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## **Position of the European Union in the World after Eastward Enlargement – New Member States’ Perspective**

The Eastward enlargement of the European Union by adoption of ten new Member States (mainly from the Central and Eastern Europe) has been an event of historical importance not only to the new entrants, but also to the whole EU, where the outset of the 21<sup>st</sup> Century saw an enormous intensification and important qualitative changes of integration processes (successful introduction of Euro as common currency being just one of many examples).

Adoption of new Member States exposed the EU structures and policies to a hard test, not only because this has been the biggest round of enlargement in the history of the European Communities so far. The growth in numbers alone has been serious enough to challenge an inner organisational consistence any integrating group. It probably will make some difficulties even harder to cope with, including communication, negotiating common positions and implementation of common actions, establishment of effective decision-making structures and mechanisms, *etc.* This, however, is just one of many problems.

Another fundamental issue is that newly-adopted members’ sphere of historic experience as well as political and cultural backgrounds have mostly been very different from Western-European countries, which is accompanied by different levels of their social and economic growth. As such, new entrants contribute their own genuine elements to practically all areas of the EU activities, giving it what is really a new political quality. This way the European Union faced new challenges, both as regards a follow-up to the task of carrying its own integration processes on and absorbing the wealth and potential of the new entrants in order to be able to consume benefits resulting therefrom.

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Such challenges have considerably influenced the international dimension of European integration, including the EU's global position, and will continue so in the future. Two principal aspects of this influence may be distinguished:

- the area of foreign and security policy,
- the economic and social area.

### **The area of foreign and security policy**

The recent enlargement will influence the European Union's foreign and security policy in its broadest meaning in relation to a number of issues, including international security in a wide context, transatlantic relations and the EU's Eastern policy. The adoption of new Member States seems likely to modify the EU policy with its priorities, an influence of positions assumed by Poland and other new entrants in the debate and clashes regarding the U.S. intervention in Iraq or evolution of the EU's attitude towards Ukraine being just two examples.

At the same time, however, neither the very fact of enlargement brought any major or radical changes nor any serious modification was observed in the EU's political position in the world. This should be especially emphasised, as quite the opposite opinions can be heard as well, suggesting significant changes taking place in the field of the EU foreign policy, allegedly resulting from the new Member States denying or undermining the earlier EU experience. In fact, it is evident that the enlarged European Union follows the main lines of its foreign and security policy, designed and developed in the previous period.

An apt case-study in this context is found in the influence of the enlargement upon transatlantic relations which have traditionally been the very core of the European Union's foreign and in particular security policy throughout the post-war era. Their history is one of interesting evolution full of elements of partnership and co-operation as well as those of competition and clashes.

The latter aspect has been especially manifested recently as one compares between foreign policies or, in a broader sense, between fundamental areas of the EU's and the United States' international activities. Differences go far beyond the way they behave, reaching as far as the very essence – the basic principles underlying that area. Of course, controversies in transatlantic relations are nothing new looking from the past half Century perspective. Views and positions of both partners over various political, economic or defence-related matters have always differed considerably and they still do. However, the situation we have to deal nowadays is something qualitatively new, with fundamental differences over both doctrine and practice that evolved over the way the foreign and security policy is conceived and implemented in the

European Union and the USA. The recent round of enlargement, rather than provoking such differences, only stressed their existence.

The main point in this respect regards different attitudes towards crucial problems of modern day. Synthetically, one can say that (as R.Kagan put it in his well-known diagnosis)<sup>1</sup> Americans have clearly tended to divide the world into the good and the bad in a Manichean way, preferring firm actions and coercion to persuasion and tending to reach for military power with little hesitation (as could be seen many times). Another peculiarity of the U.S. foreign policy, which recently gains importance, is its unilateralism, not only observed in political practice but reflected in official strategic ideas as well (such as the so-called Bush's doctrine, announced in the autumn of 2002 and providing for potential preventive actions to be taken against rogue countries, as Americans call them).

The European Union's activities in the global arena, on the other hand – any potential charges of inconsistency or ineffectiveness taken into account – are carried on according to such principles as promotion of democracy and human rights, application of conciliatory and peaceful methods, renouncing military measures (in line with the concept of the so-called civilian power)<sup>2</sup> which give way to political and economic instruments, *etc.* Moreover, Europeans seem quite determined about comprehensive and multi-faceted actions, preferably implemented under the authority of the United Nations or at least consulted and agreed upon a broader forum, such as NATO.

We have to deal, then, with two distinctly different political philosophies: a more "rigid" American and a "softer" European one. Both were given additional names in literature: the U.S. policy has been called "economic containment" referring to famous doctrine of the Cold War era, while the EU position has been described as "interdependence".<sup>3</sup> Also, terms of "asphyxiation" and "oxygen" have been used respectively.<sup>4</sup> Such differences reflect the division into categories of "hard power" (a policy that applies various forms of pressure,

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<sup>1</sup> R.Kagan, *Of Paradise and Power. America and Europe in the New World Order*, New York 2003.

<sup>2</sup> The *civilian power* characteristics include, among other things, repudiation of exerting military pressure which is replaced with peaceful measures, the superior status of political and diplomatic actions in solving global problems and using mechanisms and structures of international organisations to that end. See: D.Milczarek, *The International Role of the European Union As a "Civilian Power"*, "The Polish Foreign Affairs Digest", no. 4/2003; S.Stavridis, *Why the 'Militarising' of the European Union is Strengthening the Concept of a Civilian Power Europe*, EUI Working Papers no. 2001/17, San Domenico 2001.

<sup>3</sup> J.Zielonka, *Introduction: Eastern Europe in Transition* in: *After the Revolution. East-West Trade and Technology Transfer in the 1990s*, eds. G.K.Bertsch, H.Vogel, J.Zielonka, Boulder 1991.

<sup>4</sup> F.L.Lavin, *Asphyxiation or Oxygen? The Sanctions Dilemma*, "Foreign Policy", Fall 1996.

including the use of military force), and “soft power”, based upon conciliatory and peaceful methods.

The differences in question are well illustrated by very different attitudes as regards one of the most important global problems, *i.e.* international terrorism. It has been evident that transatlantic allies have different visions of solving that problem. Americans, as could be seen during their intervention in Afghanistan and then in Iraq, are mostly keen on reaching for military solutions, with political actions given a minor role. Most EU Member States, on the other hand – in particular Germany and France – are quite resolute about the opposite order of action: to use military power only as a last resort, after (and provided that) all the potential of political solutions, especially within the United Nations, has been used up with no effect. (There are, however, some significant exceptions to this practice, especially the attitude of the United Kingdom and a couple of other countries, including Poland, which seem to subscribe to the American line).<sup>5</sup> It seems that this really stems, in the first place, from a different political philosophy – as outlined above – represented by European politicians, rather than from the fact that military potential of the EU Member States is vastly inferior to that of the USA, which leaves Europeans with hardly adequate instruments of action.

Such differences in attitudes to basic international problems seem to reach far beyond what is revealed by concise analyses which simplify the problem to just “a family quarrel” in the core of the Western world. Catastrophic visions aside, one nevertheless has to observe that, in the long run, such disagreements may seriously undermine the transatlantic alliance, a spectacular example of which could be seen in a fierce controversy – not only between the EU and the USA but within NATO as well – about the American intervention in Iraq. The USA and the EU Member States have already exchanged serious accusations between each other: Americans accusing Europe of passive or even cowardly behaviours in the face of global threats, while charges of political and military irresponsibility and an urge to play the role of “global gendarme” going the

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<sup>5</sup> It should be observed that an impact of transatlantic controversies upon Poland’s foreign and security policy has already been evident and will probably grow even stronger in the future – see: the following articles by D.Milczarek: *After the EU and NATO Eastward enlargement – what kind of a new European order? Polish point of view* in: *On the road to the European Union. Applicant countries’ perspective*, eds. D.Milczarek, A.Z.Nowak, Warsaw University Centre for Europe, Warsaw 2003 and *Ewolucja instytucjonalnych aspektów bezpieczeństwa w związku z integracją Polski z Unią Europejską (Evolution of institutional aspects of security in the context of Poland’s integration with the European Union)* in: *Polska w Unii Europejskiej. Początkowe problemy i kryzysy? (Poland in the European Union. Initial problems and crises?)*, eds. U.Kurczewska, M.Kwiatkowska, K.Sochacka, PISM, Warsaw 2002.

opposite way.<sup>6</sup> Both actors are partially right, although it seems that the American policy is the one that gives more reasons for argument and concern.

Generally speaking, the present global power arrangement, based upon the U.S. domination has been increasingly criticised for many reasons (ineffectiveness in providing global stabilisation, little consideration of other parties' interests, *etc.*). The European Union, while not being its only critic, is undeniably the most outspoken one, its general vision of modern international relations, including, in particular, methods used to solve principal problems of global security, being completely different from American ideas.

Once again the example of controversy about the American intervention in Iraq seems the best one to illustrate how those discords grow and consolidate, leading to an open political and diplomatic conflict between the EU and the USA. Leaving the inner clashes over that matter in the EU apart (it is well-known that some Member States, including the United Kingdom and most new entrants, declared themselves in favour of the Washington line), one has to agree with opinions that positions assumed by two driving forces of European integration – France and Germany – have been decisive in that point. Considering this, it wouldn't be fair to conclude that Europe either comes out against the United States as such or in defence of its own interests or hurt ambitions (the latter, while partially true, is only a secondary reason). Instead, it seems that what we really have to deal with is a bold attempt to reconstruct a polycentric world, free from an overwhelming US dominance – the world in which Europe (along with other leading global powers) would have more to say in response to American unilateral and lop-sided model.

In order for the analysis to be complete, some factors should be added that mitigate the above-outlined image of tensions in transatlantic relations and suggest that there are still chances to save the latter from failure. In fact, a number of positive aspects can be seen, both in the most sensitive area of foreign and security policy and, even more so, in the field of economic exchange and co-operation.

To begin with, it should be remembered that despite the above-mentioned controversies or even discordant political philosophies, the foreign policy of the EU as the whole couldn't be called strictly anti-American in any aspect so far (either as regards economic external relations or foreign and security policy). Moreover, as can be concluded from analysing developments in, *e.g.*, the EU Common Foreign and Security Policy/European Security and Defence Policy, it has still largely been based upon long-standing transatlantic alliance. Such

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<sup>6</sup> According to R.Kagan, whilst Americans play roles of sheriffs who actively fight bandits on the global scale, Europeans not only confine themselves to the role of passive onlookers, but sometimes seem to be more anxious of rash sheriffs than they are of bandits.

a balanced view is justified as one considers fundamental matters, resisting quick judgements prompted by current political events whose effects in the long run can hardly be foreseen yet.

It is sufficient to remind that the European Communities have been involved in a complex web of all sorts of relationships with the United States for decades and that both parties, their competition or even rivalry apart, have really been each other's closest allies and partners. This is especially evident as one evaluates their economic co-operation, the total annual value of which is assessed, by some sources, at USD 2.5 billion and which generates 14 million jobs both sides of the Atlantic Ocean. The USA and EU's share in each other's total export and import are in the range of 20-25%, making them each other's largest commercial partners. Even more meaningful are data concerning direct foreign investments: over 60% of all FDI in the United States are made by companies from the EU Member States, whilst Americans are responsible for about a half of foreign investments in the EU.

As important as it is, this co-operation hasn't been free of tensions and clashes. Apart from periodic "trade wars" between them,<sup>7</sup> both parties accuse each other either of general economic inefficiency (the United States' traditional charge against Europe) or (the other way round) of maintenance, by the USA, of an excessive trade deficit which results in weakening of the US Dollar thus promoting American export at the disadvantage of the EU and other economies.<sup>8</sup> However, such controversies, being a common thing in so intense and important bilateral relations, shouldn't be overestimated in general assessment of transatlantic relations.

One should agree with the opinion that "*United States and the European Union maintain the world's largest and most significant economic relationship, which in turn is a foundation supporting the transatlantic political partnership*".<sup>9</sup> In fact, both parties are each other's largest economic partners and roles they play towards each other in political terms cannot be overestimated. The United States, as history teaches, have played the role of the principal guarantor of security for the uniting Western Europe for more than half a Century now. Europe – as pointed out by several American experts – has been America's natural ally having an enormous geo-strategic importance for the USA. Not even disputes over the war in Iraq, implying an open political and

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<sup>7</sup> One of the most recent examples can be found in the decision President Bush made in 2002 to impose customs duties upon steel goods imported to the USA – see comments in: "The Economist", 11.05.2002.

<sup>8</sup> According to experts, there is a threat that this deficit may even reach the level of 100% of the United States' GDP – more on this subject see: "The Washington Post", 04.01.2005.

<sup>9</sup> *The Transatlantic Economy in 2020: A Partnership for the Future?*, Working Group on the Transatlantic Economy in 2020, New York-Washington 2004, p.ix.

diplomatic conflict, can undermine this kind of fundamentals of transatlantic partnership, both parties being well aware of that. This was further revealed by an evident improvement in political relations, observed after the President's G.W.Bush re-election. It has been since early 2005 that heads of State and diplomats began to send clear messages suggesting their readiness to conciliate over controversies and to reach a compromise over the Iraqi issue and other matters in dispute.<sup>10</sup>

It is against such a broad background that one should see roles played by the EU new Member States, in particular those from Central and Eastern Europe. Most of them, due to obvious geopolitical reasons, have chosen, since having regained full independence at the turn of Eighties and Nineties, a policy of active and resolute close alliance with the United States and with NATO. It is in the latter political and military alliance that they look up for their principal guarantees of safety from Russia's imperial ambitions, while in the European Union they see an economic integration structure, which is important or even necessary for their further development. It is, however, to much lesser degree that they regard the EU as a form of political and defence integration (quite understandably as one considers weaknesses of the EU foreign and security policy).

Of course, adoption of such a strategy largely determines the EU new Member States' position as regards the transatlantic debate. This mainly relates to Poland, the country having the largest military potential and the biggest political ambitions among the new entrants and one revealing the most pronounced pro-American attitude. Poland's consistence over that last matter is not only manifested in its full political support for the US armed intervention in Iraq, but even to military involvement in the war, which, by the way, provoked a deal of justified doubts as to its sense and consequences. While such behaviour causes objections or, in some cases, even irritation of certain EU partners, one should not forget that Poland is not the only one to hold on to this line. Instead, Poland belongs to a broader group of countries revealing "pro-Atlantic" sympathies, consisting of at least the United Kingdom (traditionally the USA's loyal ally), Italy, Spain (which, however, changed its line in mid-2004) and several other countries which have also supported the United States in both political and military terms.

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<sup>10</sup> Similar signals have been sent by Presidents Bush and Chirac among others and the new U.S. Secretary of State C.Rice commented during her visit in Poland that "*Europe and the USA have shared common challenges*" and that "*fears of those who said European and transatlantic unity cannot be reconciled with each other have occurred unjustified*" (interview in: "Gazeta Wyborcza", 11.02.2005).

One can safely argue, then, that pro-American policy of the EU new entrants and Poland in particular, whilst not exactly bringing any brand new elements to the transatlantic debate, consolidated (and very much so) the political option that has been observed in the European Communities for a long time, favouring strict co-operation with the United States. In other words, positions assumed by the new entrants rather added to the already existing controversies, both internal (especially evident between France and the United Kingdom) and external (between the EU and the USA) than stirred them. It has to be firmly emphasised in the context of misjudged opinions of some American politicians, such as the Secretary of Defence Donald Rumsfeld, who tend to oppose “new Europe” of the EU recent entrants standing by the USA to “old Europe” of previous Member States, ill-disposed to America. In reality conflicts over those matters are played along quite different dividing lines.

### **Economic and social area**

The influence of the Eastward enlargement has also been visible in terms of general economic and social potential of the European Union in the international arena. Synthetically, this potential should be regarded as real geographic, economic, demographic and social, military, *etc.* resources available to the European Union. Such resources are either substantive (the number and age structure of population, territorial area, productive capacities of industry, *etc.*) or organisational and functional, including education and occupational structure of societies, labour organisation and efficiency, innovativeness of economies, and so on. They may be examined using various quantitative and qualitative indicators and referring to various theoretical or empirical concepts such as geopolitics.<sup>11</sup>

For the needs of the present study it was appropriate to use geopolitical factors, the importance of which is really essential. They include geographic and demographic, economic, social and scientific/technological data, with focus laid upon highlighting transformations taking place in that field as the result of the EU enlargement by ten new Member States in 2004. Analysing the present situation against the background of condition of the former Fifteen gives a better view upon how things evolved and how to distinguish strengths the EU can boast in the world from its weaknesses. In order to obtain clear and comprehensive image, ratios and indicators analysed below, quoted as cumulative

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<sup>11</sup> This category has been understood in many different ways – for a review of various concepts of geopolitics see: J.E.Dougherty, R.L.Pfaltzgraff (Jr.), *Contending Theories of International Relations: A Comprehensive Survey*, New York 1997.



data for the whole European Union, are compared with data relating to another crucial actor of international relations, namely the United States.

To begin with, fundamental data should be examined describing the European Union in terms of its geographic and demographic potential<sup>12</sup> highlighting the factors that are unique thereto and putting particular emphasis upon results of the recent enlargement.

The first thing the data in the field of political geography reveal is that the present European Union, consisting of 25 Member States, is comparable in terms of a number of members to such international groups as the African Union or the Organisation of American States. Moreover, it will remain so after subsequent rounds of enlargement to 27 or even 30 Member States as well. In other words, it is not unique in this respect.

Situation is quite different as we regard other basic indicators: those of the territorial area and the number of population. As a result of the last enlargement the area of the European Union increased rather significantly, from *circa* 3.2 to 3.9 million km<sup>2</sup>, that is by *circa* 20%. Despite that, the EU territory has still been much smaller than that of the USA or several other important actors of international relations. Nevertheless, the EU maintains its meaningful position in the map of the world, which has more to do with the fact it covers most of the European continent (if we don't take the area of Russia into account) which is very significant in geopolitical terms, than with exact percentage of the global area it occupies.

In the effect of the enlargement that took place in 2004, the European Union's population increased by nearly 75 million of new citizens (which translates into a growth by *circa* 20% – as in the case of the area) thus achieving the number of over 455 million people. This leaves both the USA and Japan far behind, being second only to China (1.3 billion) and India (over 1 billion inhabitants). Whilst demographic potential is not pivotal for position and power of any global scene actor in the modern world, it is still obvious that it nevertheless strengthens a country's position in international relations. The reason, among other things, is that it generates a large sales market (which, in the case of the EU, is so much more important that its purchasing power is significant), not mentioning other economic or political benefits. Additionally, Europeans live in a relatively densely populated area, which, at the same time, ensures propitious conditions for general social and economic development.

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<sup>12</sup> The source of the data presented below is in publications of the EC Statistical Office (Eurostat), CIA and other American agencies, the World Bank, OECD and the World Trade Organisation. It should be emphasised that the data reveal differences (quite considerable in some cases), even when they come from the same source and regard the same period. This may be caused, among other things, by different methodologies of data collection and processing.

Furthermore, the population of Europe, including the enlarged EU, features high national differentiation (over 80 nations and ethnic groups). In many cases State borders run along the lines of fundamental ethnic divisions (Poland, very homogenous in this respect, being a good example), although there are polyethnic countries, such as Belgium, as well. This implies great cultural and language diversity which manifests itself, for example, in using some languages not only within national States, but in wider zones as well (for instance in French or German-speaking areas).

Sure enough, Europe is not the only part of the world to reveal such diversity, great ethnic and language variety being observed in other global regions as well. What is Europe's *differentia specifica* is the fact that its diversity, especially within the European Union, basically gives no impulse for emergence of serious tensions or conflicts stirred by nationality issues. With one tragic exception of modern history of Balkan region, other European sore points (such as conflicts in the Basque Country or in the Northern Ireland or ethnic clashes in Belgium and in some Central European countries) are not imminent or direct threat to peace in Europe. Nor do they alter the image of the continent as a stable region as compared with other areas worldwide, where much more serious ethnic or cultural conflicts are experienced.

As shown above, the European Union has considerable geographic and demographic potential giving it leading positions globally, not only in terms of sheer population but also in less measurable categories such as cultural wealth, stability of social structures or the lack of serious ethnic conflicts. The recent round of enlargement brought positive changes in this respect, mainly through an ample growth of both the EU territory and population as well as further enrichment of its ethnic, cultural and language diversity. Summed up, this forms a set of circumstances favouring the use, by the European Union, of its potential in the international arena.

The EU economic potential is reinforced with mechanisms of the Single Market and the Economic and Monetary Union, giving the EU top places in macroeconomic rankings of modern world. As regards as crucial factor as the Gross Domestic Product (GDP), one has to point out that while the "old" EU, with USD 10.5 billion GDP was second only to the USA (USD 11 billion), their GDP levels after the enlargement are similar. Considering the fact that the rate of GDP growth in Europe was lower than in the USA, its increase in absolute terms should be attributed to general growth of the EU economic potential, largely due to the adoption of new Member States. (Although the growth was not exactly impressive: as the EU's territory and population increased by 20%, its GDP grew up by only *circa* 5%.) Nevertheless, this way the EU assumed crucial position in global economy, which is reflected in respective shares of the

two pivotal actors in the world's total GDP: both – EU and USA – account for around 30%.

With respect to the rate of the GDP growth in the EU Member States, ups and downs have been evident (which is typical, by the way, of any developed country): in the Nineties an upward trend prevailed in the old EU and it was only the recession of the beginning of the new Century to reduce the growth ratio from 3.6% in 2000 to 0.8% in 2003. (The USA experienced a similar change, albeit with a different timing). One had to wait until 2004 for first signs of resurge in the EU (the growth at the level of 2.4% in all 25 Member States) which presumably resulted from general improvement of economic conditions rather than from positive effects of the enlargement, as suggested by forecasts for the next couple of years, according to which the rate of growth will be nothing more than kept at the present level, both in the EU and the USA.

The enlargement, however, prompted some changes in the EU's international economic position. The adoption of ten new Member States, while on the one hand increasing the total volume of the EU's GDP a little, making it comparable with the American ratio, on the other hand implied some negative trends in terms of the ratio of GDP *per capita*, calculated in Purchasing Power Standards (PPS): in the old EU it amounted to 27.5 thousand, decreasing after the enlargement to 24 thousand. The obvious reason was that new Member States, while strengthening the EU demographic potential, have generally featured a lower level of economic development.<sup>13</sup> Anyway, this made the gap by which Europe trails the United States in this respect even bigger. This means that the European Union not only fails to make up for the distance lost to its American competitor, but also relatively loses further places in the ranking. During the last decade the American GDP *per capita* ratio was around 50% higher than in the EU and following the latter's enlargement this advantage increased to 60%. However, such weaknesses considered, the fact is that in general the European Union Member States have enjoyed top places in global wealth rankings while the Americans' advantage over Europeans in terms of real purchasing power diminished to less than 30%.

Another important factor revealing huge international potential of the EU economy is the size of its foreign trade. Before the recent enlargement the EU ranked first in the world in global export and second in import, with 22-23% share in both categories. Those indicators (taking only trade with third countries and not intra-Community trade into account) were comparable with achievements

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<sup>13</sup> It is sufficient to note that none of the new entrants achieves a GDP index at the level of 100% of the average for the whole enlarged EU (half of them – including Poland – have the index in the range of 40-50%), while Portugal, being the poorest country of the old Fifteen, achieves 75% of the same average.

of the leading global power, the United States, which had second place in export and first in import. The enlargement of 2004, quite paradoxically, deteriorated the EU's position in international trade – although only statistically, not in real terms. As a result of inclusion of economic exchange with ten new Member States to the category of intra-Community trade (whilst they were regarded as third countries beforehand), officially the Twenty-Five rank lower than the previous Fifteen in international rankings. At present the EU's share in global export and import is just over a dozen percentage points in either category, whilst the United States have enjoyed the first place in both. However – let's point it out again – this is not meant to suggest any abrupt breakdown of the real volume of trade exchange with the outer world. The EU still remains a leading economic power of modern world and its potential in this area will probably become even stronger, since the new entrants' foreign trade develops better than expected.

Successful control of inflation in the Nineties was another important EU achievement: the Harmonised Indices of Consumer Prices (HICPs) were, at the end of the decade, only at little more than 1%. Despite that the situation in that field remains unstable, because inflation in the first years of the new Century oscillated around 2%. However, similar problems resulting from changing economic conditions, have been experienced in the whole developed world, including the U.S. economy where the inflation ratio is at a similar level. Effects of the EU enlargement in this respect are still hard to estimate, although – according to forecasts – it is not going to hurt because new Member States have coped with inflation control really well.

The EU's strong position in international financial markets has been another important factor. The common currency Euro, launched in 1999, is only beginning to compete, mainly with the US Dollar, for an adequate global position. The success it enjoyed in 2004, when its value increased by 44%, coupled with a decline of the US Dollar value roughly by one-third, seems to give it promising start position. (However, it has to be remembered that vast majority of exchange transactions globally is made in US Dollars, that this currency accounts for almost a half of financial reserves of all countries and its low conversion rate benefits American export.)

An important asset of the EU economy, especially as regards old Member States, is its modern structure, as evidenced, among other things, by predominance of services sector whose share in generation of total gross value added accounted, at the beginning of this decade, for over 70% (only slightly less than in the USA). In the old EU as the whole, services sector employed nearly 70% of all labour force (compared to 24% in industry and *circa* 4% in agriculture) and the ratio was quickly growing up. Following the EU enlargement, considering aggregated data for the Twenty-Five, the growth

of this ratio slowed down a little, mainly as the result of the accession of Central-European countries, as their economic structure is in most cases less modern than that of the Fifteen. (For example Poland still employs over a dozen per cent in agriculture.)

In general, economic potential of the enlarged European Union absolutely ranks in leading positions globally and may only be compared with the United States' economic power. (This mainly relates to total GDP level or strengths of the common value Euro.) At the same time, however, weaknesses in certain areas shouldn't be overlooked, in particular as regards a gap between the EU and the USA in terms of living standards measured by GDP *per capita* level or general competitiveness of European economies.

Such weak points can be attributed, at least partially, to the effects of the recent EU enlargement which, on the one hand, generally consolidated the EU economy, but, on the other hand, deteriorated a number of data relating to the European Union as the whole, especially those measured *per capita*. It seems, however, that such problems should be considered from two different perspectives: in the long run new entrants, bringing their potential and dynamism to the EU, are probably going to further contribute to its substantial economic and social growth, although in both short- and medium term one has to reckon with some difficulties. Anyway, the enlarged European Union has significant economic instruments at hand, enjoying strong abilities to benefit therefrom in the international arena.

We have to deal with a more complex situation as we consider the EU potential in relation to the so-called "human factor" which includes a category that may be referred to in this study as the European Union's social dynamism. Speaking in a most general way, this means the present and future development potential, stemming both from objective quantitative data and from certain, not so easily measurable qualitative characteristics, mainly relating to the structure of population and situation in the labour market, and – taking scientific and technological potential into account as well – the level of education and the scale of innovativeness of the EU Member States' economies.

Starting with an analysis of population structure, one should keep in mind fundamental demographic indicators, mentioned earlier on, showing that in the effect of the recent enlargement the European Union grew up in numbers by 75 million people, that is by *circa* 20%. Another key source of growth of a number of inhabitants was migration, which mainly relates to the old EU countries. Since mid-Nineties immigrants have accounted for a majority of new EU inhabitants (although their number in absolute terms has gradually decreased). Adoption of new Member States, especially Central and Eastern European countries, reduced all-EU indicators in this area because the phenomenon of immigration (at least official) has been much less intensive there. At the same

time, however, problems regarding illegal immigration were seriously aggravated; new entrants adding, since 2004, their difficulties in this context to those experienced in the Western Member States.

The European Union in general features a decreasing trend in terms of growth of population numbers, which is mainly due to a very small natural growth. In the old Fifteen net growth of population (net migration plus natural growth) has been on a gradual decline since Nineties. This has been in contrast with a situation in the United States, where the rate of population growth was, in the same period, several times higher. Even more importantly, net immigration accounted for only about a third of it, whilst the rest consisted of a high natural growth which occurred as many as eight times (!) higher than in the EU.

Enlargement of the EU membership in 2004 not only failed to improve the situation, but it is quite likely to make it even worse. As revealed by natural growth indicators recording the relation of births to deaths for 1000 people,<sup>14</sup> all of the newly-adopted Central and Eastern Europe countries have recorded negative natural growth, *i.e.* decreasing population, in some cases dramatically, Latvia having the record-breaking ratio of almost -5. At the same time, among the old Member States, only Germany and Italy have recorded negative natural growth, but it has been at much lower level and there are cases of a very high positive growth as well (Ireland: over +8). As a result of negative trends among the new Member States, the enlargement made the average ratio for the whole EU fall down from +0.8 to +0.4. The situation is further deteriorated by unpromising forecasts: whilst in 1950 Western Europe had twice as many inhabitants as the United States, in mid-21<sup>st</sup> Century these proportions will likely turn the other way round.

Also of concern are other trends, intensified since the end of Nineties, suggesting that societies of the EU Member States have been aging quickly. It should be emphasised at once that the same tendency is very positive from another point of view as this means that an average longevity grows up, reflecting an improvement in social conditions and living standards. In effect, an average EU citizen has life expectancies of a little over 80 years if a woman or nearly 75 years if a man. In the old EU these ratios were even better than in the USA, however, the enlargement, rather than improve them any further, made the situation worse. In societies of the newly-adopted countries living standards are lower and, in effect, in the present Twenty-Five an average women's longevity is shorter by around half a year and men's by a whole year than in the old Fifteen.

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<sup>14</sup> A positive rate indicates advantage of births over deaths, while a negative one shows the opposite trend.

The trend for a longer average life expectancies has been coupled, in the EU, with a negative trend in the form of a decreasing number of young people under the age of 14 (in late Nineties they accounted for 17% of the whole population) and an increasing number of elderly persons aging over 65 (*circa* 16% at that time). Similar negative tendencies are observed in new entrants' societies as well. In effect, in the present European Union young people only account for a little over 16%, while the number of old people increased to nearly 17%. Facing this, concerns seem justified about further growth of Europe's demographic potential. In the USA, however, social structure has been much better: youth accounts for 21% and elderly persons for only 12% of the whole population.

It may be concluded from the above demographic data that societies of the enlarged European Union, undergoing the process of aging (which is typical of all the developed countries) are in a less advantageous situation than the United States. A large and still increasing group of elderly people in the EU Member States, absorbing more and more social funds, gradually becomes a burden for general social and economic development, especially for less wealthy new entrants. From this point of view, younger and more dynamic American society probably has better opportunities in both present and future competition with Europe.

Considering the category of labour force potential, the EU's strength is its extensive character: a larger population simply translates into more hands at work. On the other hand, European labour force in the old Fifteen was about 20% more expensive than in the USA, which in turn was compensated by an intensive factor of its very good efficiency: the EU workers were ranked among the most efficient globally and capable of manufacturing top quality goods (thus resistant to pressures towards price reductions). An entry of a relatively large number of workers from the new Member States into the EU labour market, while generally reducing costs of European labour, also lowered labour efficiency ratios, so that in net categories it hasn't improved the EU economy's competitiveness in any significant way.

However, it is unemployment that is regarded the most serious EU problem in terms of labour. One has to admit the old EU has some success in controlling unemployment, but in fact it proved to have a sort of endemic nature anyway, as revealed by the fact that both in early and in late Nineties its ratio was unchanged at 8%. The recent enlargement only added to the problem – a half of the new entrants have recorded unemployment ratios higher than the EU average (Poland, with its alarming 19%, being the leader in this ranking). In consequence, the present average unemployment level in the EU increased to 9%, as compared to *circa* 5% in America where they seemed to cope with the problem much better.

Generally speaking, the analysis of situation as regards unemployment suggests that European economy finds it much harder than American one to solve the problem. Obviously, competition in the U.S. labour market is much more intense than in Europe, but this also works as a pressure upon people to try harder, thus strengthening general social development potential. In effect, this narrows European opportunities to compete in the international arena. On the good side, the EU managed to create social security systems which are vastly superior to American ones, protecting people from hardships of unemployment or other social problems. This should certainly be seen as an important strength of European social model.

To complete these considerations, it seems fit to discuss the EU potential in the area of science and technology development. This is another area which can hardly be considered using only quantitative data, however, there are adequate instruments at hand, such as Technological Achievement Index (TAI). It records a set of factors indicating a level of general social and economic development of a given country, including issues of education, Internet use or a number and character of patents registered.

It can be concluded, using this tool to analyse the situation in the enlarged European Union that “*a successful integration of the East Central European candidate countries into the European Union increases, rather than decreases, the European technological and open society potential*”.<sup>15</sup> The real point of this assessment is that it rightly denies clichés often repeated in both old and new EU Member States. Whilst it is known that old Member States have traditionally occupied, along with the USA, high places in the TAI ranking,<sup>16</sup> it should be underlined that some new entrants rank quite close behind: on the eve of their accession Czech Republic and Hungary, with 21<sup>st</sup> and 22<sup>nd</sup> place respectively, ranked just behind Italy, while Poland, last in this category (29<sup>th</sup> place) wasn't far behind Greece or Portugal (26<sup>th</sup> and 27<sup>th</sup>, respectively).

The same holds true as regards data on an average period of education. The USA opens the global list in this area, an average American citizen learning or studying for 12 years. The best EU Member State is Sweden (5<sup>th</sup> place), while Poland, best among the new entrants, achieves fair eleventh place with almost 10 years of education, which ranks it just behind Finland or Germany and far ahead of such important old EU Member States as France, Spain or Italy, not mentioning Portugal (61<sup>st</sup> place). Other newly adopted Member States also

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<sup>15</sup> A.Tausch, *The European Union in the World-System Perspective in: The European Union in the World System Perspective*, ed. R.Stemplowski, PISM, Warsaw 2002, p.53.

<sup>16</sup> Before the EU enlargement it was Finland that was ranked first, with Sweden in the third place and other countries taking places within the first thirty. The USA ranked second.



ranked reasonably well, with Czech Republic at 15<sup>th</sup>, Slovakia on 23<sup>rd</sup> and Hungary in 25<sup>th</sup> places.

In general terms, the EU countries have matched American achievements as regards the level of education of their societies. This is revealed, among other things, by the rate of young people between 20-24 years old graduating from high schools, which oscillated around 74% for the old Fifteen. Importantly, this is also the area in which the effects of the EU enlargement are undeniably positive, increasing the same ratio for the present Twenty-Five by three percentage points. This should be credited to impressive results achieved by most new entrants from the Central and Eastern Europe – in some of them, such as Poland, Czech Republic, Slovakia or Slovenia, respective levels reach 90%, exceeding the result recorded in the old EU where Sweden has been leading with its nearly 90%, but Portugal, last in the ranking, fails to get a mere 50%. This illustrates the new entrants' endeavours for the sake of young people's education and proves their serious contribution to development potential which will prove essential both for them and for social and economic growth of the EU as the whole.

Equally positive are data regarding academic education, which is crucial for this kind of growth. This is another area in which the last enlargement improved general EU position. The total number of students in the EU Member States, at present over 16 million, increased by more than 3 million, that is by more than one-fourth, being a relatively larger percentage than that of total growth of the EU population in the effect of the enlargement. A very good position of Poland in this respect shouldn't be overlooked: with over 1.9 million students it ranks better than Spain (1.8 million) which has similar population and as good as much more populated Italy.<sup>17</sup> However, comparison of the EU as the whole with the USA is less impressive: the United States have almost the same number of academic students as the EU. Considering vast European advantage in demographic potential, this really reveals net American advantage. This is confirmed by the ratio of students in total population, amounting to *circa* 4% in the European Union and 6% in the USA. Moreover, the United States have allocated more funds (expressed as percentage of GDP) to academic education than Europe has (1.5% compared to 1.1%).

The above data seem to suggest, in general, that Americans have put more emphasis upon the importance of education regarded as the fundamental factor upgrading skills of labour force and improving opportunities to get a good job. In fact, this has direct relationship with the previously discussed labour market

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<sup>17</sup> The position of Poland is only narrowly worse than that of countries that are much larger in demographic terms and much wealthier, such as the United Kingdom (2.2 million), Germany (2.1 million) and France (2 million students).

situation which has been more demanding in the USA, but featuring lower unemployment at the same time.

Using the TAI ratio methodology one can supplement the analysis of levels of education with various indicators concerning scientific and technological development. It seems that the most expressive single factor is that of Internet use ratio in the society as it really indicates a level of general development of any given country. In absolute terms the EU's position is quite fair: its inhabitants have accounted for one-third among *circa* 600 million of global Internet users, while respective shares for the USA and Japan are over one-fourth and around ten per cent. The recent accession of several Central European countries featuring underdeveloped IT infrastructure could not improve the situation and in fact, unfortunately it made it worse. This is quite obvious considering, for example, the rate of households with Internet access which decreased from 47% in the Fifteen to 43% in the Twenty-Five. As a non-surprising conclusion, the EU should intensify its efforts to diminish such disproportion.

The same postulate relates to the EU policy in the R&D area. Whilst the United States have allocated around 3% of their GDP (data using GERD indicators) to research studies and technological growth, this is less than 2% in the EU. Worse still, new Member States adopted in 2004 have spent even less on that field, so the ratio regarding the whole European Union decreased over the last year.

It is interesting how the situation in that area translates into the scope and ways of using scientific and technological patents. Whilst around one-fourth of the global number of patents developed domestically by national scientists comes from the EU, which is better by around ten percentage points than in the case of the USA, it is also true that Europe cannot compare in these terms with some Asian countries, Japan in particular, accounting for almost 60% of such patents. Situation is even worse as regards the import of patents, which really indicates a level of dependence of a given economy on an inflow of scientific-and-technological thought from abroad. The EU Member States have depended upon such import to a much higher degree than the USA – the American percentage amounting to 50%, compared to 60% recorded by Germany, the best European country in this respect; the rest of the EU Member States trailing far behind with levels vastly exceeding 90%. Against that background data regarding the new entrants are quite similar to the EU average and in the case of Poland even better: with its ratio slightly over 90%, Poland ranks better than most countries of the old Fifteen, Greece being the extreme example with dependence assessed at over 99%. Of course, there is nothing to brag about, but again this denies some *clichés* and confirms the above-quoted opinion on positive

influence of the enlargement upon social and scientific/technological potential of the European Union.

Finally, let us consider investments in modern technologies development, including, in particular, Information and Communication Technologies (ICT), the area in which the United States have a clear advantage over the European Union, as evidenced by respective figures: the ICT outlays in the EU accounting for less than 3% of GDP, compared to 5.5% in the USA. This seems to suggest Europeans have shown less appreciation to the importance of technologies which are undeniably going to be one of driving factors of social and economic growth in both short and long term.

The same illustrates the opinion that “*the European Union is in no position to effectively play the role of technologically leading centre of the world economy in the 21<sup>st</sup> Century*”.<sup>18</sup> Even if this view is too rigorous, it is by no means unjustified. Especially compared to the United States, the EU really seems to put less effort to raise general level of education of its societies and in particular to develop its scientific and technological potential. Whilst both in absolute terms and at the background of global situation the EU’s achievements are impressive, they may in fact prove insufficient to effectively face present and future challenges of international competition, mainly imposed by the USA.

## Conclusions

Generally speaking, the influence of the recent round of the EU enlargement upon its international position in political and military as well as economic and social terms escapes simple judgements. What is certain is the lack of any radical changes or fundamental modifications as compared to the situation prior to 2004.

There are areas in which the enlargement brought no improvement at all, sometimes aggravating problems experienced by the former Fifteen. This relates, in particular, to some macro-economic growth *per capita* indicators (resulting from the sheer increase of the EU population) as well as to some data concerning the economic and social potential, in the effect of new entrants’ usually lower level in terms of general development.

The latter aspect has to negatively affect the bottom line of the enlargement, but it shouldn’t be seen as crucial one. It occurs that despite their relatively inferior economic and social position, new Member States manage to contribute serious strengths and resources to the Twenty-Five – apart from an extensive growth of the EU demographic potential, they also increased its economic power (including the volume of foreign trade), as well as social and scientific/technological one

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<sup>18</sup> A.Tausch, *op.cit.*, p.62.

(especially in the field of youth education). All this is expected to appreciably complement efforts undertaken in the context of implementation of the Lisbon Strategy of 2000, assuming that by the year 2010 the European Union should become the most competitive economic group world-wide.<sup>19</sup>

The same relates to the influence of the enlargement upon the EU's foreign and security policy. It has been evident how the new entrants brought their genuine political "sensitiveness" in that field and how clear are their efforts to have their points of view and national policies' priorities taken into account (Poland's attitude to the Ukrainian issue being the best example), but again, they made no revolution here. Instead, they have fitted smoothly into existing political constellations, enriching the range of options available for the enlarged EU in the area of foreign and security policy. Summing up – contrary to some hasty criticism – they not only haven't undermined the EU's general prospects in the international arena, but in fact have consolidated the potential in this field as well.

While it is definitely too early to draw any final conclusions, one can be confident that the EU, supplied with fresh blood, enjoys better prospects for future growth in political and economic areas alike. Adoption of societies that haven't been really wealthy yet, but have been very active in pursue for better lives, has given a new impulse to processes of integration and consolidated the European Union as the whole. All in all, this means that its international standing, already very significant, will probably become ever stronger in time.

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<sup>19</sup> See: *Delivering Lisbon – Reforms for the enlarged Union*, COM (2004) 29 final/2, European Commission, Brussels 2004.