Chapter 7

The European Union: Another Round of Enlargement?

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ABSTRACT

In spite of the recent rise in Euroscepticism across most of Europe, owing to the recent Eurozone crisis and reflected by the European Parliament elections of May 2014 where far-right parties gained strength, there is little evidence to suggest that the enlargement of the EU will soon stop. The membership negotiations have started with Turkey, Iceland, Serbia, and the Former Yugoslav Republic of Macedonia. In terms of both economic and physical size, Turkey is more influential than the rest of the candidate countries. Therefore, the purpose of this chapter is to provide some background information on the progress of each candidate and potential candidate country on the way to EU accession and compare them with the current EU28 members in order to emphasize the main similarities and the differences. Finally, a literature survey of the economic implications of a potential Turkish EU membership is also provided as a case study.

INTRODUCTION

European Union, with twenty eight member states, a surface area of four million km² and a population of more than five hundred million people, has experienced seven enlargements and thus, is the world leader in international economic integration. It has been widening and deepening for more than sixty years, growing from the original six members (of Belgium, France, West Germany, Italy, Luxembourg and the Netherlands) to the current twenty eight1 in order to bring economic, political and social stability to Europe.

In spite of the recent rise in Euroscepticism across most of Europe, owing to the recent Eurozone crisis and reflected by the European Parliament elections of May 2014 where far-right parties gained strength, there is little evidence to suggest that the enlargement of the EU will soon stop. Just after the challenging eastern enlargement process and the recent Croatian membership, it has embarked upon negotiations about the pos-

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The European Union accessible EU accessions of Turkey, Montenegro and Iceland. Moreover, the Former Yugoslav Republic of Macedonia and Serbia are candidate countries. The latest development was on 27th June 2014 when the European Commission also granted Albania the candidate status (EU Commission, 2014b).

The aim of this chapter is firstly to summarise the evolution of regionalisation mainly in Europe by briefly explaining the EU’s enlargement experience together with the conditions for EU membership. Secondly, some background information on each candidate country will be provided, comparing candidate and potential candidate countries with the current EU28 members to emphasise the similarities as well as the differences in population, GDP, per capita GDP and economic growth rates. Since Turkey is the largest candidate country in terms of the population, there will be a literature survey of the economic implications of a potential Turkish EU membership as the final section of this chapter.

BACKGROUND: REGIONALISATION IN EUROPE

Regionalisation is the process of liberalising trade, in most cases not only by tariff-cutting, but also by the harmonisation of rules and regulations shaping the trade policies as well as the regional rules on investment, competition, labour, etc. as a result of the mutual negotiations of such commitments. According to Bhagwati et al. (1999, p.3), regionalisation can be defined broadly as ‘preferential trade agreements among a subset of nations’.

Bhagawati et al. (1999) argue that the main reasons for the second wave of regionalism or to the revival of regionalism in the 1980s, is due to the conversion of the United States of America (USA) to regionalism, although it had always been a supporter of multilateralism previously. The establishment of the Single European Market (SEM) in 1993 and the eastern enlargement of the EU in 2004 were also important steps in the second wave of regionalisation.

The major characteristic of the second wave of regionalism, also called new regionalism, is the growing number of agreements across regional groupings, as well as across developed and developing countries, their deep integration, i.e. not only by reducing or eliminating the trade barriers in commodities but with real and financial capital mobility, free labour mobility, domestic tax and subsidy policy harmonisation, macro policy harmonisation, institution reforming and building, communications and transportation infrastructure development, legal rules and regulations harmonisation for markets and monetary union (Lawrence, 1996; Burfisher, Robinson, & Thierfelder, 2003; Whalley, 2008).

During the global recession of 2008-2009 global trade decreased by 29%, that was at a faster rate than the global GDP (Eaton, Kortum, Neiman, & Romalis, 2013). One of the reasons for the reduction in the global trade volume was argued to be the tendency of the national governments to re-introduce protectionist measures in order to deal with the negative consequences of the global recession (Brock, 2009). It is also estimated by Fontagné et al. (2014) that the share of trade within major regional trade agreements might decline in the future as the trend towards increased regionalism could be reversed (WTO, 2014a).

However, in spite of the negative implications of the global recession on trade flows, there has been an increase in the number of regional trade agreements (RTAs); By 2005, 330 RTAs had been notified to the World Trade Organisation but by January 2014 this number had increased to 538 and there were 377 RTAs in force (WTO, 2014b, 2014c).

The Enlargement Experiences of the EU

Treaty of Rome established the root of the European Union with the formation of the European