other third parties also played a role in "pushing" the Community/Union to conduct a common foreign policy towards Eastern Europe, the Soviet Union/Russia and the US. During the Cold War, the Community tried (gingerly) to reduce the Soviet Union's dominance in Eastern Europe, refusing to conclude an overarching agreement with the CMEA (see section 3.1.3) and rewarding the more independently inclined states Romania and Yugoslavia (section 3.1.2). In the immediate aftermath of the Cold War, the Soviet Union did not occupy such a prominent place in the Community's policy towards Eastern Europe; the attempted coup in August 1991, however, changed that. Europe agreements were concluded with

⁷Schmitter 1969, p. 165.

Romania and Bulgaria (and trade agreements concluded with Albania and the Baltic states), to bring them closer to the Community. As Russian foreign policy seemed to take on a more nationalistic tone, the East European countries feared it would try to reestablish its old "sphere of influence". While the membership decisions, structured relationship, and WEU associate partnership status were not devised specifically in opposition to the Russian "threat", it was certainly a consideration (less in 1993, more so in 1994), along with, however, several other factors. Concerns have grown that a strict application of conditionality could drive the associates into a Russian-led grouping (section 6.2.1).

The influence of another outsider, the US, is less clear.⁸ It greeted the EC-CMEA declaration of June 1988 with concern: the East European commitment to reforms was, in American eyes, still uncertain. It stalled on EC proposals to loosen CoCom restrictions even in early 1990. Yet the US supported the Commission's role as G-24 aid coordinator, and the Community's leading role in general. In December 1989, Secretary of State James Baker declared: "The promotion of political and economic reforms in the East is a natural vocation for the European Community."⁹ The US periodically

⁸As discussed in chapter 3, the Community's position towards Eastern Europe in the early 1980s may have been determined by a need to prevent economic ties from being damaged by US policy, as Stephen George maintains. But with the end of the Cold War, this approach no longer holds: the US and the Community largely agreed on policy towards the region, and concern for stability and security had become paramount.

⁹Secretary Baker, "A New Europe, A New Atlanticism: Architecture for a New Era", Address to Berlin Press Club, 12 December 1989, US Department of State, Bureau of Public Affairs, Washington, D.C. David Buchan argues that this

criticized the extent to which the EC/EU opened its markets to East European goods. But all in all, US encouragement or pressure did not force the Community/Union to act, although its willingness to step back allowed the Community to fill a leadership role. The Community, however, would have been the focal point for the East Europeans regardless of the US position, and had its own reasons to be active in the region.

The self-styled logic also seems to apply. With the end of the Cold War, the Community/Union stepped into a leadership role in Europe, and tried to shape the new European "architecture" in line with its own interests and objectives. As early as October 1989, the Community was considering possibilities for the shape of the new Europe (see section 5.2). David Allen has argued that in its response to events in Eastern Europe in 1989-1990,

the EC has demonstrated that it is more than a Cold War institution, that it is capable of rising to its greatly enhanced role in the European and Global international system and that it is capable of generating ideas at least about its possible future role in the new European security architecture.¹⁰

The Community/Union did not simply respond defensively and incrementally to the East European demands for market access, aid, dialogue and membership. From the trade and

speech was crucial: "Had it not got this push from Washington, the Community might have been much slower off the mark in embracing Eastern Europe, with possibly dire consequences there. At the time, late 1989, many EC leaders were dithering." Buchan 1993, p. 141. But in late 1989 the Community was quite active, granting wide-ranging trade concessions, setting up PHARE, negotiating trade and cooperation agreements and considering association agreements. The US was "pushing" against an open door.

¹⁰Allen 1992, p. 134.

cooperation agreements through to the Pact for Stability, the Community/Union has fashioned a distinct policy, which can be seen as more purposive (or proactive) than reactive. With the end of the Cold War, the Community could hope to overcome the division of Europe and promote democracy, the protection of human rights, and the market economy in the region. This would create the conditions for long-term stability and security in Eastern Europe, and thus in Western Europe as well. The instruments which the Community/Union used to achieve those objectives changed, from trade and aid to conflict prevention measures, with changing circumstances in Eastern Europe. Trade and cooperation agreements, for example, were no longer adequate as the East European countries implemented far-reaching reforms; preventing conflicts increasingly became more of a concern from 1991. The use of different instruments did not arise solely in response to East Europeans demands: the Community/Union more often devised the new instruments itself.

Conditionality is the key principle of the Community's policy, and certainly was not applied in response to East European demands. Although conditionality was not new in international relations (an example is the IMF's conditions for loans), it was a new principle in the Community's relations with Eastern Europe.¹¹ Conditionality did not

¹¹Conditionality had played a part in the EC's policy towards other non-communist European states: EC aid and membership for Spain and Portugal were made conditional on democratization. In 1986, the foreign ministers declared that the Community would promote human rights in its relations with third countries, but this was far from making those relations conditional on the protection of human rights. Nuttall 1992, p. 269. See also the Commission's communication, The European

influence the Community's earlier dealings with Eastern Europe: most member states (West Germany above all) held the view that trade and closer contacts would be the way to encourage peaceful change. Yet as some East European states launched reforms, the Community began to apply conditionality. Applying conditionality allowed the Community to use its civilian instruments to try to ensure security and stability in Europe. Not surprisingly, this first occurred when the Community's "assertiveness" was quite high. Although there are those within the EU who would prefer to use integration as a tool to engender democracy and capitalism, conditionality has been extended: the conditionality of membership in particular gives the EU considerable influence for encouraging reforms and preventing conflicts in Eastern Europe.¹²

In responding to East European demands for dialogue and membership, the EC/EU also imposed its own views. Concentric circles was a novel response to internal exigencies (deepening in the wake of German unification) and external demands for closer ties. The Europe agreements, a new type of association agreement, were to be the framework for the development of bilateral relations with the associates. The structured dialogue refashioned relations as the EU considered necessary,

Union and the External Dimension of Human Rights Policy: From Rome to Maastricht and Beyond, COM (95) 567 final, 22 November 1995.

¹²Both perspectives (stabilizing relations with the East European countries will lead to liberalization; conditionality will encourage democracy and market reforms) concentrate on generating reform "from above". But the revolutions of 1989 are a prime example of a transformation driven "from below". Timothy Garton Ash makes this point in relation to Germany's Ostpolitik in Garton Ash 1993, pp. 203-215. The success of reform will in the end depend more on broad public support.

while the associates were less than pleased with its "multilateralism". Although the structured dialogue, and particularly the enhanced dialogue on CFSP matters, was partially a response to East European demands for gradual integration, the associates have rarely come up with ideas to exploit the possibilities it offers: proposals for joint CFSP declarations and participation in Joint Actions under the CFSP have come from the EU.¹³ The emphasis placed on regional cooperation, democratization, and minority rights guarantees (as manifested most clearly in the Pact for Stability) reflects EU concerns and a particular EU vision, based on its own experience, of how to prevent conflicts and ensure security in the region.

'Internal' support for the East European membership demands must also be taken into account. Germany long argued that expanding to the east would stabilize the region and consolidate the democratic and economic transformation there.¹⁴ Enlargement in the past had helped consolidate democracy in Greece, Spain, and Portugal; this argument was used by proponents of enlargement to Eastern Europe. Supporters of enlargement could point to the strength of the outside demands to persuade doubters, but support for expansion did not arise solely because of those demands. By 1993, the situation in Eastern Europe had evolved so

¹³This was made clear in an interview with two member state officials, 13 December 1995.

¹⁴As early as October 1989, Genscher stressed the need for the Community to reinforce cooperation with East European countries to facilitate their eventual accession to the EC. Agence Europe no. 5106, 7 October 1989.

dramatically that the time seemed right to offer the prospect of membership, on a conditional basis. Timing here is crucial in another sense: only once Maastricht Treaty ratification was assured and the issue of EFTAn membership settled did the member states agree to offer membership.

The question of whether the policy towards Eastern Europe is a case of externalization or self-styled logic, then, cannot be answered definitively in favor of either. The East Europeans were clearly quite insistent in their demands, and the Community/Union had to come up with a response, either to stall or to act positively. But the self-styled logic also seems to fit: the way in which the Community/Union responded to the demands and sought to shape its relations with the region reflects its own interests, principles, and goals. In both cases, however, the reasons why the member states cooperated on the policy towards Eastern Europe must still be explained.

7.3 WERE THE MEMBER STATES' POSITIONS "EUROPEANIZED"?

Well before communism began to collapse in Eastern Europe, the member states had recognized that they shared an interest in maintaining detente. There was then a limited legacy of cooperation within the Community on relations with the region. But Eastern Europe was still considered a sensitive area of primarily national interest, and as the communist regimes liberalized, the member states could have benefitted from strengthening their bilateral economic and political relations with the states of Eastern Europe. That there should be a common policy towards the region was by no means initially accepted by all. The larger member states in

particular hesitated: it took signs of definite change in Poland and Hungary, in the spring of 1989, before they declared that the Community would formulate a common, consistent policy (see section 4.1).

All of the member states agreed on the primary objectives of increasing prosperity and security in Eastern Europe, by ensuring the success of the reforms, and overcoming the division of Europe, but this alone might not have sparked cooperation on a common policy.¹⁵ Cooperation became imperative when all recognized that the "problem" of increasing prosperity and security in Eastern Europe would be better solved jointly. National action alone could not cope with the enormity of the task. The member states could benefit from the "politics of scale"¹⁶: they would have a great deal more influence, and be much more effective, if they acted jointly rather than separately. The most appropriate instruments to use to encourage reform and spread stability in the region were Community instruments (trade, association, political dialogue, membership) or would best be wielded at the Community level (aid, conflict prevention).

There was also agreement that the Community should assume a leading role in relations with Eastern Europe, reflecting its new-found confidence. The Strasbourg European Council in December 1989 declared:

The Community and its member states are fully

¹⁵In several interviews, Council and member state officials have stressed that a common policy towards Eastern Europe was made possible because the member states shared common interests in the region.

¹⁶The phrase is Roy Ginsberg's (1989), p. 3.

conscious of the common responsibility which devolves on them in this decisive phase in the history of Europe....At this time of profound and rapid change, the Community is and must remain a point of reference and influence. It remains the cornerstone of a new European architecture...¹⁷

The member states seemed keenly aware that this was a turning point in history, and that the Community should play a role in the transformation of the international system in Europe. The Community had to support the reform process in Eastern Europe and help reshape Europe's institutional architecture. In early 1990, Douglas Hurd said, "It is fitting that it should be the Community - the most successful expression of our shared values and objectives as Europeans - which is throwing a lifeline to the rest of our family of nations."¹⁸

A closer examination of the member states' positions illustrates the extent to which they agreed that the Community should formulate and implement a common policy to support the transformation in Eastern Europe. The smaller member states (the Benelux especially) have consistently advocated formulating a common policy towards Eastern Europe. In part, this reflects a concern that a directorate of the large member states would dominate relations with the region, as was most evident in the EBRD negotiations (section 4.3.4). The smaller member states clearly lack the resources to encourage reform.

¹⁷"Statement Concerning Central and Eastern Europe", Document no. 89/314, EPC Documentation Bulletin, vol. 5, no. 2, 1989.

¹⁸Quoted in Timothy Garton Ash, "Poor but Clubbable", The Independent, 19 January 1990. The East European states are frequently referred to as "family": see p. 190 and p. 273, fn. 190. This seems to indicate that the member states share a collective "familial" identity and that they had an obligation to help those "relatives" left on the wrong side of the Iron Curtain during the Cold War.

A common Community/Union policy meant that they would be much more involved in relations with Eastern Europe - and share the benefits of economic relations - than might otherwise have been possible.

The large member states, however, have also supported a common policy towards Eastern Europe. Germany, France and Italy have to a certain extent acted on their own in Eastern Europe, but always as a supplement or complement to a common Community policy. A purely national policy would have been ineffective anyway. The member states could not escape from the fact that the Community was the focus of East European foreign policies; this necessarily overshadowed their bilateral relations with the countries of the region. The member states would at least have to work together to respond to East European demands; they would have to think in "European" terms. They had limited freedom to go it alone, even if they had so wanted. Their positions were perforce "Europeanized". Externalization reinforced the politics of scale, but both phenomena were accompanied by a feeling that the Community/Union should lead policy towards Eastern Europe.

Germany is perhaps the central actor in the making of policy towards Eastern Europe. Its geographical position alone dictates that it must be concerned with stability and security in Eastern Europe. Unification has further exposed it to instability in Eastern Europe, so aiding the transformation there is a "matter of necessity as well as of choice."¹⁹ It wants prosperous, democratic, and stable

¹⁹Bomsdorf, et al. 1992, p. 89.

neighbors, and certainly does not want to be on the front-line of a conflict.²⁰

Some observers and policy-makers (in Western and Eastern Europe) have been concerned that a united Germany would dominate Eastern Europe and turn away from Western Europe.²¹ Germany is the primary trading partner for all of the ex-communist countries, the largest giver of aid, and generally the biggest foreign investor.²² "Balancing" a strong German role in the region has strengthened support for a common policy in several member states, notably France and Italy.

Germany too has sought to "multilateralize" policy towards Eastern Europe. It does not want to be left on its own with a problem which it could never ignore.²³ The problems of supporting the transformation in Eastern Europe had to be considered the Community's problems, not just Germany's, and therefore handled jointly.²⁴ Searching for a

²⁰See "Germany and its Interests: Hearing Secret Harmonies", The Economist, 20 November 1993.

²¹See, for example, "Germany's Eastern Question", The Economist, 29 February 1992.

²²See appendices 1 and 2 for figures on German trade and aid. Other member states sometimes eclipse German investment: Italy in Poland by the end of 1993, or France and the UK in Romania in 1992 and 1993. "The Economic Interpenetration between the European Union and Eastern Europe", European Economy, no. 6, 1994, chapter 4. Greece is the largest foreign investor in Bulgaria. "A Survey of Greece: Last Chance, Sisyphus", The Economist, 22 May 1993, p. 15.

²³As Ian Traynor and Martin Kettle argue in "Going Overboard", The Guardian, 6 February 1996.

²⁴Lothar Gutjahr notes that the FDP, in charge of the foreign ministry, is dominated by "European patriots" who think of German and Western Europe's interests as one and the same. Lothar Gutjahr, German Foreign and Defence Policy After Unification (London: Pinter, 1994), p. 87.

multilateral solution conforms to the "politics of responsibility", articulated by former Foreign Minister Hans-Dietrich Genscher and continued by his successor Klaus Kinkel, by which "Germany renounces any hint of nationalism or power politics, grim reminders of its hegemonistic past, in favour of whole-hearted integration in international organisations..."²⁵ The end of the Cold War has reinforced Germany's multilateral tendencies.²⁶ After all, German unification could really have taken place only in the context of strong German support for deepening European integration, affirmation of its commitment to NATO, and backing for a pan-European security architecture incorporating Gorbachev's Soviet Union.

Germany has also needed a "cover" for action in Eastern Europe because its relations with some of its neighbors are by no means problem-free - a legacy of World War II in particular. Disputes over German minorities have soured relations with Poland and the Czech republic; however much the East European countries look to Germany for economic assistance and support for their EU membership demands, there

²⁵Quentin Peel, "A Difficult Balancing Act", Financial Times, 26 October 1992.

²⁶See in particular: Reinhardt Rummel (1995a), "The German Debate on International Security Institutions", in Marco Carnovale, ed., European Security and International Institutions after the Cold War (New York: St. Martin's, 1995); and Jeffrey Anderson and John Goodman, "Mars or Minerva? A United Germany in a Post-Cold War Europe", in Robert Keohane, Joseph Nye, and Stanley Hoffman, eds., After the Cold War: International Institutions and State Strategies, 1989-1991 (Cambridge, MA: Harvard University Press, 1993).

would be limits to Germany's Ostpolitik.²⁷ Germany would need to act within a Community context or risk alienating its neighbors, in Eastern and Western Europe.

Confronted with a united Germany, potentially dominant in relations with Eastern Europe, France has turned to the Community/Union. To exercise influence in Eastern Europe, France backed an active Community policy towards the region, which it would try to lead. Ole Wæver has argued, "The French stress on the Community's *Ostpolitik* is very logical, because this is the only way to counterbalance German economic dominance in Eastern Europe."²⁸ Several observers asserted that "[o]ne of the curious inversions of 1989 has been that France became the leader of the (political) *Ostpolitik*."²⁹ France's proposals for high-profile initiatives such as the EBRD and the Pact for Stability reflect this desire to lead an active Community/Union policy towards Eastern Europe. But France eventually had to give up insisting that Eastern Europe would be the mission for a more integrated Community (rather than be included in it)³⁰, and accept widening, if it was to retain influence in the EU (see section 7.4).

Both France and Germany sought to strengthen their partnership, with respect to Eastern Europe and the EU's

²⁷See Hans Stark, "L'Est de l'Europe et l'Allemagne: des rapports complexes", Politique Étrangère no. 4/91, winter 1991, Adrian Bridge, "Czechs Still Filled with Rage at Munich Sell-Out", The Independent, 4 May 1996, and "Germany's Eastern Question".

²⁸Wæver 1990, p. 484.

²⁹Buzan, et al. 1990, p. 129.

³⁰See Buzan, et al. 1990, p. 151.

policy there. This would preserve the "acquis of reconciliation" between the two countries, as well as export the model to the east.³¹ Germany has been concerned to convince France that enlargement should occur; strengthening Franco-German cooperation would help Germany reach that goal (see section 7.4).³² On Genscher's suggestion, for example, in May 1991 the French and German ambassadors in the East European countries and the French and German foreign ministers met in Weimar to reinforce their cooperation in the region.³³ Chancellor Kohl immediately backed French Prime Minister Edouard Balladur's plan for a Stability Pact, at a Franco-German summit in June 1993. In early 1994, Germany proposed that the two states coordinate their successive EU presidencies, including collaboration on the shaping of a joint European Ostpolitik.³⁴

The "Weimar dialogue" is a further example of Franco-German collaboration. The Weimar dialogue was formally launched at a meeting of the foreign ministers of France, Germany, and Poland in Weimar on 29 August 1991; since then, the three ministers have met yearly. From 1995, the trilateral meetings were to be upgraded to the level of heads

³¹Stark 1991, pp. 869-870.

³²Interview, 14 March 1996.

³³Claire Tréan, "Paris et Bonn à la recherche d'une politique commune à l'Est", Le Monde, 19/20 May 1991. Cooperation was to occur in the relatively low-key sectors of culture and training; there was little room left for other national policy initiatives.

³⁴"Froideur, Angst or all in the Mind?", The Economist, 26 March 1994.

of state or government.³⁵ The dialogue was established because Genscher wanted to strengthen Germany's relations with Poland and ensure that France was also included.³⁶ Hans Stark notes that it has the triple advantage of associating Poland with Franco-German discussions on European security and Community policy, contributing to German-Polish detente, and guarding against possible tensions between Paris, Bonn and Warsaw.³⁷ The first trilateral declaration emphasized the need to associate rapidly the new democracies to the Community; other meetings addressed relations between Poland and the EU, WEU, and NATO, proving once again that member states' policies towards Eastern Europe are necessarily "Europeanized".³⁸

In January 1995 then foreign minister Alain Juppé called the Weimar triangle a success.³⁹ This success has attracted other East European states. In September 1994, the Romanian president proposed the creation of a similar trilateral dialogue.⁴⁰ The French, German, and Romanian foreign ministers did meet in July 1995, but that dialogue has not been institutionalized. Kinkel and de Charette used the

³⁵"Just Do It", The Economist, 15 July 1995.

³⁶Interview, 14 March 1996.

³⁷Stark 1991, p. 869.

³⁸The Franco-German proposal to extend WEU associate partnership status to the EU's associates arose out of the Weimar dialogue (see section 6.3.2).

³⁹Alain Juppé, "Quel horizon pour la politique étrangère de la France?", Politique Étrangère, no. 1/95, Spring 1995, p. 246.

⁴⁰Romer and Schreiber 1995/1996, p. 922.

meeting to remind Romania that democratization and protection of human rights were conditions for EU membership, a further example of the "Europeanization" of member states' policy.

Italy has traditionally favored European integration, and might be expected to support a common policy towards Eastern Europe almost reflexively (although it hesitated before including widening in that policy, as did France). Domestic politics also dictated strong support for a policy to encourage reform in Eastern Europe. East-West detente would reduce internal tensions between the left (represented by the strong Partito Comunista Italiano) and the governing coalition.⁴¹ As communism fell, Italy backed an active Community policy, proposing that trade restrictions on East European goods be lifted and aid to the region increased.⁴² Its support for a common policy has remained strong.

The "Quadrangolare", launched by Foreign Minister De Michelis in late 1989, was an attempt to increase Italy's presence in Eastern Europe, but through a multilateral initiative.⁴³ Italy, Austria, Yugoslavia, and Hungary would collaborate on industrial and technical issues, transport, and

⁴¹Sergio Romano, Guida alla Politica Estera Italiana: Dal Crollo del Fascismo al Crollo del Comunismo (Milano: Rizzoli, 1993), pp. 197-198.

⁴²See the article by the then Italian Foreign Minister: Gianni De Michelis, "Reaching Out to the East", Foreign Policy, no. 79, Summer 1990, p. 49.

⁴³The initiative echoed the Alpe-Adria grouping (launched in 1978), which links sub-national regions that were part of the Austro-Hungarian empire. See R. Craig Nation, "Italy and Ethnic Strife in Central and Southeastern Europe", in Vojtech Mastny, ed., Italy and East Central Europe: Dimensions of the Regional Relationship (Boulder: Westview, 1995).

the environment.⁴⁴ After becoming a Pentagonale and then a Hexagonale (with the addition of Czechoslovakia and Poland), the initiative was rebaptized the Central European Initiative (CEI) in 1992 and grew to include Croatia, Slovenia, Bulgaria, Romania, Ukraine and Belarus.⁴⁵

De Michelis asserted that the initiative complemented the Community's policy towards Eastern Europe, and would supplement resources allocated at the EC level.⁴⁶ It would ease the eventual integration of its members into the Community, giving them "una sala d'attesa in cui trascorrere confortevolmente, per quanto possibile, gli anni di transizione prima dell'ingresso nella Comunità europea."⁴⁷ In addition, as Sergio Romano argues, the undeclared aim was to prevent those countries from falling completely within a German sphere of influence.⁴⁸ The problem, however, was that none of the member countries could afford to fund common projects. Nor could the CEI deal with the region's pressing problems, such as the conflict in Yugoslavia.

Since 1992, Italy has experienced numerous economic and political problems. Although Italy is one of their most important trading partners, the East European countries would like even more aid and investment (and leadership) from Italy.

⁴⁴John Wyles, "Italy Aspires to a Bigger Regional Role", The Financial Times, 10 November 1989.

⁴⁵Nation 1995, p. 56.

⁴⁶De Michelis 1990, p. 52.

⁴⁷Romano 1993, p. 205.

⁴⁸Romano 1993, p. 205. See also Sergio Romano, "East Central Europe in Post-World War I Italian Diplomacy", in Mastny, ed. 1995, pp. 28-30.

Italy's severe budget problems (whose resolution was made urgent by the EMU criteria), however, have curtailed the extent to which it can respond.⁴⁹ The political crisis that has rocked Italy since 1992 has sharply reduced its ability to carry out an active foreign policy (anywhere).

Given those constraints, the Andreatta-Hurd initiative to strengthen the EU's political dialogue with the associates (section 5.5.2) was a way for Italy to exercise a greater leadership role in the region and in the EU, relatively cheaply. The initiative would also 'balance' the Franco-German partnership and spread responsibility for the EU's policy towards Eastern Europe. Italy has been keen to "communitarize" relations with all of the EU's neighbors (to the east and south).⁵⁰ This may partly reflect its lack of resources, but also undoubtedly arises from Italy's general preference for multilateral cooperation and support for EU common foreign policy-making.

Since the collapse of communism, the UK has been less active with respect to Eastern Europe than other member states have been; its trade and aid levels are relatively low compared to the other large member states.⁵¹ Its policy is

⁴⁹In 1992, at a conference on Italy and Central-Eastern Europe (which I attended), several East European ministers called for greater Italian involvement in the region. Foreign Minister De Michelis boldly announced that Italy could assume a balancing role in Eastern Europe. The head of the Partito Repubblicano Italiano, Giorgio La Malfa, retorted that Italy did not have the money to finance such a role. See also "Mancono Soldi Per Gli Aiuti", La Repubblica, 1/2 March 1992.

⁵⁰Interview, 28 July 1995.

⁵¹Louise Richardson argues that the UK seemed more intent on sharing the secrets of the British political system and facilitating private sector investment in Eastern Europe than

truly a Community/Union one, in the sense that it has worked almost solely within that framework to implement a civilian policy in the region. An official from the UK Foreign Office maintained that the policy towards Eastern Europe is a case in which the UK's policy has been "Europeanized" because the major challenges in Eastern Europe are those of enlarging the EU and NATO, and because working through the EC/EU is an effective way of addressing issues of collective concern (such as democratization in Slovakia).⁵²

The UK was cautious about many of the initiatives pushed by other member states, including the EBRD and the Stability Pact, but it then worked to amend the proposals more to its liking. It has strongly advocated opening the Community to freer trade with Eastern Europe, and called, forcefully and repeatedly, for a rapid enlargement to the east; its pressure undoubtedly contributed to the decisions to ease market access and promise eventual enlargement. The UK grasped the opportunity presented by Italy to launch a joint initiative for strengthening the political dialogue with the East European associates. Within the structured dialogue, the UK has pushed for practical results, proposing specific, concrete instances of cooperation.⁵³

Leadership was exercised by a number of different member

on taking the lead in shaping the new European architecture. In "British State Strategies after the Cold War", in Keohane, Nye, and Hoffman, eds. 1993, pp. 156-157.

⁵²Interview took place on 13 December 1995.

⁵³In October 1994, for example, the UK and Italian foreign ministers, Hurd and Martino, proposed including the associates in discussions on non-proliferation and the CSCE. Interviews with UK and Italian officials.

states, at different times, illustrating the extent to which the member states shared the view that the EU should formulate and implement a common foreign policy towards Eastern Europe. Belgium (in 1988-1989), France, Germany, the UK and Italy (together and separately) were quite active in pushing compromises and common initiatives. The Presidency was important in brokering agreements and launching Community/Union initiatives. Both France and Ireland called special summits to discuss specifically the events in Eastern Europe, in November 1989 and April 1990. The Dutch presidency helped broker the first three Europe agreements. The British presidency launched a high-profile political dialogue with the Visegrad group in the fall of 1992. Denmark played a large part in pushing through the Copenhagen European Council decisions. Greece helped set up the Pact for Stability. The German presidency in the fall of 1994 pressed for the implementation of the structured dialogue.

Another indication of the "Europeanization" of member state positions on Eastern Europe can be found in the discussions on the CFSP. Early on, Eastern Europe was considered a prime area for Joint Action. A March 1990 Belgian memorandum suggested that the policy towards Eastern Europe provide the first opportunity to put into practice an integrated foreign policy.⁵⁴ In October of the same year, the French and German foreign ministers proposed that the 12 member states decide by qualified majority voting on common

⁵⁴The document is reproduced in Finn Laursen and Sophie Vanhoonacker, eds., The Intergovernmental Conference on Political Union (Dordrecht: Martinus Nijhoff, 1992).

policies for parts of the world - such as Eastern Europe - where they had common interests.⁵⁵ In October 1991, the Netherlands also suggested that foreign policy towards Eastern Europe be decided by majority vote, since there was already convergence among national policies and external economic policy was such an important element of the policy.⁵⁶

The member states did attempt to shape the common policy to reflect their own "pet" concerns, including their relations with certain East European states.⁵⁷ Germany's desire to "erase" its border with Poland (with the help of PHARE aid) stems partly from a desire to ease communications and ties with ethnic Germans living there. Its emphasis on minority

⁵⁵Grant 1994, pp. 144-145. A year later, both states proposed that the Maastricht Treaty state the topics likely to be the subject of Joint Actions, including relations with Eastern Europe (the document is in Laursen and Vanhoonacker, eds. 1992). The UK objected to including such a list in the Treaty: Foreign Secretary Hurd argued that foreign policy issues were too variable to be considered permanently suitable for common action. David Buchan, "A Long March Towards Euroarmy: Before It Can Have an Army the EC Needs a Closely Co-ordinated Foreign Policy", The Financial Times, 18 October 1991. The Maastricht European Council agreed, and instead instructed the foreign ministers to identify areas open to Joint Actions, which they did in a June 1992 report. Eastern Europe was one of those areas (see section 5.4.2).

⁵⁶Pinder 1991, pp. 5-6.

⁵⁷There was also the issue of 'balancing' the EU's relations with Eastern Europe (naturally a concern of north-eastern member states), by strengthening the EU's relations with Mediterranean countries (more of a concern for southern member states). This was raised particularly by Spain and by Greece, Italy and France. (Spain has also complained that Eastern Europe was draining EU resources that should go to Latin America.) As a result of these concerns, by 1995, the EU had become much more active in the Mediterranean, and had promised to include Cyprus and Malta in the next enlargement. It is unclear whether the EU can provide the resources needed to help resolve some of the Mediterranean's problems (such as the Arab-Israeli dispute or the Yugoslav war); a serious "capability-expectations gap" could emerge. See Hill 1993.

rights stems from its own concerns with the rights of ethnic Germans in other East European countries.⁵⁸ France's concerns to maintain its traditional links (and therefore influence) with Romania could partly explain why it pushed for closer EC/EU-Romanian ties. Italy's concerns for the rights of ethnic Italians in Slovenia and Greece's concerns for the rights of ethnic Greeks in Albania impeded the development of those countries' relations with the EU.⁵⁹

Germany has been particularly keen on integrating the Czech republic, Hungary, and Poland (above all) into the EU - for reasons of security and simple economics, and perhaps to atone for the past.⁶⁰ Germany and Denmark want to integrate the geographically close Baltic republics into the EU orbit, an aim backed strongly by new members Finland and Sweden.⁶¹

⁵⁸Germany's friendship treaties with its neighbors contain provisions for minorities in line with CSCE norms, but nonetheless, "one powerful nation-state was making bilateral arrangements to support, culturally, economically and legally, a minority of its own nationals (by its own definition) inside other states." Garton Ash 1993, p. 401. In 1988, West Germany guaranteed a DM 1b credit to Hungary; in return, Hungary improved the cultural status of its German minority. Since Poland refused to grant cultural rights to its German minority, West Germany did not extend credits to it (in that year). Wolfgang Berner and William Griffith, "West German Policy Toward Central and Eastern Europe", in Griffith, ed. 1989, p. 346.

⁵⁹Albania looked to Italy, its former colonial power, for aid; Italy responded fairly generously, also to stop thousands of Albanians from streaming into southern Italy. Italy has pushed for multilateral initiatives (G24 or Phare) in Albania so that it isn't seen as dominating. Interview, 28 July 1995.

⁶⁰See "A Survey of Central Europe: The Return of the Habsburgs", The Economist, pp. 7-11.

⁶¹At a conference on conflict prevention and the EU in London on 8 February 1996, a Swedish representative to the IGC Reflection Group, Ambassador Sven-Olof Petersson, declared that the best conflict prevention measure the EU could take in the Baltic region would be to let the three Baltic republics

Sweden has expressed opposition to letting the Visegrad countries join before the Baltic republics, an example of the "centrifugal" influence of geographical and historical ties.⁶²

The member states have also tried to limit the extent of the common policy: export credit policy remained resolutely a matter for inter-governmental cooperation; good neighbor and cooperation agreements were still concluded on a bilateral basis; and some member states complained about the Commission's influence over balance of payments loans and tried to limit the Commission's autonomy in allocating PHARE resources. The member states have competed over PHARE contracts and the sponsoring of prestigious aid projects.

The efforts to limit or direct the policy, however, pale when compared to the extent of the common policy agreed by the member states. They seem rather like a vain attempt to counter the EU's importance in Eastern Europe and ensure a role for the member states. That there should be a common policy towards Eastern Europe was not at issue; this was accepted, if not actively advocated.

The member states, then, did view the problem of supporting the transformation in Eastern Europe and its solution in collective terms. They took advantage of the politics of scale; this was reinforced by the effects of externalization. The common policy "outweighed" national policies; the member states' positions were necessarily and

join. Germany, Scandinavian countries, the Baltic republics, and Russia form the Council of Baltic Sea States, another "bridging" organization linking EU and non-EU states.

⁶²Sarah Helm, "Eastern Expansion Sparks Row", The Independent, 16 December 1995.

voluntarily Europeanized.

7.4 DID THE MEMBER STATES COMPROMISE?

Although the member states may have recognized the need for and desirability of cooperation on a common policy, they were divided over several aspects of that policy. This is to be expected; what is important is that these differences were overcome. It is important to take the entire period, 1988-1995, into consideration: agreements reached at one stage were later 'upgraded' even further.

Agreement on how to achieve the objectives of encouraging reform and ensuring stability was at times difficult to reach. Some commentators have argued that the EC was not doing enough in Eastern Europe; it should have set up a "Marshall Plan" for Eastern Europe.⁶³ But it did set up PHARE, whose budget has increased substantially even after the program was extended. Excluding Germany, none of the member states has given more aid than the EU has (see appendix 2). There was no widespread agreement to grant large amounts of bilateral or multilateral aid to Eastern Europe - partly because of qualms about the cost but partly because the effectiveness of aid was by no means assured when the East European economies were still largely state-controlled.⁶⁴

The prevailing motif was "trade not aid". But trade was a particularly difficult issue, and the intra-EC wrangling

⁶³Kramer 1993, p. 234.

⁶⁴Giles Merritt points out that until social security systems are reformed or state enterprises are privatized, Western aid would only subsidize inefficiency. Merritt 1991, pp. 248-249. Private investment was also expected to help generate economic growth.

over concessions, particularly during the negotiations on the Europe agreements, gave the impression that the member states were fiddling while Rome burned. The member states tried to protect specific economic interest groups, by blocking or delaying trade concessions that were opposed by them. Relative gains do not seem to have been the motive, as realists would surmise; the member states instead seemed more concerned to protect their own farmers or businesses.

There was sympathy from other member states for many of these concerns: Portuguese objections to free trade in textiles were considered legitimate enough for an agreement to be reached to grant extra EC aid to textile producers there. Spain's concerns about steel imports from Bulgaria and Romania were not easily dismissed by free trade advocates because of the crisis in the Community steel industry. Where objections were not considered legitimate, there was much pressure on the member state to back down, as in the example of France and meat imports under the Europe agreements.

What is striking is how often the member states gave in to pressures to compromise, from the trade and cooperation agreements and lifting of quantitative restrictions, to the Europe agreements and the Copenhagen European Council decision to accelerate trade liberalization. The power of domestic interest groups to influence the member states' positions on trade was muted. The political importance of liberalizing trade with Eastern Europe outweighed the risk of enraging domestic interest groups or, more importantly, the very real costs of opening up certain sectors to East European competition. The fact that the foreign ministers were making

the decisions is crucial: keenly aware of the political significance of economic relations with the associates, they effectively overruled other government ministers who might have sympathized more with the concerns of interest groups. An important exception is agriculture, and interest groups are very well organized domestically and on a European basis in this sector (although minor concessions on agricultural products have also been made). The reluctance to liberalize agricultural trade also reflects, however, a stubborn reluctance to face the challenge of reforming CAP.

The trade issue also needs to be seen in context: trade is only one aspect of the overall policy towards Eastern Europe. The Europe agreements, for example, set up a framework for intense cooperation between the EU and the associates.

Of all the decisions made, that on enlargement was the most controversial; after all, nothing less than the future shape of the Union was at issue. Agreement was first reached on a concentric circle vision of Europe, which provided one solution to the widening vs. deepening debate. As early as April 1991, the member states could even agree to mention EC membership in the preambles to the Europe agreements. But this solution soon proved inadequate, given external demands for enlargement (and internal support for those demands), concerns about security in Eastern Europe, and the progress of the political and economic transformation. Moving to a statement promising membership was difficult for many reasons, and the past example of Turkey would not have helped change minds. The Copenhagen decision to promise enlargement to the

East European associates may have been taken without enough prior thought about the implications of such a promise (for the EU and for Eastern Europe) - but it is nonetheless remarkable that it was taken at all, given the extent to which many member states had expressed misgivings about enlargement. It should also be reiterated that this occurred less than four years after the Berlin Wall fell; reaching a Community consensus on enlargement in fact took a remarkably short time.

All of the member states have had to make compromises on the issues of widening and deepening. Germany has been the strongest advocate of widening, and has been very concerned to convince its EU partners of the merits of enlargement. But it also wants deepening, to tie itself into European institutions and thus please its neighbors, France in particular. It accepted, and even advocated, that there must be deepening before widening, even though it may have good reason to press for the early accession of the Visegrad group to the EU.⁶⁵

France was initially opposed to widening. According to Heinz Kramer, France wanted to deepen integration and launch a European confederation because it was concerned with the repercussions that widening would have for the balance of power within the Community.⁶⁶ Stanley Hoffman agrees that Mitterrand's opposition even to a statement accepting the prospect of enlargement was caused by an obsession with German power. A deepened but not enlarged Community could take the initiative of aid to the East away from Germany, while an

⁶⁵Tony Barber, "Ties that bind the liberated Germany", The Independent on Sunday, 17 July 1994.

⁶⁶Kramer 1993, pp. 221-222.

enlarged EC would have its center of gravity in Germany and would strengthen Germany as a role model for the East European associates.⁶⁷

But after the Maastricht Treaty, France softened its position on enlargement, although Mitterrand still wanted to place obstacles in the way of widening, and continued to insist that a confederation would be the best possible European architecture.⁶⁸ France recognized that with a more powerful united Germany as a neighbor, it would have to exercise influence through the EU. And this entailed accepting enlargement, on which Germany insisted.⁶⁹ Resisting enlargement (in the face of East European demands and growing internal Community support) could have been counterproductive; by accepting it, France could hope to influence the process to a much greater extent and continue to lead an active EU Ostpolitik. France's concerns with the balance of power were evidently stifled: realism cannot account for this.

Italy might have had reason to oppose the accession of the East European associates, as the EU's budget (and Italy's contribution) would have to be increased substantially and aid to poorer regions (the Mezzogiorno) and farmers might be cut. Enlargement would also shift the center of the EU to the north-east.⁷⁰ On the other hand, Italy is one of Eastern

⁶⁷Stanley Hoffman, "French Dilemmas and Strategies in the New Europe", in Keohane, Nye, and Hoffman, eds. 1993, p. 140.

⁶⁸de La Serre and Lequesne 1993, pp. 156-157.

⁶⁹"A Survey of France: No Escape?", The Economist, 25 November 1995.

⁷⁰See, for example, Enrico Letta, Passaggio a Nord-Est (Bologna: Il Mulino, 1994).

Europe's largest trading partners (a legacy also of economic ties built up during the Cold War), and its rich northeast in particular would benefit from closer ties to the EU's associates.⁷¹ Italy did not initially endorse enlargement, but went along with the Community's acceptance of the prospect, and has consistently stated its support for the policy.⁷² It has also, however, urged consideration of proposals for variable geometry, as long as it is considered a member of the central core, as a way to widen and deepen.

The one issue on which the UK has expressed a very strong preference is that of widening. In Thatcher's Aspen speech in August 1990, she urged the Community to "declare unequivocally that it is ready to accept all the countries of Eastern Europe as members if they want to join, and when democracy has taken root and their economies are capable of sustaining membership."⁷³ In September 1993, Major wrote: "If we fail to bring the democratic countries of Eastern and Central Europe into our Community, we risk recreating division in Europe - between the haves and the have-nots."⁷⁴

The UK's support for enlargement has, however, been

⁷¹Interview, 28 July 1995.

⁷²Andreatta's support for the 'historic challenge and responsibility' of integrating the Visegrad countries into the EU is made clear in an interview reprinted in Andreatta, Un Anno Per L'Italia: Tra Economia e Politica Estera (Roma: Arel, 1994), p. 52. Romano Prodi, the leader of the progressive coalition, also stated his support for enlargement, in a speech at LSE on 26 January 1996.

⁷³The text of the speech is reprinted in The Daily Telegraph, 6 August 1990.

⁷⁴John Major, "Raise Your Eyes, There is a Land Beyond", The Economist, 25 September 1993.

coupled with strong opposition to deepening. In her Aspen speech, Thatcher declared that the Community should not give more power to centralized institutions because that would "be making it harder for the Eastern Europeans to join. They have not thrown off central command and control in their own countries only to find them reincarnated in the European Community."⁷⁵ The insistence on widening without deepening made it virtually impossible for the UK to team up with the one other member state that strongly supported widening, Germany.⁷⁶ In the end, however, the UK accepted the Maastricht Treaty (with opt-outs), part of the first solution to the widening v. deepening debate.

Of the smaller member states, only Denmark clearly supported the prospect of enlargement to the associates prior to the Copenhagen summit. But since then, the smaller member states have in general supported enlargement, if coupled with deepening integration (even though more majority voting, for example, could reduce their influence).⁷⁷ Spain, however, has

⁷⁵Text in The Daily Telegraph, 6 August 1990.

⁷⁶Thatcher's objections to German unification would not have helped either. See Thatcher 1993, pp. 813-814. In April 1994, though, Hurd and Kinkel jointly wrote an article arguing for EU and NATO enlargement. Interestingly, they both agreed that the EU will have to adapt if it is to enlarge: "We must ensure that at every stage a wider community becomes a stronger one." Douglas Hurd and Klaus Kinkel, "Welcome to our Eastern Cousins", The Times, 26 April 1994.

⁷⁷See, for example, the then Belgian foreign minister Willy Claes' speech, "Europe: An Unfinished Symphony", Chatham House, 2 February 1994. In March 1996, the Belgian foreign minister, Erik Derycke, declared that "[d]eepening the Union is therefore a 'conditio sine qua non' for enlargement". Speech to the Third Ghent Colloquium, "The Relations between the European Union and Central and Eastern Europe and the Intergovernmental Conference".

stated that its approval of enlargement depends on the continuation of its EU aid, and Greece has been concerned to combine an eastern enlargement with a southern one (to Cyprus in particular).

The effects of externalization apart, the decision on enlargement seems to have been taken because the member states agreed that it was the best way to spread security in Eastern Europe, and therefore increase the Union's security as well. By June 1993, several associates were much more clearly on the path to democracy and a market economy; that they should join the EU seemed more 'natural'. Certainly, however, reluctant member states were pressed to come to this conclusion quickly because of pressure from the East European countries and from pro-wideners within the Community (Germany and the UK in particular). Once the Maastricht Treaty was on its way to ratification and decisions on the budget and EFTAn enlargement had been taken, there were few excuses left to put off a decision. Agreement on enlargement, however, was followed by agreement on a pre-accession strategy to ease the associates' integration into the EU. Steps were thus taken to implement the decision; it was not a "pseudo" or "symbolic" one.⁷⁸

Granted, the hard questions on enlargement remain unanswered. This does not detract, however, from what has already been agreed. The very foundations of the EU must be substantially transformed if the next enlargement is to be successful. As yet a consensus on the nature of the

⁷⁸On pseudo and symbolic policies, see Martin Holland, "Three Approaches for Understanding European Political Cooperation: A Case Study of EC-South African Policy", Journal of Common Market Studies, vol. 25, no. 4, June 1987.

transformation required has not formed.⁷⁹ Reaching an agreement on institutional and budgetary reform that will satisfy all of the member states will be difficult, and could impede enlargement in the near future (providing, of course, the membership candidates meet the conditions). But it would be extremely difficult for the EU to renege on its promises to enlarge in the long term; there is too much support within the EU, and momentum building, for enlargement.

The policy towards Eastern Europe is clearly not a series of decisions made on the basis of the lowest common denominator of the various national positions. On virtually every decision, the member states made concessions: trade barriers were lowered, and then lowered again, several times; initiatives sponsored by one or more member states were supported by the others (even if they had not been received enthusiastically); an active and leading role for the Commission was generally accepted; PHARE funding was increased; and the prospect of enlargement was accepted.

7.5 HOW IMPORTANT WERE DOMESTIC PRESSURES?

As discussed above, the objections of domestic interest groups to freer trade with Eastern Europe were continuously overruled, with the exception of trade in the sensitive sectors (but even there, concessions were made). Contrary to

⁷⁹Some commentators have warned that if the EU does not integrate eastern Europe, Germany will feel forced to go it alone. Traynor and Kettle, "Going Overboard". This is probably unlikely, as Germany's commitment to West European integration is not really in doubt (concerns about EMU notwithstanding). Chancellor Kohl continues to argue that German power must be contained within a strengthened EU - or fears of a dominant Germany could fuel nationalism among its neighbors. See Sarah Helm, "Kohl Warns of War if European Union Fails", The Independent, 3 February 1996.

what the liberal intergovernmentalist approach maintains, such groups did not hinder cooperation. This is because trade policy was part of a foreign policy: "greater" issues were at stake and required compromises from the member states.

Public opinion in general did not figure much in national positions on the policy towards Eastern Europe, although EU-wide polls have shown support (though not enthusiasm) for enlargement to the Visegrad countries (see appendix 4). The avowed expression of the general European will, the European Parliament, did ensure that some issues were addressed, although its role was fairly limited. It voiced concerns for human rights (for example, in Romania) and held up agreements as a result. It also pressed for more funds for PHARE and launched a few initiatives (scientific cooperation, border cooperation, the democracy program) within that framework. But the EP was clearly not a key actor in policy-making, reflecting its limited powers in external relations.

Governments (and mainly the foreign ministries) have been primary actors in the decision-making process on the policy towards Eastern Europe.⁴⁰ This is still fairly typical of much foreign policy-making at national or EU level (for better or for worse). It should be reiterated, however, that cooperation takes place against a background of interdependence and the gradual development of a "community" within the EU. Approaches that focus only on

⁴⁰Elites, however, cannot ignore public opinion, as demonstrated by the Maastricht Treaty ratification process. Given that a successful enlargement to the East European associates will depend on institutional reforms, elites will have to "bring the public along" on further integration.

intergovernmental bargaining do not adequately account for this. A decision to increase aid to the Portuguese textile industry (redistribution of resources) or agreement on enlargement cannot be fully explained unless this is kept in mind. Paradoxically, however, enlargement may endanger exactly the sense of community that underpins EU decision-making. The structured relationship, which aims to socialize the associates' elites, has clearly been designed to counter that risk; building a wider 'community' will, however, take time.

7.6 WAS DECISION-MAKING "SUPRANATIONAL"?

Insights from neo-functionalism, neo-liberal institutionalism, and constructivism help explain the dynamics of decision-making on the policy towards Eastern Europe. The process of making policy on Eastern Europe is an example of the neo-functionalist "supranational" style of decision-making (section 2.2.3). The member states continually made significant compromises to achieve a common policy; decisions were not of the lowest-common-denominator variety, but represented an upgrading of the common interest. Jacques Delors has called this the "Community method", which involves

progressively creating positive links of interdependence among countries, which certainly doesn't prevent each one affirming its personality and aspirations, and which does not exclude differences and arguments. But - and that's the fundamental change - what has been gained is so precious that the willpower exists, in the last resort, to find positive compromises."

What is significant is that the supranational decision-making style functioned in the realm of foreign policy (perhaps

"Quoted in Grant 1994, p. 224.

because the line between "foreign policy" and "external economic relations" in this case was virtually invisible).

Policy-making occurred in a situation of empathetic interdependence: the member states were inclined to work for collective solutions of larger overall value to the "problem" of encouraging reform in Eastern Europe, even at the expense of direct gains to themselves. They shared a collective interest in ensuring a successful transformation of Eastern Europe, and believed the Community/Union should formulate and implement a common policy to achieve that objective; this required that the member states make compromises. Furthermore, they did so in the process of interaction at the EC/EU level. Domestic factors were not such important determinants of the member states' positions. This supports the constructivist (and neo-functionalist) view that state interests can change in the process of cooperation.

In making policy on Eastern Europe, the Council was acting as a "Euro-organ"⁸², in EU interests, rather than as a forum for bargaining between governments that had their own separate interests to pursue (as intergovernmental approaches posit). This is why the self-styled logic can apply to this case. The policy itself reflects the EU's collective experience and interests, and a sense of identity that transcends member state boundaries. The insistence on conditionality reflects the belief that democratic, free-trading countries make better neighbors, which post-war West European history seems to confirm. Likewise, the emphasis on

⁸²The phrase is Ole Wæver's (1995).

regional cooperation and integration, as in the structured relationship or the Stability Pact, stems from the shared belief that integration in Western Europe has helped ensure peace and stability there, and will help to do so in Eastern Europe. The membership conditions can be seen as a sort of inventory of shared characteristics that form the basis for a common EU identity. The East European countries have stated that they want to "rejoin Europe"; the EU's response defines what a European identity entails.

Insights from neo-functionalism, constructivism, and even neo-liberal institutionalism, thus help explain why the member states cooperated on the policy, but alone they do not suffice. For the member states were not the only important actors: attention must also be given to the Commission's role in making the policy.

7.7 THE ROLE OF THE COMMISSION

The Commission and member states worked closely together throughout the period 1988-1995. The informal "advisors' group", in which foreign ministry officials and a Commission representative met, worked out early decisions such as the establishment of diplomatic relations with the East European countries and the extension of G-24 aid; Benavidès reported to it on his progress in the Gabčíkovo dam dispute mediation.⁸³ After the Maastricht Treaty, this collaboration was formalized. Such extensive cooperation was clearly needed to ensure consistency. But the Commission was also active in its own right, as an initiator and mediator.

⁸³Interview with DG IA official, 12 March 1996.

In fact, the Commission was undoubtedly one of the most important actors in the making of policy towards Eastern Europe. That the policy has evolved so quickly, from trade agreements to the pre-accession strategy in six years, is partly due to the Commission's leadership. There are two remarkable aspects regarding the Commission's role. The first is that the Commission was so active in a region where it had previously been marginalized, and in foreign policy making in general. The second is that its mediation role was crucial. On several occasions, it in fact "upgraded the common interest", mediating solutions that were more than the "lowest common denominator".

In several interviews, EU and member state officials have repeatedly noted that the Commission's involvement in the making of a policy towards Eastern Europe has been unique. It was given unprecedented leeway to act, even on "political" issues. As one Council Secretariat official noted in 1996, the Commission's role in foreign policy - in general and in relation to Eastern Europe - would simply have been out of the question even 10 years ago.⁴ Simon Nuttall has argued that in the policy towards Eastern Europe,

it was the Commission which held the levers of power, whether through its control of the implementation of the Community budget, its coordination of the international aid effort on behalf of the countries of East and Central Europe or its mastery of the process of negotiating agreements on behalf of the Community. Small wonder if the Commission seemed to loom large in the counsels of Political Cooperation and to occupy a position which would have raised eyebrows at the time the Single European Act was passed. It would

⁴Interview took place on 12 March 1996.

have been deemed rank heresy a decade before that."⁵

When communism faltered in Eastern Europe, the Commission was already a dynamic force and did not hesitate to seize the opportunity to expand its influence into the making of a civilian foreign policy. The Commission perforce assumed a leading role in relations with the CMEA members, as it negotiated trade and cooperation agreements with the fastest reformers and applied conditionality in practice. Commission pressure is not the sole reason why the Council decided in April 1989 to pursue a consistent and common approach, but certainly it helped: the Commission ensured that the issue was on the Community's agenda and argued the case for cooperation (see section 4.1).

The G-7 decision in July 1989 to entrust the Commission with the task of coordinating Western aid to Poland and Hungary arose because the Commission was already in the forefront of Community efforts to strengthen relations with Eastern Europe and because of Delors' close relationship with three main leaders: Kohl, Mitterrand, and Bush. The Commission immediately responded to the challenge, and throughout the fall of 1989, was, with France, a primary source of initiatives to aid Eastern Europe. The expansion of the Community's activities, to include lending to Eastern

⁵Simon Nuttall, "The Commission and Foreign Policy-Making", in Geoffrey Edwards and David Spence, eds., The European Commission (Harlow: Longman, 1994), p. 294. Under the CFSP, the Commission acquired the right to propose foreign policy initiatives. This concession to supranationalism does not reflect the extent to which the Commission was already involved in the making of a foreign policy towards Eastern Europe. Developments "on paper" were surpassed by practice, once again.

Europe and establishing PHARE, for example, also thereby increased the Commission's role. The Commission was in effect leading the implementation of the Community's policy as well, through its handling of trade negotiations and the aid programs. The Commission and Delors then helped to smooth the former East Germany's incorporation into the EC, filling yet another very political role.

The Commission consistently came up with ideas on the shape of the "new Europe". Delors and Genscher pushed the idea of a Europe of concentric circles extending to Eastern Europe. In April 1991, Commissioner Andriessen suggested offering affiliate membership to the East European countries. From June 1992 to June 1993, in three reports to successive European Councils, the Commission proposed setting up a "European Political Area", based on a multilateral dialogue (section 5.4.2). The European Council eventually agreed to set up such an area (but called it the structured relationship), although British, Italian, and German backing was instrumental in forging that agreement.

The Commission's involvement in the formulation and implementation of the Europe agreements was a further foray into the previously off-limits area of political dialogue. The Commission pushed to include political dialogue in the agreements, an unusual step. The Commission has since been very involved in the political dialogue.

The East European states clearly perceived the Commission's political importance (helping thus to reinforce its position); perhaps the most foremost example of this is the Commission's role in mediating the Gabčíkovo dam dispute,

at the request of the parties (see section 6.3.3). Significantly, the member states allowed the Commission to assume such a responsibility.

In playing such an active role, the Commission may have provoked a backlash. The member states now seem more determined to control the Commission's role in CFSP, for example, and to block an increase in the Commission's powers at the 1996 IGC. The new Commission president, Jacques Santer, may not have the personality, network, or disposition that enabled Delors to push successfully for a greater role. But in the policy towards Eastern Europe, the Commission will continue to play a leading role if only because it has to prepare the opinions on the new membership applications and implement the pre-accession strategy.

With respect to the Commission's mediation role, it was instrumental in improving the Community's trade concessions in the Europe agreements. Charles Grant notes that Delors managed to persuade the French to make concessions. In May 1991, for example, he went on French TV to argue for more trade with Eastern Europe. His constant lobbying eventually led to an improved EC offer to the East Europeans and allowed the conclusion of the agreements. The Danish foreign minister, Uffe Ellemann-Jensen, maintained that "Delors deserves credit for getting the French on board for the Europe agreements."⁸⁶

After the conclusion of the Europe agreements, the Commission supported East European demands for further trade

⁸⁶Quoted in Grant 1994, p. 158.

concessions in its reports to the Lisbon, Edinburgh, and Copenhagen European Councils. By December 1992, the Commission was also pushing a reluctant European Council to accept the prospect of eventual membership for the associates, in the interests of security and stability in Eastern Europe. In both of these cases, the Commission's line was by and large approved.

The Commission's proposals were never the most "extreme" - rather they represented the middle ground between national positions. Some member states had to compromise to accept less than they would have preferred; most had to compromise to accept as much as the Commission proposed. In mediating decisions that went much further than the most reluctant member states wanted, the Commission "upgraded the common interest".

What may surprise is that the Commission (at the very least an understaffed and somewhat disorganized body) was able to play such an active role in policy-making. In his biography of Delors, Charles Grant considers that Delors' leadership in the late 1980s and early 1990s is all the more remarkable considering that in the EU "[d]ecision making is so slow and consensual that decisive leadership from the center is almost impossible."⁵⁷ Without doubt, the way Delors ran the Commission (from the top down as opposed to fostering collegiate decision-making) helped, as did his reliance on a network of friends and allies in strategic places (including

⁵⁷Grant 1994, p. 278.

Kohl and Mitterrand).⁴⁴ The comparatively brief experiment (January 1993-January 1995) of dividing up responsibility for economic and political relations with Eastern Europe between two directorate-generals might have been expected to generate a less-than-solid leadership role from the Commission, especially because of the rivalry between "heavyweights" Sir Leon Brittan and Hans van den Broek. Yet the period in which the portfolios were split was also an active one in the EU's relations with Eastern Europe: the Copenhagen European Council conclusions were reached and the structured dialogue set up. When they worked in tandem, as they soon did on Eastern Europe, Brittan and van den Broek could wield much influence.

The Commission enjoyed at least tacit support for its active role, both because it was necessary if the Community was itself to be active in the region and because it was performing its role well and so was a useful actor in the policy-making process. The Commission - with its concentration on the collective interest - could help translate shared objectives into specific policy options and argue the case for collective action. But it also shared leadership with other member states, as discussed above.

The Commission's role in the making of a policy towards Eastern Europe is thus clearly significant, and seems to confirm neo-functional hypotheses. An institutionalized mediator, charged with furthering the common interest, not only contributed to the making of an active, common foreign

⁴⁴On the 'Delors revolution', see Peter Ludlow, "The European Commission", in Keohane and Hoffman, eds. 1991, pp. 116-121.

policy towards Eastern Europe, but often led the policy.

CONCLUSION

This thesis has demonstrated that where there is a general will to act (and to compromise), where there are recognized common interests, the EU can act in a coherent and consistent manner. The member states shared common objectives in Eastern Europe and the EU possessed the right instruments (or acquired them) for the task of supporting the transformation of Eastern Europe. The member states were willing to make compromises in the name of this collective endeavor, and allow the Commission to play a significant role.

International Relations theories that have been applied to the EU - particularly neorealism and neoliberal institutionalism (in the form of intergovernmentalism) - cannot explain the continual compromising, or the sense of collective interest and identity, that this thesis has highlighted. Rationalist theories cannot take into account the possibility that interaction at the Community/Union level could transform interests and identities, which thereby diminishes the force of those theories in the EU context. Concepts used by some neo-liberal institutionalists, such as empathetic interdependence, do seem to apply here - but are best seen from a more "interpretive" standpoint. Theories about the domestic determinants of cooperation do not help, as neither domestic interest groups nor public opinion played a major role in determining the member states' positions.

Neo-functionalism, and constructivism, have been shown to be much more useful for explaining the making of a common policy towards Eastern Europe. Neo-functionalist insights

into spillover (functional, cultivated and political), externalization, the Community method (the supranational style of decision-making), and the Commission's role help illuminate why the member states cooperated on the policy. The constructivist emphasis on how the process of interaction can transform interests and identities helps illuminate the development of the Community method and helps explain why the self-styled logic can partly apply in this case.

This does not, however, mean that neo-functionalism and constructivism are useful in every case of foreign policy cooperation. This case of foreign policy cooperation is unique, as is the nature of foreign policy cooperation (and cooperation in general) within the EU - dependent as it is on the particular issues at hand. Eastern Europe - being right next to the EU and on the same continent - had an "immediacy" that facilitated the formulation of a common policy, and supporting reform there had an urgency that demanded an adequate collective response. The EU is considered, by insiders and outsiders, to have a particular responsibility for Eastern Europe. Eastern Europe had to be integrated into democratic, prosperous, and secure Europe; not only was the Community/Union considered the most appropriate institution for that task, but, especially in East European eyes, it epitomized "Europe" (hence the enlargement issue dominated relations between the Community/Union and Eastern Europe).

That the Community assumed responsibility for supporting the transformation in Eastern Europe in the late 1980s is also due to the happy coincidence that communism collapsed during a dynamic period in the Community's history. Its member

states and outsiders expected the Community to lead, and believed that it could do so. There was an awareness that this was a turning point in history. With the end of the Cold War, the Community could and should assume a leadership role, and try to reshape Europe more in line with its own interests and principles.

Even though the international system now allows more room for civilian powers (perhaps backed by peacekeeping capabilities), and the EU is expected to formulate more foreign policies, it does not follow that the EU will do so. There are of course many issues on which the member states cannot agree, or do not share common interests; the logic of diversity still prevails. There are also many situations in which the EU simply does not possess the right instruments, even for areas geographically closer to it. It has proven quite unsuited for dealing with violent conflicts, for example. Even where the EU does possess the right policy instruments, it may not have as much influence; privileged ties with the former Soviet republics and several Mediterranean countries may not be enough for the EU to have an impact, because it will not hold out the prospect of enlargement to them - a very powerful instrument in the case of Eastern Europe. A capability-expectations gap clearly exists in many areas.

But a point that might be drawn from this thesis is that the EU member states can develop and recognize their common interests and formulate a common policy to further those interests. They can hammer out an agreement on the specifics of that policy, compromising their original positions in the

process. The logic of diversity may still prevail in some cases; CFSP may still produce only symbolic positions. But the member states are nonetheless engaged in a process in which their interests and identities are changing, and from which common foreign policies can emerge. The effects of enlargement on this process, however, remain to be seen. It may well be that the logic of integration will stall, having produced the very policy that now renders uncertain its future vitality.

APPENDIX 1

Table 1	EC Trade with Eastern Europe, 1958-1985
Table 2	EC Trade with Eastern Europe, 1988-1994
Table 3	Percentage of Eastern Europe's total trade accounted for by the EC, 1988-1992
Table 4	Trends in EC-East European trade (annual growth rate and share in EC trade)
Figure 1	EU imports from CEECs by EU partners, 1989-1994
Figure 2	EU imports from CEECs by CEECs suppliers, 1989-1994
Figure 3	EU exports to CEECs by EU suppliers, 1989-1994
Figure 4	EU exports to CEECs by CEECs partners, 1989-1994

Table 1
EC trade with Eastern Europe, 1958-1987
(in million ECU)

Country	1958	1960	1965	1970	1975	1980	1985	1987
USSR								
Exports	386	604	563	1415	5064	7808	12509	9189
Imports	477	706	1066	1554	4064	11382	20710	13128
Balance	-91	-101	-503	-139	1000	-3573	-8201	-3939
GDR¹								
Exports	57	95	177	219	494	865	947	1086
Imports	61	91	166	230	519	951	1832	1390
Balance	-4	3	11	-10	-25	-86	-884	-304
Poland								
Exports	197	209	315	604	2745	2892	2733	2332
Imports	229	278	438	689	1733	2805	3572	2907
Balance	-32	-69	-123	-85	1013	87	-839	-575
CSFR								
Exports	136	178	283	565	1068	1405	1966	2078
Imports	143	184	281	478	874	1544	2272	2055
Balance	-7	-6	2	87	194	-139	-306	23
Hungary								
Exports	72	134	195	416	980	1619	2486	2373
Imports	70	103	198	372	713	1430	2014	1996
Balance	2	32	-4	44	267	189	473	376
Romania								
Exports	56	105	256	500	1105	1772	1157	651
Imports	72	111	224	462	989	1826	2910	2489
Balance	-16	-7	31	38	116	-55	-1753	-1178
Bulgaria								
Exports	30	63	152	231	689	805	1639	1453
Imports	33	50	127	191	222	507	586	517
Balance	-2	13	25	40	466	299	1053	936

Source: Susan Senior Nello, The New Europe: Changing Economic Relations between East and West (New York: Harvester Wheatsheaf, 1991), p. 78.

¹Excluding intra-German trade.

Table 2
EC Trade with Eastern Europe, 1988-1994
(in billion ECU)

Country	1988	1989	1990	1991	1992	1993	1994
Total 5						Total 6	
Exports	9.30	11.48	13.51	17.54	21.44	25.91	31.01
Imports	10.43	12.08	13.28	16.12	18.89	20.17	26.16
Balance	-1.12	-.59	.23	+1.43	+2.54	+5.73	+4.87
Poland							
Exports	2.75	3.94	4.93	7.88	8.15	9.97	10.82
Imports	3.36	3.86	5.28	6.21	7.08	7.58	9.11
Balance	-.61	.08	-.34	1.66	1.07	2.39	1.72
CSFR						Czech	
Exports	2.17	2.38	2.91	3.82	6.26	6.08	7.93
Imports	2.21	2.56	2.79	4.06	5.53	4.84	6.37
Balance	-.04	-.17	.12	-.24	.73	1.24	1.57
						Slovakia	
Exports						1.22	1.79
Imports						1.16	1.87
Balance						.06	-.08
Hungary							
Exports	2.35	2.99	3.22	3.49	4.06	4.97	6.15
Imports	2.16	2.59	3.00	3.62	3.99	3.95	4.96
Balance	.19	.40	.22	-.13	.07	1.01	1.19
Romania							
Exports	.61	.69	1.41	1.33	1.85	2.32	2.65
Imports	2.23	2.55	1.62	1.47	1.40	1.69	2.51
Balance	-1.62	-1.86	-.20	-.14	.45	.63	.14
Bulgaria							
Exports	1.41	1.48	1.03	1.03	1.11	1.35	1.67
Imports	.46	.53	.59	.75	.89	.95	1.34
Balance	.94	.95	.44	.28	.21	.40	.33

Source: Eurostat

Table 3
Percentage of Eastern Europe's total trade accounted for by the EC

	Exports					Imports				
	1988	1989	1990	1991	1992	1988	1989	1990	1991	1992
Bulgaria	5.8	6.7	10.4	15.7	30.8	16.7	16.5	14.8	20.7	32.6
CSFR	24.2	25.7	32.0	40.7	49.5	17.7	17.8	32.1	34.3	42.0
Hungary	22.5	24.7	34.2	47.6	49.5	25.2	28.5	31.5	40.4	42.4
Poland	30.3	32.1	46.8	55.6	55.6	27.2	33.8	42.5	49.9	53.1
Romania	24.0	26.7	31.4	34.2	32.5	6.2	6.1	19.6	27.4	37.5
Total	22.5	24.5	33.5	44.6	48.2	19.2	20.8	27.8	39.5	44.7

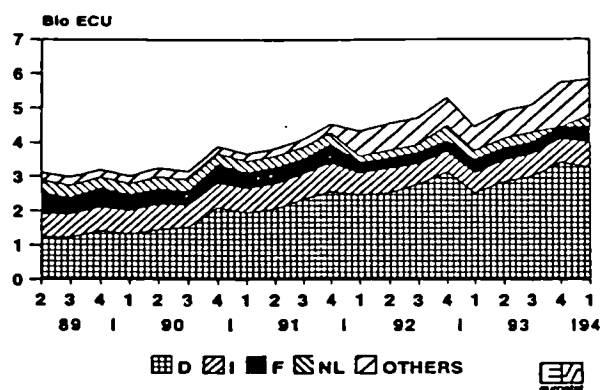
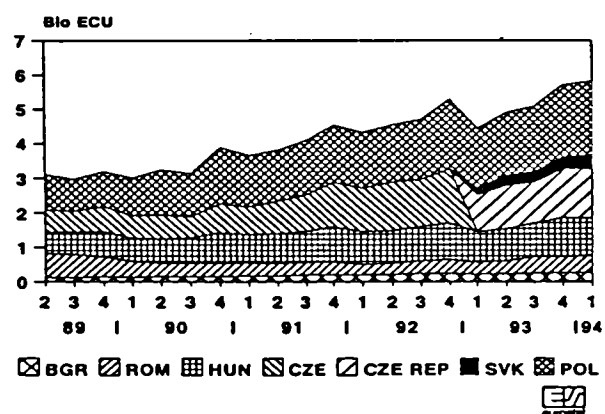
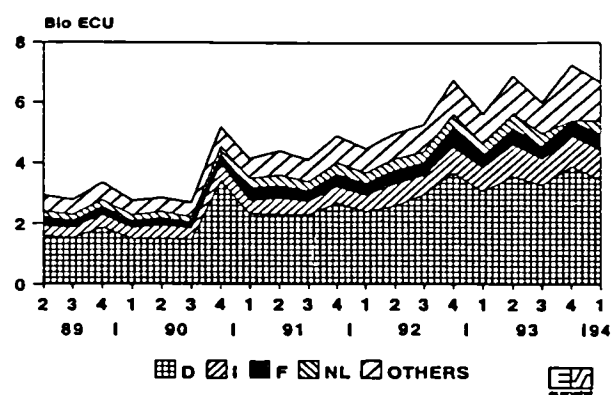
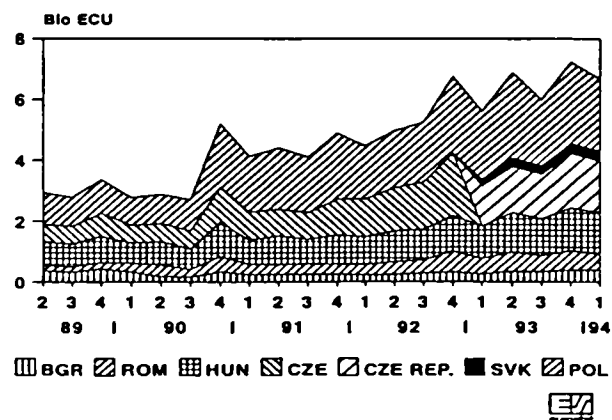
Table 4
Trends in Total EC-East European Trade

	EC Imports Average		EC Exports Average	
	1987-89	1990-92	1987-89	1990-92
Annual Growth Rate				
Total Extra-EC	14.5	3.0	10.3	1.8
CEEC 5	10.3	16.1	13.6	23.1
Bulgaria	0.7	19.1	0.6	-9.0
CSFR	11.5	29.4	7.1	38.0
Hungary	13.8	15.5	12.2	10.8
Poland	15.2	22.4	30.0	27.4
Romania	2.3	-18.1	2.8	39.1
Share in Community Trade (Percentage)				
CEEC 5	2.8	3.3	2.7	4.0
Bulgaria	0.1	0.2	0.4	0.2
CSFR	0.6	0.9	0.6	1.0
Hungary	0.6	0.7	0.7	0.8
Poland	0.9	1.3	0.8	1.6
Romania	0.6	0.3	0.2	0.3

Source for both tables: "The Economic Interpenetration between the European Union and Eastern Europe", in Commission, European Economy, no. 6, 1994, p. 157 and p. 100.

Figures 1-4

Source: Eurostat, "Statistics in Focus: External Trade, 3, 1995"

EU IMPORTS FROM CEECs
BY EU PARTNERSEU IMPORTS FROM CEECs
BY CEECs SUPPLIERSEU EXPORTS TO CEECs BY EU
SUPPLIERSEU EXPORTS TO CEECs BY CEECs
PARTNERS

APPENDIX 2
G-24 Assistance, 1990-1994

Figure 1	Relative Donor Contribution to Total Assistance
Figure 2	Relative Donor Contribution to Total Grant Assistance
Table 1	G-24 Assistance Commitments: Assistance Type by Donor
Table 2	G-24 Assistance Commitments: Sector by Donor
Table 3	G-24 Assistance Commitments: Recipient by Donor

Source: European Commission, "Overview of G-24 Assistance to the Countries of Central and Eastern Europe, 1990-1994", Memo/95/78, 4 May 1995.

Figure 1

Relative Donor Contribution to Total Assistance, 1990-1994
(grant and non-grant)
Total Assistance: 74.7 billion ECU

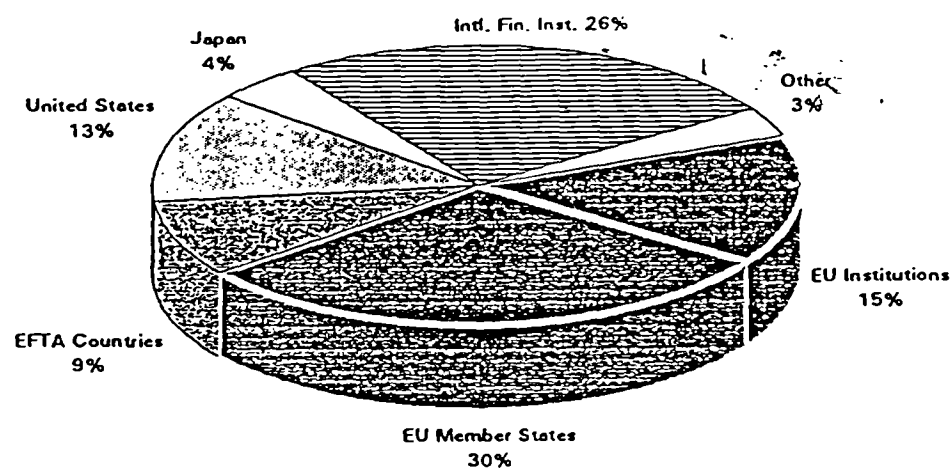


Figure 2

Relative Donor Contribution to Total Grant Assistance, 1990-1994
Total Grant Assistance: 22.3 billion ECU

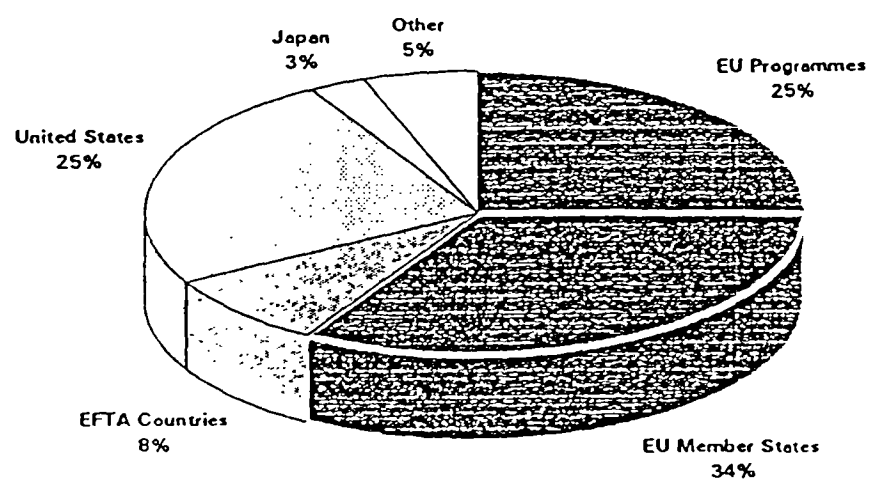


Table 1

G-24 ASSISTANCE Commitments										Period: 1/1/90 to 31/12/94		Sector: ALL	
Assistance Type by Donor										Unit: Mio ECU		Recipient: TOTAL CEEC	
DONORS	ASSISTANCE TYPES	Investment Projects		Sector Aid		Technical Cooperation		Official Export Credit	Official Support for Private Investment	Other and Unspecified	TOTAL	OF WHICH GRANTS	% Donor / Total
		Total	of which assistance for econ. reforms	Total	of which training								
BELGIUM		9.29	0.12	34.93	21.16	165.82		47.85	13.47		271.49	89.30	0.16%
DENMARK		1.06	72.25	155.35	5.99	235.70		200.68	221.11		886.15	654.77	1.19%
FRANCE		56.79		298.10		2,397.86		166.58	2,592.97		5,512.30	2,247.74	7.38%
GERMANY		23.50		340.41		4,703.35		1,552.35	4,319.66		11,238.63	3,137.67	13.04%
GREECE		0.10	10.56	0.77	0.60	20.70			55.12		87.25	66.44	0.13%
IRELAND			1.21	1.38	0.51				0.80		3.38	2.04	0.00%
ITALY		0.78	199.32	20.01	2.89	685.55			538.80		1,467.46	536.33	1.96%
LUXEMBOURG		0.06	0.06	2.00	0.41	19.01		0.01	7.68		48.82	8.64	0.04%
NETHERLANDS		2.36	34.38	157.15	55.38	503.44		24.18	423.76		1,145.27	573.30	1.31%
PORTUGAL						1.93			2.02		3.95	0.01	0.01%
SPAIN		0.02	30.63	5.86	3.32	967.35		0.66	36.42		1,040.94	7.22	1.39%
UNITED KINGDOM			21.93	131.24	72.86	10.12		10.12	631.08		794.37	117.02	1.08%
TOTAL EU MEMBERS		91.96	669.82	38.33	247.06	9,700.72		2,002.43	8,862.88		22,477.00	7,440.50	30.09%
EU Programmes		320.47		1,147.20					4,919.73		8,390.09	5,642.19	11.23%
EIB		2,290.00	455.00	3,149.89							2,745.00		1.67%
CECA											200.00		0.27%
EU TOTAL		2,704.43	1,124.82	38.33	247.06	9,700.72		2,002.43	13,982.60		33,812.09	13,082.69	45.26%
AUSTRIA		7.90	3.17	89.15	48.04	1,037.11		360.45	749.71		2,267.47	691.79	3.04%
FINLAND		10.17	1.82	28.14	4.14	54.40		12.65	589.29		696.46	210.02	0.91%
ICELAND				0.13	0.06				5.36		5.49	4.08	0.01%
NORWAY				154.88		280.01			133.68		568.57	153.75	0.76%
SWEDEN		45.34	21.52	140.24	34.61	293.21		26.44	862.90		1,389.66	405.26	1.86%
SWITZERLAND		211.06	11.46	99.59	90.46	195.06		1.43	1,086.35		1,604.96	402.65	2.15%
EFTA Secretariat				1.68	0.85						1.68		0.00%
EFTA		274.46	37.97	513.82	178.15	1,879.79		400.96	3,427.29		6,534.29	1,869.23	8.75%
AUSTRALIA				3.78	3.78				0.11		3.89	3.89	0.01%
CANADA		1.12	0.19	31.88	19.19	446.94		2.48	1,230.20		1,712.80	1,183.57	2.29%
JAPAN		244.54	140.20	47.82		381.53		0.78	2,111.84		3,126.70	594.92	4.19%
NEW ZEALAND			0.08	0.58	2.58	231.78			0.35		232.78	0.65	0.31%
TURKEY				0.16	0.10	378.14		12.11	33.05		433.45	33.18	0.37%
UNITED STATES		1,423.84	3,197.02	1,833.10	143.65	2,621.86		454.82	44.01		9,574.65	5,494.40	12.82%
G-24		4,648.39	4,500.27	6,728.23	594.51	15,840.75		2,873.58	20,829.44		55,420.66	22,262.53	74.18%
EBRD		2,348.95	168.50								2,517.45		3.37%
WORLD BANK		5,397.26	60.69								7,830.37		10.48%
IMF											8,938.53		11.96%
IFI		7,746.21	229.19								19,286.36		23.82%
GRAND TOTAL		12,394.60	4,729.46	2,165.82	594.51	15,840.75		2,873.58	32,140.40		74,707.02	22,262.53	100.00%
Type / Total		16.59%	6.31%	2.90%	0.80%	21.20%		3.81%	43.03%		100.00%	29.80%	

Table 3

G-24 ASSISTANCE Commitments														Period: 1/1/90 to 31/12/94		Sector: ALL		Type: ALL		Unit: Mio ECU				
Recipient by Donor																								
RECIPIENTS	DONORS													LATVIA	LITHUANIA	Form. Rep. of Macedonia	POLAND	ROMANIA	SLOVAK REPUBLIC (93-)	SLOVENIA	YUGOSLAVIA A	REGIONAL/ UNSPECIF.	Total	% Donor / Total
	ALBANIA	BULGARIA	CZECH REPUBLIC (93-)	CZECHOSLOVAKIA (90-92)	ESTONIA	HUNGARY	ESTONIA	HUNGARY	ESTONIA	ESTONIA	ESTONIA	ESTONIA	ESTONIA											
BELGIUM	0.12	12.08	14.24	0.13	0.13	6.22	26.83	35.34	2.73	4.23	8.61	4.09	0.32	221.24	221.24	271.49	0.30%							
DENMARK	1.72	1.96	18.64	44.08	20.33	28.48	26.83	35.34	2.73	279.81	32.25	8.53	0.12	14.55	370.76	886.15	1.19%							
FRANCE	15.01	120.27	78.32	580.49	5.84	472.06	1.62	22.97	0.88	3199.32	730.55	12.49	7.03	68.98	196.46	5,512.30	7.38%							
GERMANY	83.03	124.30	449.37	1607.68	23.27	2104.18	33.62	80.34	48.39	4232.27	864.30	221.61	156.61	681.26	508.40	11,238.63	13.04%							
GREECE	74.51	4.31								0.04	0.97			6.93	0.50	87.25	0.17%							
IRELAND	0.04			0.04	0.05	0.33	0.07	0.11		1.25	0.14	0.01		1.34		3.38	0.00%							
ITALY	298.97	21.14	0.00	105.05	4.39	190.64	13.94	12.31	0.00	579.06	128.06	0.00	0.13	45.78	64.97	1,464.46	1.96%							
LUXEMBOURG	0.34	0.07	0.24	0.14	0.01	0.17	0.10	0.10	0.10	1.16	2.19	0.35	0.18	4.12	19.65	28.82	0.04%							
NETHERLANDS	20.57	31.83	45.05	121.97	4.31	251.06	4.03	4.17	14.76	302.59	115.94	7.70	4.68	67.39	149.20	1,145.27	1.39%							
PORTUGAL				1.58						2.16				0.21		3.95	0.01%							
SPAIN	0.45	58.61	0.07	77.32	20.37	206.10	20.36	20.38		321.69	137.03	61.11	40.72	72.08	4.65	1,040.94	1.39%							
UNITED KINGDOM	2.55	10.56	3.92	16.09	1.50	27.90	2.41	2.19	2.68	704.70	7.64	5.13	0.77	0.68	5.65	794.57	1.06%							
TOTAL EU Members	497.31	385.12	609.86	2554.44	80.20	3287.14	102.99	178.01	69.55	9648.30	2027.69	321.03	210.56	961.99	1542.82	22,477.01	30.09%							
EU Programmes	352.97	796.37	120.12	616.00	121.15	1547.90	175.66	231.65	50.87	1235.21	1232.98	80.29	51.88	1001.48	775.55	8,590.09	11.23%							
EIB		226.00	477.00		47.00	537.00	50.00	10.00		886.00	210.00	173.00	129.00			2,745.00	3.67%							
CECA										25.00						200.00	0.27%							
EU TOTAL	850.28	1407.49	1206.98	3170.44	248.35	5372.04	328.65	419.66	120.42	11794.51	3470.67	574.32	391.44	1963.47	2493.37	33,811.09	43.26%							
AUSTRIA	9.59	56.08	55.79	292.88	1.17	237.14	2.25	3.09		384.19	162.42	7.01	47.16	14.93	993.77	2,267.47	3.04%							
FINLAND	1.78	22.89	0.04	51.49	80.48	90.90	47.62	28.62		171.80	10.18	0.01		13.99	176.66	696.46	0.93%							
ICELAND	0.20				0.29		0.36	0.29		0.50	2.50		0.04	0.55	0.76	5.49	0.01%							
NORWAY	4.03	10.07	3.27	31.13	9.89	27.69	14.16	16.43	0.34	112.37	16.37	0.76	0.03	83.55	238.45	568.57	0.76%							
SWEDEN	11.30	37.46	9.46	67.15	98.50	83.11	51.56	91.48		642.81	50.76	6.53	18.93	52.03	168.59	1,389.66	1.86%							
SWITZERLAND	29.21	140.68	32.75	45.57	18.24	67.40	20.13	19.92	1.28	595.52	59.55	32.37	16.91	104.70	420.75	1,604.96	2.15%							
EFTA Secretariat		0.02		0.02		0.03	0.02				0.02				1.56	1.68	0.00%							
FTA	36.11	267.20	101.30	488.22	208.57	506.28	136.10	159.83	1.63	1907.19	301.80	46.69	83.09	269.76	2000.54	6,534.29	8.75%							
AUSTRALIA	0.02	0.03	0.06	0.50	0.10	0.67	0.11	0.11		0.66	0.41	0.05	0.10		0.98	3.89	0.01%							
CANADA	0.38	11.87	0.18	300.59	7.48	90.76	7.39	7.34		1182.29	84.91	0.21		8.88	10.52	1,712.80	2.29%							
JAPAN	18.63	287.32		234.96	14.99	900.15	26.23	17.98		1296.96	121.78	49.15			158.55	3,126.70	4.19%							
NEW ZEALAND				0.21		0.19				0.16				0.38	231.82	232.78	0.31%							
TURKEY	64.17	40.41		16.95		9.08				163.36	105.16					423.45	0.57%							
UNITED STATES	126.35	163.26	401.40	476.36	30.50	1193.42	71.96	68.59	17.98	4256.52	299.63	36.93	3.11	747.79	1680.86	9,574.65	12.87%							
G-24	1115.94	2177.36	1709.92	4688.23	509.99	8072.61	570.45	673.51	164.27	20601.84	4384.35	707.34	477.73	2990.28	6576.64	55,420.66	74.18%							
ENRD	22.27	118.50	219.63		90.56	653.00	54.85	54.70	43.02	584.61	337.33	70.60	122.87		145.51	2,517.45	3.37%							
WORLD BANK	136.27	496.91	257.83	363.15	66.84	1177.03	87.14	68.96	139.93	2962.56	1104.63	115.29	68.32	785.51		7,830.37	10.40%							
IMF	72.24	647.80	211.07	941.18	44.18	1806.71	86.93	232.27		3324.35	923.58	137.33		490.89		8,938.53	11.90%							
IFI	230.79	1263.20	688.53	1304.33	201.58	3636.73	228.92	375.93	182.95	6871.52	2365.56	323.21	191.19	1276.41	145.51	19,286.36	25.87%							
GRAND TOTAL	1,346.73	3,440.77	2,598.44	5,992.56	711.57	11,709.34	799.37	1,049.44	347.22	27,473.36	6,749.91	1,030.35	668.91	4,266.69	6,722.15	74,707.02	100.00%							
% Recipient / Total	1.80%	4.61%	3.21%	8.07%	0.95%	15.67%	1.07%	1.40%	0.46%	36.77%	9.04%	1.38%	0.90%	5.71%	9.00%	100.00%								



APPENDIX 3
1990-1994 Distribution of PHARE funds

PHARE funds committed by country (in million ECU)

Albania		Lithuania	
1991	10	1992	20
1992	110	1993	25
1993	75	1994	39
1994	49		
Bulgaria		Poland	
1990	24.5	1990	180.8
1991	122	1991	197
1992	76.8	1992	200
1993	85.2	1993	225
1994	85	1994	208.8
Czech republic		Romania	
1993	60	1990	15.5
1994	60	1991	138.3
Czechoslovakia		1992	148
1990	34	1993	139.9
1991	99	1994	100
1992	100	Slovakia	
Estonia		1993	40
1992	10	1994	40
1993	12	Slovenia	
1994	22.5	1992	9
GDR		1993	11
1990	35	1994	24
Hungary		Former Yugoslavia	
1990	89.8	1990	30.2
1991	119.5	1991	13.1
1992	97.5	1992	47.8
1993	99	1993	25
1994	85	1994	25
Latvia		Multi-country Programs	
1992	15	1990	85.9
1993	18	1991	98.8
1994	29.5	1992	159.8
		1993	182.7
		1994	195.5

Source: European Commission, PHARE 1994 Annual Report, COM (95) 366, final, 20 July 1995, p. 4.

PHARE funds committed by sector (in million ECU)

Agricultural restructuring		Private sector development and enterprise support	
1990	136	1990	71
1991	89	1991	220.5
1992	80	1992	236.2
1993	78.5	1993	254.5
1994	17	1994	149.4
Education, health, training and research		Public institution and administrative reform	
1990	36.8	1990	10
1991	140	1991	26.5
1992	150.5	1992	25.2
1993	188.6	1993	65.7
1994	182.9	1994	81.9
Environment and nuclear safety		Social development and employment	
1990	102.5	1990	3
1991	100	1991	35.5
1992	87.3	1992	48.2
1993	34.1	1993	15
1994	77.5	1994	28.5
Humanitarian and food aid		Other sectors	
1990	101.7	1990	27.4
1991	71.4	1991	64.8
1992	119.8	1992	157.9
1993	44.9	1993	201.5
1994	30	1994	69.7
Infrastructure (energy, transport and telecommunications)			
1990	7.3		
1991	50		
1992	88.9		
1993	114.9		
1994	326.4		

Source: European Commission, PHARE 1994 Annual Report, COM (95) 366, final, 20 July 1995, p. 5.

Appendix 4

EU Public Opinion on Enlargement to Eastern Europe

Source: Eurobarometer 42, Spring 1995, p. B.36

6.3. In favour of new members for the European Union (% by country)
 En faveur de nouveaux membres de l'Union Européenne (% par pays) *

Question: For each of the following countries, are you in favour or not of them becoming part of the European Union in the near future?

Pour chacun des pays suivants, seriez-vous favorable ou défavorable à ce que, dans un proche avenir, il fasse partie de l'Union Européenne?

+ : in favour - : not in favour	B		DK		D								GR		E		EC12+	
					West				East									
	+	-	+	-	+	-	+	-	+	-	+	-	+	-	+	-	+	-
Austria	80	7	86	7	85	6	85	6	86	4	74	9	69	7	76	8		
Finland	77	8	89	6	81	8	81	8	82	6	74	9	66	8	76	9		
Sweden	81	7	90	6	83	7	83	7	84	5	75	9	69	7	79	8		
Norway	79	8	87	7	77	11	78	11	79	8	73	10	68	8	75	10		
The Czech Republic	39	42	53	36	44	33	47	31	56	23	56	24	52	18	49	29		
Hungary	42	39	55	34	57	25	58	23	61	19	60	22	55	16	55	25		
Poland	41	40	54	34	42	36	43	35	44	32	57	25	55	17	51	28		
Slovakia (Slovakian Republic)	36	45	48	41	38	38	40	36	47	29	53	27	52	20	45	32		
Bulgaria	37	43	43	43	37	40	39	38	47	29	55	27	55	16	46	32		
Romania	36	46	42	45	35	42	36	42	36	40	59	24	53	18	45	34		
Slovenia	35	45	43	44	36	39	36	39	36	39	53	27	51	18	44	33		

+ : favorable - : défavorable	F		IRL		I		L		NL		P		UK		EC 12 +	
	+	-	+	-	+	-	+	-	+	-	+	-	+	-	+	-
L'Autriche	76	12	75	6	78	9	86	7	81	9	63	6	75	9	76	8
La Finlande	76	12	74	7	76	8	87	5	85	5	63	6	74	9	76	9
La Suède	78	11	78	6	79	7	88	4	90	3	68	5	77	8	79	8
La Norvège	75	14	77	6	77	10	83	8	86	5	66	6	74	10	75	10
La République Tchèque	42	40	44	30	58	21	46	38	55	29	45	19	50	28	49	29
La Hongrie	47	37	49	26	61	19	46	39	60	24	49	16	53	27	55	25
La Pologne	47	38	52	24	59	21	44	42	63	24	47	17	57	24	51	28
La Slovaquie (République Slovaque)	36	45	42	31	56	22	38	46	50	31	44	20	46	31	45	32
La Bulgarie	38	44	44	28	56	24	40	45	49	32	47	17	47	31	46	32
La Roumanie	37	46	45	29	56	24	39	45	48	35	45	19	47	32	45	34
La Slovénie	35	45	41	30	57	23	38	46	48	32	44	19	44	33	44	33

The difference between "+" and "-" is the percentage of "don't know" (not shown)

La différence entre la somme des "+" et des "-" et 100 représente le pourcentage des "ne sait pas" (pas indiqué).

LIST OF ABBREVIATIONS

ACP	African, Caribbean, and Pacific countries
Benelux	Belgium, the Netherlands, and Luxembourg
CAP	Common Agricultural Policy
CCP	Common Commercial Policy
CEECs	Central and East European Countries
CEFTA	Central European Free Trade Agreement
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance (also known as Comecon)
CSCE	Conference on Security and Cooperation in Europe (later became the OSCE)
CoCom	Coordinating Committee for Multilateral Export Controls
COGECA	General Committee for Agricultural Cooperation in the EC
COPA	Committee of Professional Agricultural Organisations
Coreper	Committee of Permanent Representatives
CSFR	Czech and Slovak Federal Republic
DG	Directorate-General
EBRD	European Bank for Reconstruction and Development
EC	European Community (or Communities)
ECJ	European Court of Justice
Ecofin	Economic and Finance Ministers Council
ECSC	European Coal and Steel Community
ECU	European Currency Unit
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Association
EIB	European Investment Bank
EMS	European Monetary System
EMU	Economic and Monetary Union
EP	European Parliament
EPC	European Political Cooperation
EU	European Union
Euratom	European Atomic Energy Community
fn	footnote
FRG	Federal Republic of Germany
G7	Group of 7
G-24	Group of 24
GATT	General Agreement on Tariffs and Trade
GDR	German Democratic Republic
GSP	General System of Preferences
ICJ	International Court of Justice
IGC	Intergovernmental Conference
IMF	International Monetary Fund

JOPP	Joint Venture PHARE Programme
MEP	Member of the European Parliament
MFN	Most Favored Nation
NACC	North Atlantic Cooperation Council
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
OJ	Official Journal of the European Union (previously European Communities)
OOPEC	Office for Official Publications of the European Communities
OSCE	Organization for Security and Cooperation in Europe
PHARE	Poland/Hungary: Assistance for Restructuring Economies
PHOS	PHARE Operation Service
pt	point
QRs	Quantitative restrictions
SEA	Single European Act
TACIS	Technical Assistance for the Commonwealth of Independent States and Georgia
Tempus	Trans-European Mobility Scheme for University Studies
USSR	Union of Soviet Socialist Republics
WEU	Western European Union

List of Persons Interviewed

Beniamino Andreatta, former Italian foreign minister

Simon Banks, European Commission, DG IA (Political Relations)

Pablo Benavides Salas, European Commission, DG IA

Fraser Cameron, European Commission, DG IA (Political Relations)

Emma Chamberlain, European Commission, PHARE Information Office (written communication)

Joris Declerck, European Commission, DG I (Economic Relations)

Herman De Lange, European Commission, G24 Coordination Unit

Constantin Economides, EU Council Secretariat

Jutta Frasch, German Permanent Representation

Simona Gatti, European Commission, PHARE Operation Service

Luis Girao, European Commission, DG I (Economic Relations)

Tom Glazer, European Commission, PHARE Information Service

Soren Halskov, EU Council Secretariat

Guido Lenzi, Italian Foreign Ministry

Enrico Letta, former Italian foreign ministry official

Richard Lewis, European Commission, DG IA (written communication)

Annette Matthias, European Commission, DG I (Economic Relations)

Simon Nuttall, former European Commission official

Bart Ouvry, Belgian Permanent Representation

Gaetano Testa, EU Council Secretariat

Nigel Thorpe, UK Foreign Office

Katia Viertio, European Commission, DG III (Industrial Cooperation)

Bernard Whiteside, UK Foreign Office

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