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ORIGINAL SCIENTIFIC REVIEW

POLICY AND PROCESS OF TERRITORIAL EXPANSION OF EUROPEAN UNION

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ABSTRACT

The authors analyze historical process of the occurrence and development of European Union, political aspects of EU expansion, the impact of EU expansion to regional and cohesion policy as the most important policies of EU. Main goal of this paper is to accept that the aim of EU expansion policy is joining the European continent into one organizational whole in economic, security and cultural aspect, which is directed and implemented by the institutions of European Union. Based on the analysis we can conclude that the process of joining the European Union for the countries that join it is the process of complete transition of states, it is the first peaceful, voluntary manner to join the European people in one community and under one government in European history, which is achieved by two main manners: deepening and expansion. The process of European integration represents a unique chance for modernization and democratization of all countries that join European Union.

Key words: *European Union, European integration, Expansion policies.*

JEL classification*: A12, R11, P20*

INTRODUCTION

Expansion of European Union is accepting new member countries and it represents a constituent part of the process of European integrations. The function of European Union is not only a coordination between member countries but it is also the performance of a certain subordination, i.e. „making legislative normative acts which have a direct effect towards all the subjects within member countries“ (Etinski R., International Public Law, 2010, s 161-162).

The policy of expansion is often presented as one of the most successful policies of the European Union. However, each wave of expansion caused additional problems in stabilized relations within European Union. Great Britain was accepted only after the death of French president De Goal.

Greece was accepted despite great doubts from the part of European Commission that its economy meets the conditions for membership[1], while joining of Spain and Portugal has opened many disagreements regarding agricultural funds and budgetary issues. Such conflicts regarding the character of development policies and budgetary instruments for the support to development and agriculture are still in progress. Only the joining of Sweden, Finland and Austria, which completed the whole of rich Western European countries in EU-15, has passed without any problems. For one simple reason – these three countries had the developed market economy and regarding many development indicators they have exceeded the average of EU-12[2]. All those problems that European Union faced with during the previous wave of expansion could compare to the problems that were expected before so-called „historical expansion“, e.e. expansion to the East of Europe.

INCREASE OF THE NUMBER EUROPEAN UNION MEMBERS

After the fall of the Berlin Wall in 1989 and decomposition of communist block, countries of Central and Eastern Europe have chosen to build their future towards the membership in European Union. Thus there were 12 countries[3] during the 1990's that have applied for European Union membership. We should also bear in mind that never

[1] Greece is the only country which along with a negative (*avis*) of the European Commission has become a member country. European Commission had a series of administrative remarks to the ability of Greece to start
negotiations on membership, but European Council of Ministers has concluded that it is politically more important for Greece to enter the composition of European community of that time.

[2] In this expansion wave, old member countries of European Union (EU12) didn’t use the right to transition protective mechanism in employment field. They didn’t fear that workers from these countries will rush to find jobs in them and thus cause disorders in labor market.

[3] Ten former communist and socialist countries: Estonia, Lithuania, Latvia, Poland Czech Republic, Slovakia, Hungary, Romania, Slovenia, Bulgaria and two Mediterranean countries – Malta and Cyprus.

before, there weren't more than three countries that have applied for membership at the same time.

Economic, as well as social and culturological reality of this country has, during the 1990's of the XX century, been rather different than the one in previous Western Europe characterized as EU15. The first years of transition were marked by inability of these countries to enable a more normal functioning of public services, such as health or education.

Table 1: Expansion of European Union

	State	**Signed European Agreement**	**Agreement came into force**	**Application for membership**	**Beggining of negotiations**	**Negotiations ending/| membership**
1	Hungary	12.1991.	02.1994.	03.1994.	1998.	2000/2004.
2	Poland	12.1991.	02.1994.	04.1994.	1998.	2000/2004.
3	Czech Republic	10.1993.	02.1995.	01.1996.	1998.	2000/2004.
4	Slovakia	10.1993.	02.1995.	06.1995.	2000.	2000/2004.
5	Estonia	06.1995.	02.1998.	11.1995.	1998.	2000/2004.
6	Latvia	06.1995.	02.1998.	10.1995.	2000.	2000/2004.
7	Lithuania	06.1995.	02,1998.	12.1995.	2000.	2000/2004.
8	Slovenia	06.1996.	02.1999.	06.1996.	1998.	2000/2004.
9	Malta	1970.		1990/1998.	2000.	2000/2004.
10	Cyprus	1972.		1990.	1998.	2000/2004.
11	Romania	02.1993.	02.1995.	06.1995.	2000.	2000/2007.
12	*Bulgaria*	*03.1993.*	*02.1995.*	*12.1995.*	*2000.*	*2000/2007.*

Source: *European Commission, Directorate General for Enlargement:http://ec. europa. eu/enlargement/index_en. htm*

Restructuring of the economy and privatization are conditions for a sudden increase of unemployment or formation of the new class of population convicted to live in a long-term state of poverty. In the period of an abrupt poverty in countries of Central and Eastern Europe, as opposed to neoliberal access to the transition reforms management, there survived enormous egalitarian expectations of population that is used to generous social aid during the previous period of fifty years. Copying Western models in the field of economy and social policy has led to inefficient bureaucratized systems of social protection, which have lived for themselves, and as opposed to them, to the development of grey economy as a spontaneous resistance to poverty and replacement for the missing effective social and economic programmes of the country. Along with the poverty of the majority, there was born the first generation of the winners of transition who marked period of kleptocracy and corruption in these countries. The confidence level in a country and its institutions has dropped additionally, and society of equality has been becoming more and more remote and more and more impossible dream.

The decomposition of socialist system has also discovered its previously hidden weaknesses. One of them was lack of economic possibilities for the achievement of proclaimed, more precisely legalized rights. At the same time, there was spread the myth that one day, when market starts operating, we could solve social issues and issues of total (as well as regional) development through it. Capitalism was idealized and socialism demonized, not only in transition countries. (Radulović D., 2013, 115).

Starting from transition as a process that implies the replacement of dictatorship by democracy, rule of people by the rule of law and centrally planning economies by market economy, the two most frequently applied methods were “shock therapy” and gradualism. The first one usually related to Jeffrey Sachs and the second one for Janos Kornai. (Prokopijević M., 2001, 136, Vukotić V., Pejović S., 2002, 68). In case of “shock therapy”, recipe has started from rapid liberalization of market relations, rapid privatization process, introduction of convertibility, reduction of social aid, as well as creation and implementation of corresponding legislation looking up to Western economies. On the other hand, gradualists have insisted on a gradual acceleration of economy’s liberalization, where the state had the most important role in the process. Crucial remark was that none of these two methods have taken into account the issues of human capital, history and customs, i.e. moral system of one country. For that reason, usual models of conditioning international financial institutions and European Union itself couldn’t (and can’t) give the same results in all transition countries (Ost D., 2000, 503-530).

All transition countries have approached the concept of economic transition by implementing primarily privatization, macro-economic stabilization and structural reforms, reducing fiscal deficit and liberalizing economic flows. For that reason, social dimension of that process was neglected (Lado M., 2002, 57). At the same time, social partners did not have the strength or knowledge and readiness to fight for more adequate own place in chains of social reforms, as well as greater impact to those flows.

In the first years of transition, these countries have faced mass departure of the young and educated people, which has made the efforts for the changes of labor force structure more difficult. Traditional differences between village and town, (share of village population is by far higher than in Western European countries), have become more stressed and that has additionally complicated social image and development needs. Strengthening of grey economy and unregistered work have also affected the weakening of public funds as a material basis for implementation of social and development policy. A sudden stratification of population with the loss of middle class, formation of a small group of rich people and enormous majority of poor people has contributed for the institutions to remain without capacities and means required for adequate answers to new grown needs. European structural and cohesion funds were not easily available since they required previous construction of complex administrative capacities and structures, which required additional time and effort of the institutions. In such overall socio-economic conditions the political forces of populist and conservative orientation have become stronger and stronger which frequently used social democracy as a cover for the introduction of neoliberal solutions. Essential issues of social justice have become ideologically remote and operatively unreachable. The highest growth of inequality, both within transition countries themselves and between them and EU-15, has occurred precisely in the first half of the 1990's, in an early phase of transition. The drop in employment has resulted from turning previously covered employment in socialist enterprises (unemployment at work) into real unemployment (without a workplace) (Lelkes, O., 2006, 145).

Simultaneously, in transition countries there occurred ideological and political changes. In these countries, the idea of social rights and social justice was rather closely related to state paternalism, so after starting transition processes, due to previous absence of civil society and respect of human and political rights, the greatest part of energy was aimed towards the construction of civil society.

Gradually the issue of expansion of European Union has become greater and more significant. We must bear in mind that the first European Agreements on Joining with the countries of Central and Eastern Europe were led by political interest of the West and that they were signed immediately after the failure of socialist regimes. Agreements with Hungary and Poland were signed in 1991, when only a few people could foresee the future course of transitional reforms.

During the first transition years, European Union didn't pay much attention to social dimension of transition process in former socialist countries. Copenhagen criteria from 1993 refer to stable democratic institutions, rule of law, respecting human rights and freedoms, protection of minorities, market economy and the ability to accept the obligations that result from membership in European Union. They didn't directly define obligations related to social rights, and also it wasn't directly spoken of European social model, as it is done recently.

Thus the character of economic and social model which was developed in transition countries has started to worry the Western part of Europe. There developed fears in Western European syndicates, from social dumping in potential new member countries and, based on that, loss of workplaces in sold member countries. Syndical interpretations on social dumping as a great threat to European social model have started from the fact that a lower level of social protection, lower salaries, lower taxes and less rights of the employees in Eastern countries of European Union are crucial danger to the maintenance of European social model (Radulović D., 2013, 117, 118).

It all contributed the fear that liberalization, deregulation and privatization in transition countries will lead to their specific non-European social model. It has gone so far that Eastern European candidates for European Union membership have been accused of ultra-liberalism, which is a threat to the maintenance of European social model. The thesis on transition countries as a Trojan horse which will americanize Europe is well-known. (Meardi, G., 2002, 77-79).

Economic integration of transition countries in European Union, of course, wasn't performed by the act of formal expansion in May 2004. Basically, those things have become to happen much earlier, very soon after the fall of Berlin Wall. New member countries were in a comprehensive manner included in European economic space much earlier than becoming the members of European Union. Removing the barriers for free flows of goods and capital was done immediately in the beginning of the 1990's, even before signing European Agreements with these countries. Until the end of the 1990's, all the customs and quotes for industrial products were already abolished and there were left only some less restrictions in the field of services and agricultural products. Direct investments from European Union to these countries have gradually brought common European rules and policies in industrial relations in Eastern European companies (Galgozi, B., 2004, 85). Thus the process of a gradual economic integration of the countries of Central and Eastern Europe with European Union during the 1990's had more and more significant contribution to their rapid economic growth. While Germany has between 1995-2004 achieved an average annual growth of 1,3%, and Finland 2,2%, average rate of economic growth in Poland in the same period was 4,4%, in Hungary 3,6%, and in Estonia 5,4%. Rather important indicator of economic significance of joining the European Union is that transition countries which were included in processes of European integrations have achieved by far slower development in the same period: Russia 2,9%, Ukraine 1,5% and Moldavia 1,4% (Barysch, K., 2006).

THE IMPACT OF THE EXPANSION OF EUROPEAN UNION TO THE REGIONAL COHESION POLICY OF EUROPEAN UNION

From the standpoint of regional and cohesion policy of European Union, poor economic condition in countries of Central and Eastern Europe which have applied for membership in European Union was particularly important. In the end of the last century, the level of GDP[4] per capita of 10 countries of Central and Eastern Europe together was less than 1/3 of the average GDP *per capita* in European Union. It was less than a half of GDP per capita in four poorest member countries of European Union which have already received the support of Cohesion Fund.

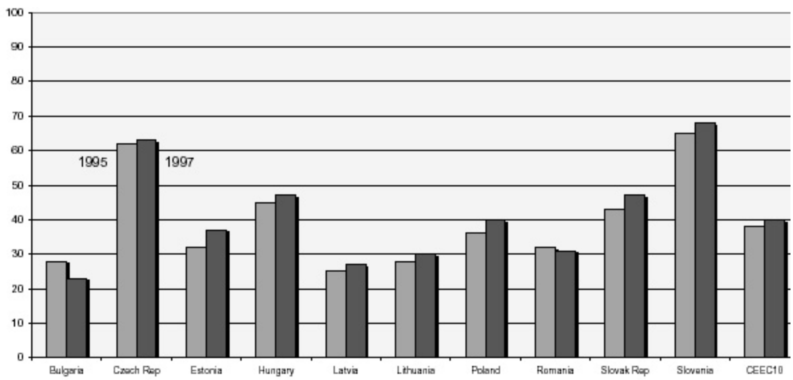
Individually observed, in 1999, GDP in Bulgaria was 23% of the average of European Union, and in Slovenia 68%.compared to that, GDP in Portugal was simultaneously 74% of the average of European Union. Rather important issue that European Union was faced with regarding this expansion was a low level of

[4] **Gross domestic product - BDP**, represents the result of production activities of all residential institutional units and it is calculated in current and constant prices. Gross domestic product per production approach represents the sum of gross values added of all the fields of economy, expressed in constant prices, reduced by the services of financial mediation indirectly measured (FISIM) and enlarged by taxes minus subventions to products (net taxes) in constant prices.

development of new member countries and a potential impact of their joining to the state of the policies of European Union, particularly common agricultural policy, as well as regional, economic and social cohesion.

Many comparative indicators have then pointed to numerous problems that required previous preparations. Five richest countries of Central and Eastern Europe[5], have had the population as France and economy less than Austrian. All the 10 countries of Middle and Eastern Europe have population as Germany, Belgium and the Netherlands together, but their economy is less than the economy of the Netherlands and GDP per capita at the level of the third of the Portuguese GDP (Radulović D., 2013, 120).

Graph 1: Development level of Central and Eastern Europe countries during the 1990's in comparison to EU-15. GDP per capita according to purchase power (EU-15 = 100)



Source: *Taken from the Sixth Periodical Report of the European Commission on Economic situation and Regional Development of European Union: http://ec. europa. eu/reg ional_policy/sources/docoffi c/offi cial/ reports/toc_en. htm*

In countries of Central and Eastern Europe in 2004, there was only 56% of population that was able to work, and in EU15 the employment rate was 64%. 94% of population of these countries lived in regions where GDP per capita was below 75% of the average of EU-25. These countries have made 20% of the population of European Union but, therefore, only 5% of its GDP. Due to expansion, average GDP per capita in EU-25 has become less by about 12% in relation to GDP *per capita* in EU-15.

[5] In this group we have Czech Republic, Poland, Hungary, Estonia and Slovenia.

In addition to these data, the "Third Report of the European Commission on Cohesion"[6] points to weak administration capacities in these countries that have made the allocation of pre-accession funds more difficult.

We can conclude that by accepting 10 countries[7] of Middle and Eastern Europe in 2004, the average GDP of European Union has dropped by 16% and the geographical distribution of the rich and poor region countries was entirely changed. The number of population with the right to obtain structural aid was doubled. Simultaneously, due to big and inefficient agricultural sector, new member countries should become main receivers of aid within Common Agricultural Policy. For example, in Romania and Bulgaria more than 22% of labor force worked in agricultural sector and in old member countries only 5% (Međak V., 2004, 114).

In spite of numerous fears and criticism, a big "historical expansion" in 2004 has left positive results to the economies of old and new European Unions and it significantly affected the integration and harmonization of their economic and social systems. Having in mind numerous studies and criticism of expansion consequences, as well as dissatisfaction of population with the expanded European Union, two years after historical expansion, European Commission has "officially" announced the success of this operation. In the document titled "Expansion: two years later – Economic success" (Međak V., 2004, 87), there was listed a series of results in the field of work and social rights that point to the fact that European social model wasn't in question. New member countries have in that period achieved twice as high economic growth than EU-15. They have finished the year 2006 with the average of 5,4% while the old European Union has managed to reach 2,6% (Benchmarking Working Europe 2007, 15). When we observe the GDP per capita growth rate in the period 2001-2006., then we see that the three Baltic new member countries have achieved convincingly highest growth of about 50%, while the total average in EU-25 was about 7% (Benchmarking Working Europe 2007, 51).

New expansion, done on January the first 2007 with Romania and Bulgaria and Croatia, which was finished on the first of July 2013, had similar economic and social characteristics as previous, only in less scope. These newly accepted countries are by far lower level of development and wealth. "The global financial crisis mostly hurt economic growth" (Brkic Ivana1, 2018, p. 49)

When we look at GDP *per capita* we will see that in 2006 in Bulgaria it was only 13% of the average of EU-25, and in Romania about 18%. If we take into consideration the purchase power, then the comparison is, of course, by far better for Bulgaria and Romania (34 – 35 % of the average of EU-25). The difference in incomes is, therefore, even higher than it was in previous wave of expansion. On the other hand, these new member countries have a significantly higher rate of economic growth than EU-25 with approximately similar level of unemployment as the old

[6] See: http://ec.europa.eu/regional_policy/courcec/docoffi c/offi cial/reportc/c ohecio n3/co hecion3_en.htm
[7] Romania and Bulgaria aren't listed in expansion ended in 2004

member countries, although they are somewhat weaker in comparison of employment rates. Convergence is achieved (Radulović D., 2013, 122).

CONCLUSION

The most significant product of the process of European integrations is today's European Union, which is a political and legal construct such didn't exist so far in international relations. Its peculiarity was the very manner of its appearance, its structure and principles of functioning. It is neither a classical international organization nor the country because it does not have most elements that their countries have within its competences. European Union is supranational organization which is between international organization and federation.

Development of European community shows that until the end of Cold war the primates were small economic and after political goals of integration process. The Agreement on European Union announced the turning in the tendency of the processes of European integrations and transfer from economic to political sphere of integration. The expansion policy of European community/European Union has been from its beginning in accordance with the goals and priorities of the process of European integrations.

General impact of the expansion process to the processes of European integration is, without doubt, positive due to the fact that expansion has enlarged the number of participants in integration process and the number of EU policies that are initiated.

Each expansion has affected the integration process and the greatest challenge was Eastern expansion. According to that, expansion process has turned the process of Western European integration to the process of European integration. He enabled the Union the position of a global economic, but not political and security actor. European Union as an independent global and political actor is difficult to imagine in near future because the Union itself, i.e. members countries still haven't determined the ultimate goal of the European political integration and they do not have a unique attitude on what they want from expansion policy and common external and security policy. Each expansion of European Union strengthens its political and economic forces. Through expansion policy, European Union can use the advantages of a stronger and a unified continent, simultaneously showing a continuous capacity as a global actor. By this, Union itself has confirmed that the main goal of EU expansion process is the strengthening of global position of the Union in economic, politica and security aspect, because not a single EU member country has economic, military, political or cultural capacities to be a global force.

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