

GLOBAL PLAYER

International Management
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Transition
Economies

Poland
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Knowledge Management

Transformations

EU-Enlargement –

Gains With or Without Membership

by Dr. Ulrich Arnswald

Enlargement is one of the greatest opportunities for the European Union (EU) at the beginning of the 21st century. So far, thirteen applicant states are waiting *ante portas*: Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, Slovenia and Turkey. The peaceful integration of these societies from across the whole continent is a unique historic, political, and socio-economic opportunity. Extending security and political stability as well as prosperity to such a large pool of EU candidates is an extraordinary challenge. The task is without precedent in terms of its scope and diversity: the EU could increase its area by 57%, its population by 170 million citizens and it could gain a new cultural and historical background in the near future.

In the last decade, significant changes have occurred to relations between Central and Eastern European countries and the European Union (EU). In just ten years, countries like Poland, Hungary, the Czech Republic and Slovakia have traveled the road from dictatorship to parliamentary democracy, from monopoly to pluralism, from shortages to a market-based system, from the Warsaw Pact to NATO. While these countries have faced serious challenges over the last ten years – Czechoslovakia dissolved without bloodshed, an achievement that can be seen as a diplomatic masterpiece and a sign of democratic maturity; Poland going through a flood catastrophe, causing serious damage to its domestic economy – they have all pursued as well harsh policies of economic reform, redirecting their trade westwards (mainly towards the EU). At the

same time they have achieved annual growth rates of more than double the EU average in the last few years. Nevertheless, these countries are still years away from closing their huge income gap compared with the EU average. Eurostat (Statistical Office of the European Commission) states that for the year 2000 average rates of per capita income are at 58 percent in the Czech Republic, in Slovakia at 48 percent, in Hungary approx. 52 percent, and in Poland at around 39 percent of the EU per capita income average.

Political Systems and National Economies in Transition

At the same time, a generation is growing up in each of these countries that browses the Internet, buys and sells shares,

speaks foreign languages, travels and studies abroad. Their countries increasingly attract foreign investments and produce ever higher growth rates the closer they move towards EU membership. In fact, all the countries have already introduced significant changes to their political systems. Naturally, it is essential for these countries first of all to accelerate those reforms that are necessary to align them with their obligations as future EU member states. Transition is not only costly for those candidates with a lower financial capacity, but also means they have to incorporate an overall tally of 11,000 pieces of EU legislation as part of their accession procedure. There is no choice for any future member state: each one has to accept and implement EU legislation as a set of rules en bloc, and the only option is to negotiate about the

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of private sector interests is slowly but surely creating a political counterweight to the hitherto dominant power of the state in these transitional economies. Privatizations and budgetary discipline may further correct the crucial balance between public and private interests. On the other hand, very often the inherent contradictions of contemporary politics in these countries can only be overcome with reference to European norms. There is a wide political consensus in all these countries in favor of joining the EU.

More Competitive Membership Negotiations

At last year's Helsinki Summit the European Council announced that it would abandon the "wave" system of accession, adopting a rolling timetable and allowing states to join, as and when they are ready. This shift in the enlargement procedure has added a competitive edge to membership negotiations. In order to enter the EU, candidates need a functioning market economy. Countries have to adopt and implement the provisions set out by the Copenhagen criteria since they constitute pre-conditions before membership negotiations with the EU can commence. The Copenhagen criteria assert that full membership in the Union requires the candidate country to have put into

place a democratic political system which is governed by the rule of law, where minority rights are protected and the death penalty is abolished. The presence of a well-functioning market economy and the capacity to compete in the EU marketplace are the other specified criteria. According to the Copenhagen declaration, EU membership presumes that the future candidate is able to meet the obligations of full membership, including participation in the European Monetary Union (EMU), whose requirements are specified by the Maastricht criteria.

Transformations from Within

With respect to the Maastricht criteria regarding inflation, budgetary discipline, public debt, interest rates, and the stability of the national currency, all candidate countries require further improvements. Although it is unlikely that candidate countries will become members of the Euro when they first join, they nevertheless have to be prepared for future membership in the so-called "Euroland", and even the spill-over effect from the international monetary regime of the Euro will have a profound impact upon their currency and macroeconomic policy prior to and after EU membership. Furthermore, states have to improve the quality of public institutions and their administrative capa-

city in order to be able to accomplish the accession-related objectives. This means an upgrading of public management systems for which provisions exist in the *acquis communautaire*, e.g. public procurement and financial control, competition regulations. It is also important to ensure reliable administrative capacities, e.g. public expenditure management, external audit, civil service, policy making, and policy coordination, in order to meet EU quality standards. The EU guarantees candidate countries that each state will be judged on the basis of the same criteria and will proceed in its candidature at its own rate, and that all will benefit from strengthened relations with the Union, through political dialogue and tailored strategies to help them prepare for accession.

Effects of Non-Qualification for EU-Enlargement: Halting or Accelerating the Reform Process?

What will this mean for those countries which will not be part of the first round of membership intake? Will these countries still benefit from their ever closer relationship with the EU? Or will they be thrown back into the catch-up process to qualify for prospective membership? And who are the countries which might not join the first round of EU enlargement?

Acquis Communautaire:

The Acquis Communautaire comprises the entire body of Community legislation by which all EU member states are bound. It is based on the founding Treaty of Rome and its successors: the Maastricht and the Amsterdam Treaties, as well as on the judgements of the European Court of Justice and the regulations passed by the council of ministers, mostly dealing with the single market.

The EU hesitates to name states, but prefers instead to highlight the successful adoption of EU laws, regulations and standards by each individual candidate country. However, it does not seem likely that Bulgaria, Romania, Lithuania, Latvia and Turkey will be included in the initial intake and these can therefore be seen as exemplary cases with regard to the impact upon countries not accepted for membership in the fast lane. It may be assumed that not gaining EU membership will not stop the reform processes in these countries, but rather give added impetus to their ambitions. The incentives on offer on the road to EU membership are substantial, so that a non-qualifying country should be sufficiently motivated to continue towards fulfilment of the EU accession criteria. If a government were to stop moving forward with preparations for EU accession, this might be interpreted as a sign that this candidate would not be able to fulfil its obligations as a member state over the longer term. Such a drop-out case could send out waves to investors and would be likely to result in an economic and political crisis in any prospective member state.

Gains and Benefits

But what can countries gain as candidates on the road to EU membership? By adopting the *acquis communautaire*

countries put an independent judicial system into place, which can guarantee the rule of law, human rights and democracy, and they can get EU help in building up an efficient civil service structure as well as support in the formation of non-governmental and professional organizations. The EU also demands from candidates the settlement of on-going border disputes and supports an end to hostility or historical disputes with neighboring countries prior to membership, a fact that should help the successful candidate to attract more foreign direct investments. Furthermore, countries can benefit from programs on education, training and youth, research programs on cross-border co-operation projects, aid to promote cultural policy and protect cultural heritage, participation in the Trans-European networks program (e.g. transnational highways and railway tracks), aid for environmental programs, safety programs for nuclear power stations, programs combating organized crime programs (including corruption which is one of the most urgent problems for some countries), etc.

The Challenges of Membership

All of these programs are linked to pre-requirements which the candidate country has to fulfil, including making

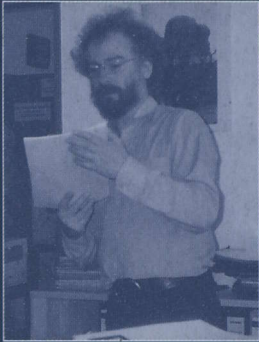
progress in harmonizing regulations with EU norms. The most difficult challenges for candidate countries are to create increasing tax revenues, combat the black economy, overcome excessive state deficits, run successful liberalization and privatization programs, integrate agricultural policy, achieve consumer protection, reduce the influence of the military, restructure and convert the defense industry - including preparation for integration into a European security structure and the readjustment of military hardware - as well as ensuring tight controls for the legal acquisition of weapons. As part of the so-called Europe Agreements, candidate countries also have special access to the European markets and a preferential trade status which should help them to become more competitive. The Europe Agreements provide for a phased relaxation of trade barriers, aiming at free movements of goods, free trade in services, and for the removal of controls on capital movements. By all of these measures aimed at assisting candidate countries to stabilize their current economic and political systems the EU is actually reaching out far beyond membership within the Union at some point in the future. More importantly, the EU is helping these countries to become more competitive today, and by the same token is reaffirming its historic aim and mission, which is to bring peace and security to the European continent.



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Bill Jackson was a member of the founding team when the English language magazine "turned intercultural" in 1994. Based on his teaching experience and extensive reading, Bill contributed a wealth of articles on cultural particularities and intercultural differences in business

communication. It is his merit that the Global Player continued throughout the structural changes. Last but not least, as a meticulous and patient corrector and proof-reader, Bill assured that our many writers' cross-cultural Englishes would adhere to the rules of English as a global language.

Anette Hammerschmidt had just joined SQT when the first colored Global Player was published in 1997. In 1998 she took over the role of **chief editor** and gave the Global Player a new direction to reflect the global transformations in international management and deepen the focus on intercultural business culture.



We would like to thank all the people that supported the Global Player in many ways throughout all its transformations. Innumerable authors, from professors to practitioners, have contributed their knowledge and experience in professional and stimulating articles free of charge. Without their contribution the Global Player could not have been realized. Gerd Hufnagel supported the Global Player with invaluable advice on marketing aspects and the positioning of the magazine. We also thank Nina Berendonk who regularly researched and wrote on culture, Carolina Queisser, Mareike Ballerstedt and Lisanne Ebert who contributed their expertise in articles and desperately needed back-office support, Sabine Wöginger who took Iris's place and work-load during her sabbatical, and the intercultural team at SQT who made this project possible with their support.



Roswitha Huber, an award-winning painter and graphic designer, joined the team in 1996 and has been since then our one and only layouter. When in 1997 Gerd Hufnagel, then director of marketing at SQT, took over the magazine, Roswitha headed the graphic redesign. In the years to come she continuously transformed the layout into an appealing and professional visual representation of the intercultural issues discussed in the articles.



When in 1999 **Iris Schmeisser** joined the team, with her intellectual wit, swinging writing style and ability to organise, she brought new dynamic into the project. As the operating editor Iris headed and pushed the continuous transformation of the Global Player into a magazine that truly depicts the challenges of international management and business culture on the verge of a new millennium. In May 2001 Iris decided to fully concentrate on her doctoral thesis in American Studies.



This was when **Dorothee Lehlbach** joined the team to take Iris's place. In a flash Dorothee picked up all the steps and details that go into producing a bi-monthly magazine with limited resources: from recruiting authors to crisis management, from investigating, writing, translating and correcting articles to managing the production.

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