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REGIONAL INTEGRATION IN THE EUROPEAN UNION: ENLARGEMENT WITHOUT CONSTITUTION

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1. Introduction

Much of the debate on regional integration in the European Union (EU) has for a long time focused on the 'deepening' and 'widening' of the integration project, and the balance between these two movements. The process as such was usually not questioned; the debates evolved around issues of speed, sequencing, balancing, etc. However, it seems that we now entered a (transition?) phase in which several European actors and sectors of the public opinion are putting forward a number of fundamental questions about the regional integration process in the EU.

On the one hand, the further deepening of the process and the strengthening of the regional governance level is being questioned. The proposal for a European Constitution and the ratification process have certainly acted as a catalyst in this respect. After the negative results of the French and Dutch referenda, the European Council itself called for a period of reflection and discussion in June 2005. In the same period, and symptomatically, the Bolkestein services Directive met with fierce opposition and had to be re-drafted (see below).

On the other hand, several sectors have questioned the further widening of the EU and have called for a delimitation of the borders of Europe. After five rounds of enlargement, the EU has expanded from a six-member entity into the world's largest trading block with 25 Member States on 1 May 2004 and producing more than 30% of world GDP. On that date, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia became full members of the EU. Bulgaria and Romania are acceding countries scheduled to join the European Union on January 1, 2007[2]. Turkey, Croatia and the Former Yugoslav Republic of Macedonia constitute a group of candidate countries negotiating accession terms with the EU, while Bosnia and Herzegovina, Albania, Serbia and Montenegro form a group of "potential candidate countries". The final outcome of these processes is however far from clear.

This relative internal paralysis has also its repercussion on the external role and policies of the EU. The unclear signals from within make it difficult for the EU, as a regional actor, to further develop its role on the world governance scene in different policy areas (economic, security, …) and to contribute to an effective multilateralism carried by stronger regions.

All this is happening against (and related to) a background of slow economic growth and persistent unemployment levels in the region, coupled with a serious preoccupation with the future energy supply, the challenging growth rates in China and India, the continued immigration pressures, and the unclear security situation in the Middle East.

After a brief review of a selection of socio-economic and trade indicators of relevance for the European regional integration process in the next section, we will have a closer look at the different issues and challenges facing the EU, thereby focusing on events in 2005. These include: the internal market, the implications of enlargement for the labour markets, the financial perspectives of the Union, competitiveness and sustainability, the European Constitution, the stakes of the EU at the WTO Doha Development Round, and EU's interregional relations.

2. Socio- economic trends and indicators for the region

2.1. Growth and employment

For several years now, the EU area has been facing slow economic growth and relatively high unemployment levels. In 2005, the average GDP growth rate fell again below 2%, as in the 2001-2003 period (Table 1). Unemployment levels oscillate around 9%. Although these concerns are older than today, this situation calls for policy responses and structural measures both at the national and regional levels.

Following the mid-term review of the Lisbon strategy (see below), a package of Integrated Guidelines have been adopted in July 2005, aiming at spurring growth and creating jobs in a socially cohesive and environmentally responsible Union. The Integrated Guidelines group together the Broad Economic Policy Guidelines and the Employment Guidelines. Within this framework, Member States prepare tailor-made National Reform Programs that involve regional and local government, and civil society.

Table 1: EU's main economic indicators

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	EU's share of world GDP									
EU 25	30.65	28.97	30.20	29.08	26.18	26.61	27.91	30.21	31.01	30.65
EU 15	29.55	27.87	29.00	27.94	25.09	25.41	26.62	28.85	29.58	29.55
	Real GDP growth rate[a]									
EU 25	1.8	2.7	3.0	3.0	3.9	1.9	1.2	1.2	2.4	1.6
EU 15	1.6	2.6	2.9	3.0	3.9	1.9	1.1	1.0	2.3	1.4
	Total employment growth[b]									
EU 25	0.6	1.1	1.6	1.3	1.5	1.4	0.5	0.3	0.6	
EU 15	0.6	1.0	1.8	1.9	2.2	1.5	0.7	0.3	0.7	
	Harmonised unemployment rate, yearly averages[c]									
EU 25			9.4	9.1	8.6	8.4	8.8	9.0	9.1	8.7
	Inflation rate[d]									
EU 25	:	2.6	2.1	1.6	2.4	2.5	2.1	1.9	2.1	2.2
EU 15	:	1.7	1.3	1.2	1.9	2.2	2.1	2.0	2.0	2.1

Source: Eurostat and World Development Indicators for GDP figures.

a. Growth rate of GDP volume - percentage change on previous year

b. Annual percentage change in total employed population

c. Percentage share of the unemployed in the number of economically active persons. Quarterly results of Labour Force Survey and monthly figures on registered unemployment are used.

d. Annual average rate of change in Harmonised Indices of Consumer Prices (HICPs)

2.2. Investment and trade

As far as FDI is concerned, the main development consisted in large investment outflows from the old EU members to the 10 new Member States. According to the European Commission figures, 7.1% of all EU FDI flowed into the new EU members, while only 2% went to China and India together. Since the old EU still holds the bulk of FDI, high FDI flows into the Central and Eastern European countries are expected to continue.

Intra-EU trade, as illustrated in figure 1, increased significantly over the period 1996-2004. This can be interpreted as a first evidence of complementarity of trade and FDI. Fears of trade substitution by FDI do not appear to be grounded, since high trade flows coexisted with high FDI flows. Mainly manufactured goods are traded (table 2).

Extra-EU 15 trade points to important rising deficits with China and South-East Asia. However, these are compensated by surpluses with other regions, most importantly with the US and the 10 new EU Member States. The European Commission considers that EU exports are still well positioned in the world markets, especially due to high-quality industrial products. Those account for about half of European exports and a third of world demand. The next challenge for the EU would be to keep its leading position and to better approach the newly emerging markets at the world level.

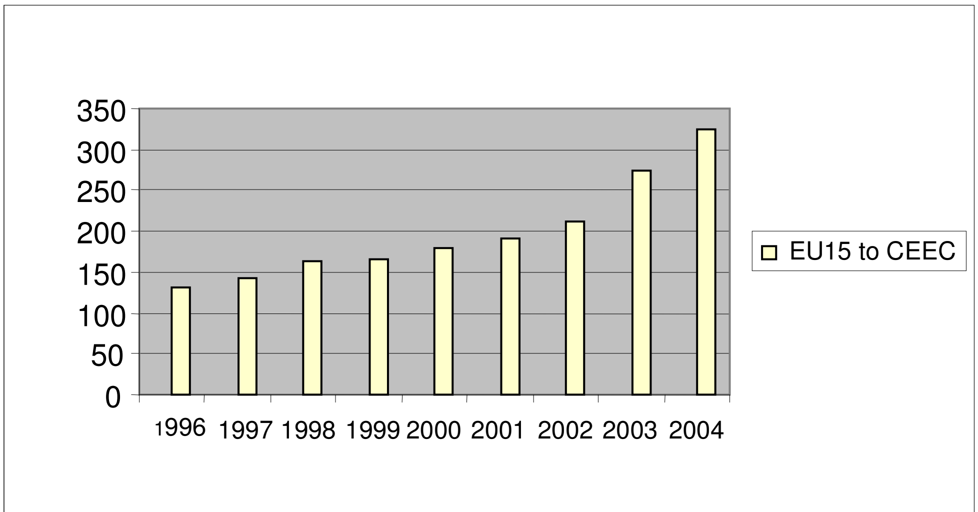


Figure 1: Intra-EU trade, 1996-2004 (billion USD) (*Source*: COMTRADE Database)

Table 2 : Intra-EU trade composition, 1996-2004

Product	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Food & live animals	5.45%	4.86%	4.23%	3.81%	3.53%	3.67%	3.63%	3.51%	3.93%
Beverages and tobacco	0.67%	0.57%	0.48%	0.52%	0.49%	0.42%	0.41%	0.39%	0.44%
Crude mater.ex food/fuel	3.68%	3.53%	3.11%	3.01%	2.99%	2.81%	2.81%	2.73%	2.60%
Mineral fuel/lubricants	4.32%	3.86%	2.78%	2.70%	3.17%	3.06%	2.94%	2.41%	3.26%
Animal/veg oil/fat/wax	0.26%	0.25%	0.25%	0.19%	0.15%	0.16%	0.18%	0.18%	0.19%
Chemicals/products n.e.s	9.43%	9.38%	8.77%	8.74%	8.73%	8.87%	9.02%	8.75%	8.71%
Manufactured goods	22.07%	21.36%	21.00%	20.38%	20.06%	19.89%	19.55%	19.34%	18.92%
Machinery/transp equipmt	36.96%	39.49%	43.09%	44.56%	46.11%	46.35%	46.60%	47.63%	48.43%
Miscellaneous manuf arts	16.30%	15.40%	14.81%	14.69%	13.49%	13.55%	13.58%	12.96%	11.77%
Commodities nes	0.86%	1.30%	1.49%	1.38%	1.27%	1.23%	1.26%	2.09%	1.76%

Source: COMTRADE.

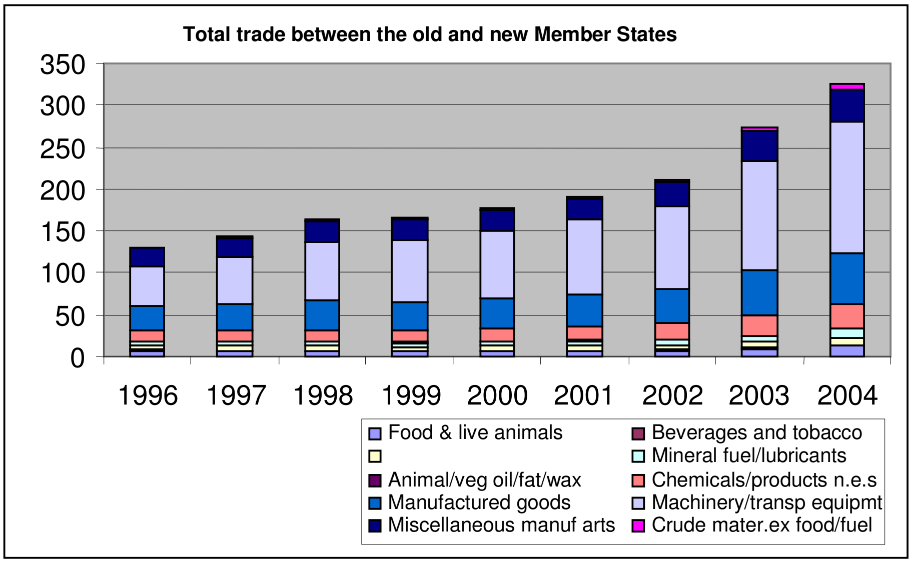


Figure 2: Composition of trade between old and new EU members, 1996-2004 (billion USD) (*Source*: COMTRADE).

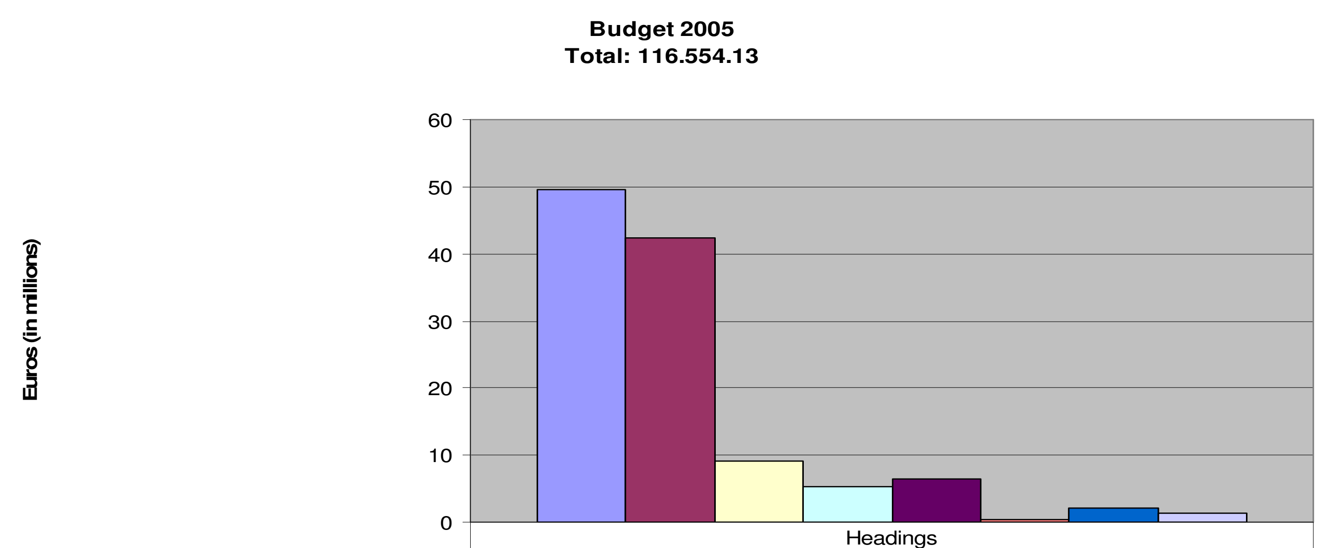
2.3. The EU budget

The European Budget is divided into different headings, the most important in value terms being the Common Agriculture Policy (around 40%) and the second the Structural Funds expenditures (around 36%).

The Common Agriculture Policy was created with the Treaty of Rome in 1957 with the aim to help the agriculture sector to develop and grow while at the same time assuring food security, fair prices and quality to consumers. The CAP has changed dramatically with the years as it confronted the un-sustainability of price support and the change in size of its sector. Several attempts to reform it were done. If at the beginning it counted more than 70% of the total EU budget, today it is around 40%. Nevertheless, the transfer to the CAP is still the major expense of the EU and the issue of reform is very sensitive for the Member States. It is important not only for them, but for the rest of the world too. In fact, while some Member States defend it and other push for its reform and reduction, several EU trading partners accuse it of distorting international trade.

The Structural Funds were created to help those regions within the EU whose development is lagging behind. Structural funds aim at reducing the difference in GDP per capita of EU regions. The accession of ten new member states in May 2004 has been an impressive historical achievement but also led to greater disparities within the

EU since GDP per capita difference between new and old members states are still substantial. The situation could be even more accentuated after Romania and Bulgaria will join as foreseen in January 2007. To face these challenges the Commission's proposed framework for the cohesion policy has been redesigned, and three objectives have been put forward: convergence, regional competitiveness and employment. The main sources for financing these actions are the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). The ERDF aims to reduce disparities between the levels of development of the various regions and the backwardness of the least advanced/developed regions, the ESF will provide support for achieving full employment and to promote social inclusion and cohesion. The Cohesion Fund assists member states to catch up with Europe's healthier regions and was established in 1993 to complement the Structural Funds. Finally, the CF was intended to help the EU's poorer countries to prepare for economic and monetary union, at that time, the four Member States whose GNP per capita was less that 90% of the EU average. Today, the Cohesion Fund covers projects in all new member states. In order to identify the regions in need of structural aid, these funds are allocated according to three main objectives. Objective one absorbs the majority of the fund and it is aimed at helping regions that lag behind others in development. Objective two supports economic, social and industrial convergence in areas facing structural problems and Objective three covers all the rest of the sensitive areas, especially employment.



Agriculture	49.67645
Structural operations (structural funds, cohesion fund and others	42.4235
Internal Policies	9.052
External actions	5.219
Administration	6.3512
Reserves	0.446
Preaccession strategy	2.081
Compensation	1.30498

Figure 3: Configuration of the Budget 2005 (Source: European Commission http://ec.europa.eu/budget/library/publications/budget_in_fig/syntchif_2005_en.pdf)

3. Regional cooperation and integration in the EU: situation and prospects

3.1. Internal Market

In parallel with the enlargement process, in the European Community there has been a continuous commitment for deepening. Within this framework, the single market is one of the main achievements, but also field for further work. Since 1 January 1993, the European Community has enjoyed a frontier-free single market. No other region in the world is so advanced in the free movement of goods, services, capital and workers.

While the movement of goods, based on harmonisation or mutual recognition, is mostly free, there is still more room for advancement in services, capital and workers' free movement. The Internal Market Strategy 2003-2006 identifies the current achievements but also the remaining obstacles and the ways to overpass them, in line with the objectives of the Lisbon Strategy.

The 2005 *Internal Market Scoreboard* pointed to a downward trend in the transposition deficit of EU legislation. This refers to the proportion of EU laws which should have been written into national law but have not. "The average deficit per Member State is down to 3.6 %, from 7.1 % at enlargement. Three new Member States, Lithuania, Hungary and Poland, are among the top twelve performers – which we have called the "first division" for convenience. All the new Member States have reduced their deficits since accession. Spain has maintained its good performance and the Netherlands has improved significantly."

In services, the controversial directive proposal aiming at facilitating cross-border trade and establishment has been intensively debated in 2005. The Bolkestein directive, named after the former Internal Market Commissioner who initiated it at the beginning of 2004, has been initially considered to be too liberal by several Member States. According to an early draft, a service provider registered in a Member State would have been allowed to temporarily perform its activity in another Member State by only conforming to the legislation of the country of origin. This has generated fears that lower regulated service providers coming from the New Member States would cause social dumping in the old over-regulated Member States' economies.

A watered down version, replacing the "rule of origin principle" with the milder "cross-border facilitation", has been agreed upon during the inter-institutional decision making process in 2006. In the same line, several categories of services were excluded from the scope of the directive: non-economic services of general interest, healthcare and social services, both private and public, audiovisual, legal, gambling and lotteries services. Professions and activities linked to the exercise of public authority and tax services as well as services making the object of sector-specific regulation (financial, transport, electronic communications) were also excluded.

Regarding the Financial Services Action Plan, 40 out of 42 measures have been agreed upon. In terms of consumer policy, action was also needed. Only 1 in 5 consumers, according to a survey, had confidence in cross border shopping. Thus, important measures to promote consumer interests were adopted, such as the directives on Unfair Commercial Practices and on General Product Safety, or the regulation on Consumer Protection Cooperation. Three directives adopted in the company tax field were also meant to cut costs for cross border activities. A VAT directive on indirect taxes applied to electronic services was another progress.

Besides these achievements, some stagnation is observed in several other fields. Prices across the EU are not converging at the expected pace. For instance, price convergence in the energy markets became a main concern for the fostering of a common energy market.

Trade in manufacturing between the Member States has not increased since 2000, meaning also less competitive pressure on prices.

The services directive, the initiative of cutting down red tape barriers, and progress in the financial services action plan were the main topics on the 2005 agenda. 2006 announces itself as an interesting year, as a common energy policy might be shaped, further progress on cross-border takeovers might be achieved and development in services in general and in financial services in particular is expected.

3.2. Enlargement in the European year of workers' mobility

With the accession of the ten new member states, the population of the EU has grown by approximately 75 million into an economic area of 455 million people and thus became the world's largest single market. However, the increase in population (20 per cent) and area (23 per cent) resulting from the enlargement of 2004 is not greater than previous enlargements. For example, the enlargement in 1973 to include Britain, Denmark and Ireland was proportionately larger in terms of population, and the enlargement in 1995 to include Austria, Sweden and Finland was larger in terms of land area. From an economic perspective, the new member states have an average GDP per capita of approximately 40 per cent of the existing members (at purchasing power parity). Spain and Portugal had an average per capita GDP of about 70 per cent of the existing EU when they joined in 1986 (Kok, 2003). Another difference between the most recent enlargement and the previous ones is that most of the new members are completing the transition from planned economies to a marked-based system and have been undergoing difficult economic reforms independently of their efforts to join the EU. Nine of the ten new members are small or tiny countries and their combined economic weight added only 5 per cent to the EU's GDP. Nevertheless the EU enlargement is a long process with results that will only become clear once the new member states are fully integrated into the single market and EU structures. The enlargement of the EU fulfils the hope that the successful model of the EU with its values of democracy, rule of law, protection of human rights can be transferred to the countries of Central and Eastern Europe.

Despite the hopes that the latest enlargement round will enhance stability and security in these countries, fears aroused that workers from new member states might have a negative impact on the EU-15 states' labour markets. Therefore the EU-15 states were granted the possibility of imposing temporary restrictions on the flow of workforce from EU–10 (excluding Cyprus and Malta, EU-8) to EU–15, and vice versa.

Although it has not been the first time that an enlargement round is accompanied by transitional arrangements[3], it was the first time that the decision on the introduction of restrictions was left to national governments. Possible reasons for introducing these restrictions are two-fold. Countries sharing borders with CEEC's were afraid of huge migration waves disturbing their national labour markets.[4] Thus, they decided very early to maintain strict migration policies for workers. This led other countries also to introduce transitional arrangements, even if they initially decided not to do so, because they were afraid that migration might divert to their labour markets, with the expectation of similar negative effects (Boeri, 2005). For instance, Denmark, Ireland, the Netherlands, Sweden and the United Kingdom initially stated that they do not plan to restrict access to their labour markets. But after the governments of Germany and Austria announced their transitional arrangements, these countries changed their policies and introduced transitional arrangements as well.

The transitional arrangements itself have to follow the so-called 2+3+2 formula. During the first two years after enlargement, until 30 April 2006, national restrictions of access to the labour market could be introduced (also via bilateral agreements). These restrictions, however, could not be narrower than those existing when the accession treaty was signed (2003). After these two years, national governments have to report to the Commission whether they plan to extend the transitional agreements for another three years or choose to implement Community rules. After five years (2009), Community rules should be introduced in all member states. Only if a member state can provide evidence that its labour market is disturbed, it may extend the transitional arrangements for two more years (2011). After that, Community rules have to be applied.

Table 3: National transitional arrangements, 2004 – 2006

No further rights than non EEA countries	Belgium Finland Germany Greece France Luxembourg Spain
Equal rights but quotas for new member states	Austria Italy The Netherlands Portugal
General admittance, but limited access to welfare system; work and resident permits only granted if certain criteria are met	Denmark Ireland United Kingdom
Community rules apply[5]	Sweden

Source: based on Traser (2005).

Note: For a detailed view of the different national restrictions consult the EURES website: http://europa.eu.int/eures/index.jsp.

Table 3 shows that most EU 15 member states have, to a different extent, introduced transitional arrangements to restrict access to their labour markets and welfare systems. Only Sweden is fully applying Community rules and therefore the freedom of movement as it is expressed in the *Acquis Communautaire*.[6] The overall percentage of EU-10 citizens working in EU 15 countries remained relatively stable during the period 2003 – 2005, as table 4 illustrates; whether this is due to the different restrictions to migration of labour force or not is not evident yet; studies taking other effects (growth rates, unemployment rates, etc.) into account are not available yet. One possible reason is the decreasing unemployment rate in the EU-10 countries, declining from 14.5 in 2003 Q1 to 13.3 in 2005 Q3, thus removing pressure to find employment in EU 15 countries.

Table 4: Foreign resident working age population by nationality – 2003-2005 – cell percentages

	Nationality					
	EU 15			EU 10		
Country of destination	2003	2004	2005	2003	2004	2005
Belgium	5,4	5,8	5,8	0,2	0,2	0,2
Denmark	1	1,1	1,1	n/a	n/a	n/a
Germany	2,7	2,6	2,8	n/a	n/a	0,7
Greece	0,2	0,4	0,3	0,3	0,4	0,4
Spain	1,1	1,2	1,2	0,2	0,2	0,2
France	1,9	2,1	1,9	0,1	0,1	0,1
Ireland	3,4	3,3	3	n/a	n/a	2
Luxembourg	37,2	37,6	37,6	0,3	0,3	0,3
Netherlands	1,5	1,5	1,4	0,1	0,1	0,1
Austria	1,7	1,8	1,9	0,7	0,8	1,4
Portugal	0,3	0,4	0,4	n/a	n/a	n/a
Finland	0,3	0,3	0,4	0,3	0,3	0,3
Sweden	2,2	2,2	2,3	0,2	0,2	0,2
United Kingdom	1,8	1,8	1,7	0,2	0,3	0,4
EU 15	2	2,1	2,1	0,2	0,2	0,4
EU 10	n/a	0,2	0,2	n/a	0,1	0,2
EU 25	1,9	1,7	1,7	0,1	0,1	0,3

Source: Eurostat, LFS, 2003 - 2005 Q1, as in Commission:2006l, p. 11.

Note: n/a: data not available. Italy is excluded, because no aggregation of data by nationality is available yet.

It has to be noted that in the case of Austria and Germany the figures are including seasonal workers not contributing to the social insurance system. If only migrant workers with work permits longer than 3 months are counted, which means they are contributing to the social insurance funds, figures drop from 0.9% to 0.2%.

The Commission's report on the functioning of the transitional arrangements expresses that in general the free movement of workers had generally positive effects on the labour markets, by easing labour shortages and opening new job positions that otherwise would not have been created (European Commission, 2006l).

The major conclusions of the report are that:

- the mobility flows between EU–10 and EU-15 are very limited, and the volume cannot be directly linked to the existence or absence of transitional arrangements,
- the total number of migrant workers have remained stable before and after enlargement,
- EU–10 nationals working in EU–15 countries positively contribute to the performance of the respective national economies.

Therefore the Commission suggests that the EU–15 states which have imposed restrictions to the migration of workers should review their policies and also take into account that the freedom of movement is a fundamental principle of the European Union.

By 30 April 2006, EU member states had to report their experiences with the migration of workers during the last two years and whether they will continue or introduce transitional arrangements. Germany and Austria are the only two countries that will not lift or ease the restrictions of access to the labour markets. Portugal and Greece will lift the restrictions implemented in the first phase (2004-2006), Finland intends to follow, France will lift restrictions gradually. Belgium, Denmark and Luxembourg will not lift the restrictions, but stated that they want to make the procedure more flexible in certain sectors / occupations. Italy is expected to raise the quota of workers from EU-8, while the Netherlands have postponed the decision on restrictions for the period 2006 – 2009 (Commission, 2006m).

3.3. The Financial Perspective's debate: compromising the Cohesion Policy

The EU Financial Perspective defines the framework of the Community's budget over a period of several years, in other words it sets the ceiling for EU expenditure. The seven-yearly budget rounds in the European Union are always dramatic events. The spring summit in 2005 was no exception; the Heads of State and Government were not able to reach an agreement until December 2005. Ironically, the budget of the EU is rather small; it accounts for only 1% of the combined Gross National Income of the Members States. Still, it is a ground for political struggle among member states and is sometimes used as a scapegoat in front of national electorates.

The first Council meeting in spring 2005, under the Dutch Presidency, ended up in a fiasco. The European Commission wanted to raise the expenditure, in order to put more funds in cohesion policies for new member states and in research. The budget proposal implied an increase in the EU budget by 31% by 2013 compared to the budget in 2006. Some of the member states were opposed to that. The UK was under pressure to give up part of its rebate[7] and the French refused to discuss a possible reform of the CAP. Moreover, the Dutch were unhappy about the large contribution to the EU budget and the new members states were eager to get the funds they expected after the enlargement process was over.

After tough negotiations, at the two days summit on 15-16 December (under the UK Presidency) a deal was reached. Prime Minister Tony Blair insisted that his country would be willing to give up the rebate only on the condition of a reform of the CAP. Nevertheless, following political pressures from the majority of the Member States and especially from Germany, the UK agreed to give up around one fifth of its budget rebate, attributable to the cost of the eastern enlargement. The French stood firm to leave the CAP unchanged until 2012, but accepted to review the budget in 2008.

The budget deal raised the 2007/2013 budget to 862.3 billion euros, 1.045 % cent of Gross National Income, i.e. 1.1% annual growth over the period 2007-2013. It was a compromise between the UK proposal (1.03%) and the commission proposal (1.14%).

In conclusion, the budget was lower than what the Commission proposed, it was higher than the UK would have wished and left the CAP untouched, and no major shift was made in the internal composition of the expenditure. The deal was reached thanks to the efforts done by the new German Chancellor, Mrs. Angela Merkel who managed to convince Poland to accept an inferior budget than expected, by promising a 100 million extra of aid earmarked for Eastern Germany.

Poor in outcomes, the real positive aspect of such an agreement was the ability of the Members States to overcome the stall emerged during spring. This helped in tossing away partially the negative atmosphere haunting Europe since the failures of the Dutch and French referenda on the Constitution. The December agreement on the long-term budget was not the final one (the Parliament still had to approve it in 2006) but it set the main breakdowns for the EU's next years expenditures.

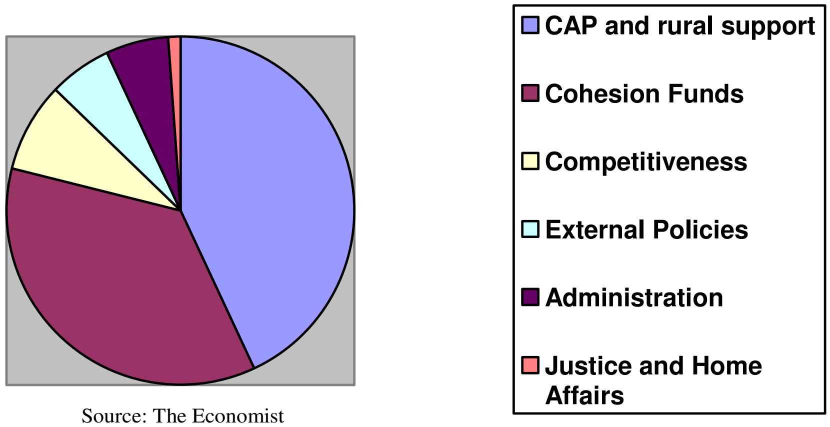


Figure 4: Composition of EU expenditures, 2007-13 (%) (*Source:* The Economist).

3.4. Competitiveness and Sustainability

In 2005, the EU has undertaken two important reviews aiming to accelerate competitiveness and sustainability: the mid-term review of the Lisbon Strategy and the review of the Sustainable Development Strategy (SDS).

The Lisbon Agenda is the EU major strategy adopted in 2000 aimed to face the challenges of globalisation, ageing population, and the rapidly growing information society through the adoption of the new strategic goal of making the European region "the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010" (European Council, 2001:1). Though launched with great enthusiasm, the Lisbon strategy has failed to show substantial progress in the achievement of these extremely ambitious goals until 2005. The November 2004 report drawn by the high-level expert group led by the former Dutch Prime Minister Wim Kok, entrusted with the mission of assessing the instruments and methods and proposing recommendations for improvement, pointed out the “disappointing delivery due to an overloaded agenda, poor coordination and conflicting priorities” underlining as a key issue “the lack of determined political action” (Kok, 2000:6).

The new Barroso Commission, which took up its mandate on 22 November 2004 set as its first political objective the mid-term revision of the Lisbon Strategy[8] and, taking into consideration the recommendations of the Kok report as well as its own detailed assessment the results achieved so far (European Commission, 2005a). At the Spring European Council, it presented concrete proposals for "A new Start of the Lisbon Strategy" (European Commission, 2005b). Placing the focus on two main tasks – the delivery of stronger, lasting growth and the creation of more and better jobs - the Commission proposed a *"Partnership for Growth and Jobs"*, aiming to make Europe a more attractive place to invest and work through deepening of the internal market, the development of knowledge and innovation for growth, and the increased ownership by social partners. Considering that "Delivery is the Achilles heel of the Lisbon strategy", the Commission proposed that these goals supported by initiatives at EU level should be backed up by detailed national Lisbon action plans in each of the member states.

Following the agreement on the mid-term review of the Lisbon strategy reached at the European Council on 22-23 March 2005, the Commission issued in April 2005 the first "integrated guidelines" (European Commission, 2005c) that aimed to launch a "new cycle of governance" and to serve as a basis for drawing up national action plans (national reform programmes) that were to be designed by Member States by the end of 2005 (European Commission, 2005d:3). In July, a *Community Lisbon Programme* presented policy measures in three fields aiming to have a clear value added because of action being taken or coordinated at the Community level: knowledge and innovation for growth; making Europe a more attractive place to invest and work; creating more and better jobs (European Commission, 2005e). Finally, by December 2005, the 25 national action plans were submitted to the European Commission.

The mid-term review of the Lisbon Agenda has tried to reshape the strategy by sharpening its objectives and to increase the efficiency of implementation by broadening its ownership. It is still too early for assessing the first results of this "new cycle of governance", but it is likely that a number of structural weaknesses will continue to affect the effectiveness of the new strategy (Soete, 2006).

Next to the efforts to improve the competitiveness of the European economy, the EU has also taken measure in 2005 in order to accelerate its Sustainable Development Strategy launched at the Gothenburg European Council in 2001 (European Commission, 2001). Considering that "not enough progress has been seen, unsustainable trends have yet to start to reverse and the international stakes remain high" (European Commission, 2005f), the European Commission proposed in February 2005 a number of orientations for the review of the Sustainable Development Strategy. Following their approval at the June 2005 European Council in the form of a "Declaration on the Guiding Principles for

Sustainable Development" (European Council, 2005:28-30), the Commission's orientations took a more concrete shape through the publication of a platform for action in December 2005 (European Commission, 2005g). The platform identifies a number of key issues, where a stronger impetus is needed in the coming years: climate change and clean energy; public health threats; social exclusion; demography and migration; management of natural resources; sustainable transport and global poverty and development. In order to improve the monitoring of the implementation of the Strategy, a progress report should be submitted from the Commission every two years drawing on a set of sustainable development indicators, designed with the assistance of national experts in February 2005. Also, the review required greater coherence between Member State and EU strategies and called on all stakeholders (citizens, businesses, academia, regional and local authorities, social partners) to join forces behind the strategy and bring about real change.

The review highlights the need for the EU to make efforts both bilaterally and multilaterally in an integrated way in order to achieve its commitments to global sustainable development. Concrete actions are proposed including: the increase in the volume of aid of the EU and its Member States to 0.7% of Gross National Income (GDI) in 2015 achieving an intermediate target of 0.56% in 2010, the increase in effectiveness of aid policies in the period 2005–2010 by greater co-ordination between Member States, the development of a Common EU Programming framework, the improvement of international environmental governance through the creation of a UN Environmental Organisation and strengthening multilateral environmental agreements. Although the reviews of both the Lisbon Strategy and the SDS aimed to tackle the challenges facing the EU on the road to competitiveness and sustainability, the question still remains how integrated and coordinated these strategies are. Sustainable development has been integrated in the EU Treaty as a cross-cutting principle to be taken into account in all policies, and is stated amongst the objectives of the Lisbon Strategy, while the SDS refers to the drawing up of an action plan to promote sustainable production and consumption. But the co-ordination between these "twin brothers" of competitiveness and sustainability seems both difficult to assess in practice. Quite often, analysts tend to consider that the increased emphasis on competitiveness concerns tends to sideline the sustainability ones (EPC, 2005; Spangenberg, 2006). These questions remain open, with the search for better coordination in the future being increasingly imposed by the rise of concrete challenges to both economic and environmental policies, and of the important concerns over the security of energy supplies that the EU started to face at the end of 2005.

3.5. The European Constitution

Since the conclusion of the Treaty of Nice, in 2001, the EU has struggled to achieve consensus over the contents and adoption of a Constitutional Treaty, the first of its kind in the history of regional organisations. This text, which soon came to be known as "European Constitution", aimed to answer the challenges of widening and deepening integration in a context of accelerated globalisation, by strengthening the internal institutional and legal structure and by giving the Union the necessary tools to make its voice better heard on the global scene.

The unique character of this endeavour has required a new treaty drafting method: the regular Intergovernmental Conference (IGC) usually convened for EU Treaty changes was this time preceded by a Convention gathering representatives from Member states and candidate countries, EU institutions, civil society and the main European interest groups. Starting its work in February 2002, the Convention reached a consensus over the Draft EU Constitutional Treaty to serve as a basis for negotiations during the IGC convened in October 2003.[9] Following the failure of the December 2003 IGC Summit, the Heads of State and Government have reached agreement over the Constitutional Treaty at the June 2004 European Council.[10] The final document was signed in Rome on 29 October 2004 by 25 member states and 2 candidate countries, where the 6 original EC Member States signed the Treaty establishing the European Community in 1957.

Made of a preamble, four parts, and annexes containing different protocols, the "Treaty establishing a Constitution for Europe"[11] aimed to replace with a single text the previous EC and EU Treaties[12] revised at various occasions. After referring to the common cultural heritage of Europe, the Preamble states that "while remaining proud of their own national identities and history, the peoples of Europe are determined to transcend their former divisions and, united ever more closely, to forge a common destiny" following the credo '*United in diversity*'. The Treaty defines the objectives of the Union and the values on which it is based, integrating in its second part the Charter of Fundamental Rights adopted by the EU in 2000 and making it a legally binding act. The text also clarifies the Union's competencies and its relation with member states.

Important changes include: the introduction of a EU legal personality, the merger of the three “pillar” structure while still maintaining special role for foreign, security and defence policy, the simplification of legal instruments and procedures (with the introduction of new concepts such as European laws and European framework-laws and the extension of the co-decision procedure), the clarification of the role and functions of the EU institutions and the introduction of the right for any Member State to withdraw from the Union.

Next to the introduction of the legal personality, several important institutional changes aim to ensure more coherence and weight in the EU’s performance on the international scene. While still maintaining the 6-month rotating Presidency of the Council of Ministers, the Treaty creates a Union Minister of Foreign Affairs, who will conduct the Union's common foreign and security policy presiding over the Foreign Affairs Council while acting also as a full member and Vice-President of the European Commission. In fulfilling his or her mandate, the Union Minister for Foreign Affairs shall be assisted by a European External Action Service, made of officials from relevant departments of the General Secretariat of the Council and of the Commission as well as staff seconded from national diplomatic services of the Member States. Also, the European Council will become a fully-fledged institution with a President appointed for 2,5 years. The possibility of closer structured cooperation in the field of defence policy is newly introduced.

The symbolic ceremony marking the signature of the Treaty in October 2004 did not entail, nevertheless, the end of the constitutional process: after signing the text, Member States had two years to ratify it either through a parliamentary procedure, or through the organising of a referendum. By mid-May 2005, 11 countries counting for 220 millions citizens had ratified the Constitution with a positive result in the first consultative referendum held in Spain on 20 February. But the rejection of the Treaty in the French and Dutch referenda organised on 29 May and 1 June, by 55.6% and 61.8% of votes respectively, has thrown the ratification process in a major deadlock.

The same text approved in January 2005 by the European Parliament with an overwhelming majority[13] was now rejected by the citizens of two founding members of the EC, bringing again to the front of the European political debate the notion of “democratic deficit”. As a result, the European Council, has decided in June 2005, that the date of 1 November 2006, initially set up for the ratification of the Treaty, was untenable, and asked for a period of reflection and discussion in all Member States. The results of this process were to be assessed under the Austrian Presidency in the first half of 2006. Although any further referenda were put on hold, the ratification process went on in the countries going for the parliamentary method. At the end of 2005, 14 members had ratified the document (see figure 5) but in order to enter into force, the Treaty needs to be ratified in all 25 countries.[14]

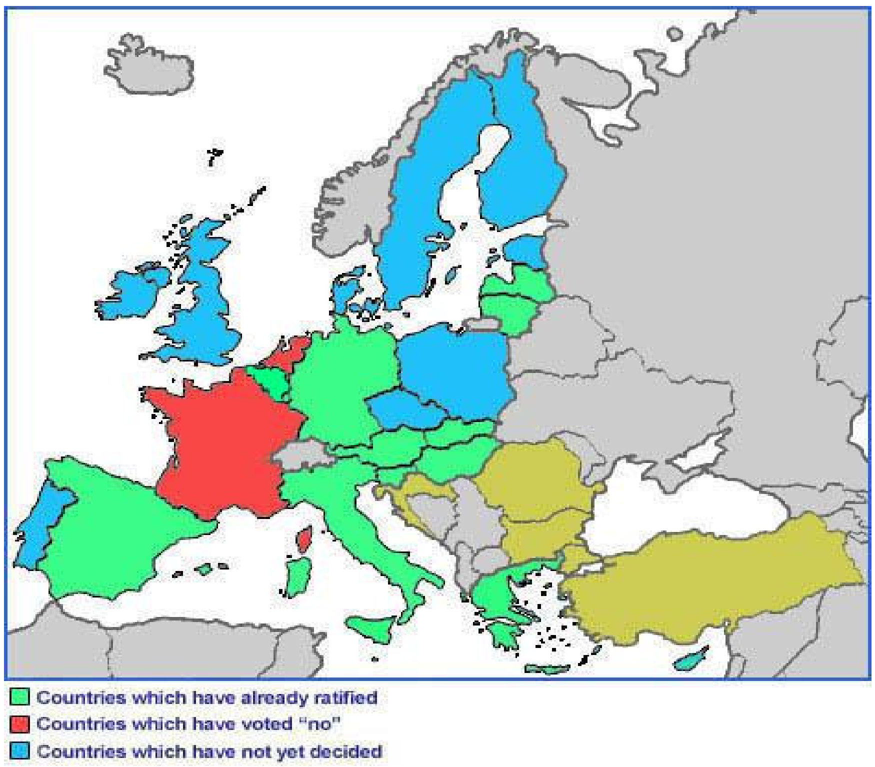


Figure 5: Ratification of the Treaty establishing a Constitution for Europe: state of play beginning 2006 (*Source*: European Commission, available at: http://europa.eu.int/constitution/ratification_en.htm).

Table 5: Ratification method and public support to Constitution

Member State	Procedure	Dates	% Support/Opposition to Constitution[15]
Austria	**Parliamentary** (*Nationalrat* **and** *Bundesrat*)	**Approval** by the *Nationalrat* (11/05/ 2005). **Approval** by *Bundesrat* (25/05/2005)	FOR: 49%.
Belgium	**Parliamentary** (Chamber and Senate + Assemblies of Communities and Regions). Indicative referendum ruled out	**Approval** by the Senate (28/04/2005). **Approval** by the Chamber (19/05/2005). **Approval** by the Brussels regional parliament (17/06/2005). **Approval** by the German Community Parliament of Belgium (20/06/2005). **Approval** by the Walloon regional Parliament: (29/06/2005). **Approval** by the French Community Parliament (19/07/2005). **Approval** by the Flemish regional Parliament: (08/02/2006).	FOR: 77%.
Cyprus	**Parliamentary**	Approval **by the House (30/06/2005)**	FOR: 72%.
Czech Republic	**Referendum** probable But no final decision so far	Referendum **postponed** to end of 2006-beginning of 2007	FOR: 50%.
Denmark	**Referendum**	Previously scheduled on 27/09/2005 Now **postponed** (no new date)	FOR: 45%.
Estonia	**Parliamentary**	**Ratification** on 09/05/2006. First reading of the Bill on 08/02/2006.	FOR: 49%.
Finland	**Parliamentary**	Presentation by the Government of a report to the parliament on 25/11/2005. **Ratification** on 5/12/2006.	FOR: 49%.
France	**Referendum**	**Referendum 29/05/2005 negative.**	NO: 54,68%. Turn out: 69,34%. 67% in favor in Eurobarometer 12/2005.
Germany	**Parliamentary** (*Bundestag* and *Bundesrat*)	**Approval** by *Bundestag* (12/05/2005). **Adoption** by *Bundesrat* (27/05/2005).	FOR: 74%.
Greece	**Parliamentary** But the Left parties submitted a proposal for a referendum	**Approval** by Parliament **(**19/04/2005).	FOR: 68%.
Hungary	**Parliamentary**	**Approval** by Parliament (20/12/2004).	FOR: 76%.
Ireland	**Parliamentary + Referendum**	Referendum **postponed**. A White paper has been presented to the parliament on 13/10/2005.	FOR: 58%.
Italy	**Parliamentary** (Chamber and Senate)	**Approval** by the Chamber (25/01/2005). **Approval** by the Senate (06/04/2005).	FOR: 70%.
Latvia	**Parliamentary**	**Approval** by the chamber (02/06/2005).	FOR: 57%.
Lithuania	**Parliamentary**	**Approval** by Parliament (11/11/04).	No data available.
Luxembourg	**Parliamentary** (two votes) **+ consultative referendum**	**Approval** by the Chamber first reading (28/06/2005). **Referendum on 10/07/2005 positive.**	FOR: 56,52%. Turn out: voting compulsory.

		Final approval by the Chamber (25/10/2005).	69% in favor in Eurobarometer 12/2005.
Malta	**Parliamentary**	**Approval** by Parliament (06/07/2005).	FOR: 60%.
Netherlands	**Parliamentary** (First and second Chambers)+ **consultative referendum**	**Referendum 1/06//2005 negative.**	NO: 61,7%, Turn out: 63%. 62% in favor in Eurobarometer 12/2005.
Poland	**No decision so far**	The Parliament **failed** on 5 July to vote on the ratification procedure. The decision should be taken by the next parliament	FOR: 60%.
Portugal	**Referendum**	Referendum previously scheduled for October 2005 along with the local elections. Government wishes to **postpone** the process (no date fixed).	FOR: 63%.
Slovakia	**Parliamentary**	**Approval** by Parliament (11/05/2005).	FOR: 64%.
Slovenia	**Parliamentary**	**Approval** by Parliament (01/02/2005).	FOR: 74%.
Spain	**Parliamentary** (Congress and Senate) **+ consultative referendum**	**Referendum on 20/02/2005 positive.** **Approval** of the Congress (28/05/2005). **Approval** of the Senate (18/05/2005).	FOR: 76,7% . Turnout: 42,3%. 62% in favor in Eurobarometer 12/2005.
Sweden	**Parliamentary** No referendum envisaged at this stage	Presentation of the Ratification Bill previously scheduled in Summer for approval in December 2005 has been **postponed**.	FOR: 44%.
United Kingdom	**Parliamentary** (House of Commons and House of Lords). **+ referendum**	**Parliamentary ratification process suspended as** announced by UK government on 06/06/2005.	FOR: 46%.

Source: European Commission http://europa.eu.int/constitution/ratification_en.htm.

The discussion of the various reasons underpinning the opposition to the process of ratification in some EU countries is beyond the purpose of this chapter. What deserves, however, to be pointed out is that, once implemented, the provisions of the Constitutional Treaty have the potential to bring major transformations to the current functioning of the EU’s foreign policies. In the words of the HR for CFSP Javier Solana, “what the Maastricht Treaty did for the euro, the Constitution could do for Europe’s role in the world”.[16] From this perspective, the EU could show that the contours of a “third generation” (Van Langenhove and Costea, 2005) of regionalism which recognises that, next to economic and internal political integration, integration in external policy with impact on global governance is also possible. Although this type of regionalism is still a largely normative idea, the entering into force of the Constitutional treaty will have important repercussions over the future developments of regionalism in the world.

4. External relations of the EU

The EU's relations with the rest of the world are based on a wide range of policies – the main ones being External trade; Development Cooperation and Humanitarian Aid; External Relations and Neighborhood Policy (ENP)[17] and the Common Foreign and Security Policy (CFSP).[18] The Commission is responsible for the majority of these policies, including trade, humanitarian and development assistance, rehabilitation and reconstruction and sanctions' regulations. The CFSP, which was established by the Maastricht Treaty as the second Pillar of the European Union is based primarily on inter-governmental arrangements.

In the following paragraphs we will focus only on the EU commercial policy, and in particular on the EU position at the Doha Development Round of WTO trade negotiations and on the development of interregional trade arrangements. This is due to space constraints and is in line with the focus on economic and trade issues in this Report.

4.1. The EU and the WTO

The EU is a member of the World Trade Organisation (WTO) since its creation in 1995. The European Community is one of the key players in the WTO, its Common Commercial Policy entitles the Commission to negotiate on behalf of the 25 member States.

The main decisions in the WTO are taken by consensus in the form of agreements negotiated during the Ministerial Conferences, reunited at least once every two years.

The present round of negotiations was launched in Doha (Qatar) in November 2001 following the so-called 'Doha Development Agenda' with the aim to help developing countries liberalise their trade while sustaining their efforts in adopting WTO requirements. Moreover, the Round tries to find a solution for the delicate issues of the TRIPS (Trade Related Aspects of Intellectual Property Rights) in order to set a balance between the legitimacy of property rights and the necessity of accessing health care assistance in poor countries. The Doha Conference brought new hopes on the future of the WTO after the fiasco in Seattle in 1999, and as the Prime Minister Tony Blair stated: "its aim is to create the conditions in which millions of people will have a chance to escape poverty".

Despite these noble targets, five years later negotiations are standing still and a settlement is far from being reached. The Cancun Meeting in 2003 ended in a failure and was a new ground for battle between developing and developed countries and within the two groups as well. While the US and the EU have trading disputes on issues such as Genetically Modified Organisms (GMOs) and agricultural subsidies, there were also diverging views between emerging developing countries such as Brazil and India and other developing countries.

Sensitive issues at the Hong Kong Meeting

The EU is one of the major trading actors and has a very heavy impact on positions adopted in the WTO itself, therefore it has great negotiating power. The EU Common Agriculture Policy has been in the spotlight for a long time. Strong pressure for its reform is exerted by the developing and developed countries within the WTO, where the system of direct payment to farmers is seen as a protectionist toll, impeding the free trade of agriculture products from third countries and thus, the development of some regions in the world. Indeed, even though agriculture accounts for less than 10% of global trade, it is one of the most distorted trade sectors in the world. The World Bank estimated that more than 60% of the gains promised in Doha would come from cutting tariffs on agriculture goods) (Anderson and Martin, 2005).

As a response to these pressures, the EU set conditions for lifting the export subsidies and reducing the agricultural exports. The CAP could be revised only if other countries would eliminate their export subsidies, mainly in the areas of services. The Ministerial Meeting in Hong Kong that took place from 13 to 18 December 2005 was another attempt to find some agreements after the collapse of the Cancun meeting.

In the aftermath of the meeting, on 28 October, Peter Mandelson, Europe's Commissioner for Trade, made a new offer. He proposed to cut the top farm tariff by 60%, put a ceiling of 100% and reduce the average tariff by 46%. However, the proposal was not at the level of tariff cut that big developing countries and the G20 were demanding (75% of the top farm tariff to be cut). The offer was criticised because of the discrepancy between the modesty of its concessions and the ambitious demands for reduction of developing countries' tariffs on industrial goods.

On the discussion table, most of the attention was concentrated on farm trade but disputes were raised also on industrial tariffs and trade in services.

The discussion on industrial goods did not bring any grand results either. In this case the ardent defenders of these tariffs were the big developing countries such as Brazil and India, which used them as a bargaining chip for reduction of agriculture tariffs. Services as well were on a stall.

In conclusion, almost no progress was made in Hong Kong. As for the discussion on the financial perspective of the EU (that took place during the same period), the WTO meeting achieved the goal of allowing a rebirth of negotiations and a better climate among the delegates. Nevertheless, concrete results were not attained and the main achievement was to agree on a date, 2013, for the elimination of export subsidies on farm goods.

4.2. Inter-regional negotiations

Apart from the WTO framework, the EU conducts trade negotiations with single states and with other regional groups. Inter-regional negotiations represent the most distinctive features of the EU external trade policy. In the course 2005 the EU has attempted to strengthen existing inter-regional arrangements (association, cooperation and partnership agreements) and to further advance negotiations. Progress has been made in many regions but no final agreement has been signed.

Central America and Andean Community

The EU has maintained regular relations with both Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and the Andean Community of Nations (Bolivia, Colombia, Ecuador, Peru and Venezuela). With both regions the EU has established in 1993 'third generation' cooperation agreements, which provided for economic and trade cooperation and development cooperation and included a most-favoured-nation clause. During the Guadalajara summit in 2004, the EU and both regions took a further step in the objective of concluding Association Agreements, by launching two separate but parallel joint assessments to examine the level of regional economic integration achieved.[19] In 2005 three meetings were held in parallel for each region by the Joint Working Groups.

MERCOSUR

Negotiations for an inter-regional Association Agreement between the EU and Mercosur (Argentina, Brazil, Paraguay and Uruguay) began in April 2000. The agreement under negotiation consists of three parts: a chapter on political dialogue, a chapter on trade and economic issues (creating a bi-regional free trade area) and a chapter on co-operation.

In September 2005, during the EU-MERCOSUR trade negotiators meeting at ministerial level, Ministers met to discuss the further conduct of EU-Mercosur Association Agreement. Ministers acknowledged the progress made toward the conclusion of such Association Agreement and fixed a roadmap: two technical meetings (November 2005 and February 2006) at coordinators level. They also agreed upon a series of accompanying measures and actions. However, to date no final agreement has been reached.

MEDA

The relationship between the EU and the neighbouring Mediterranean countries (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey) operates under the complementary bilateral and regional co-operation frameworks developed under the Euro-Mediterranean Partnership (1995). In addition to the bilateral Association Agreements, the Agadir Agreement foresees the creation of an integrated regional market between Egypt, Jordan, Morocco and Tunisia.

In November 2005 two important decisions have been taken by the EU Member States: to open negotiations to further open up trade in fresh and processed agricultural and fisheries products and to authorise the European Commission to open negotiations on the liberalisation of services and investment with the Mediterranean partners.

The Barcelona Summit (27 and 28 November 2005) commemorated the 10th Anniversary of the Barcelona Euro-Mediterranean Conference. A new phase in Euro-Mediterranean relations was launched to meet the demands created by major changes on the international scene and within the European Union itself following the enlargement.

Gulf Cooperation Council

A Cooperation Agreement between the EU and the GCC was signed on 15 June 1988. It came into force on 1 January 1990. Since then, the Union has been linked with the six countries of the GCC (Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman) in a non-preferential agreement, which establishes cooperation in a wide range of fields: economy and trade, agriculture and fisheries, industry, energy, science and technology, investment and environment.

The Joint EU-GCC Council that took place on 5 April 2005 reiterated the political will to further relations and co-operation in all areas besides trade and economic issues. Concerning the FTA, Ministers committed to conclude the negotiations at the earliest possible stage. However, no agreement was reached by the end of 2005.

ASEAN

The EU is a longstanding dialogue Partner of ASEAN. Co-operation between the EU and ASEAN is based on a Co-operation Agreement (1980) between the EC and member countries of ASEAN: Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. Protocols for the accession of Laos and Cambodia to the Agreement were signed in July 2000. No agreement has been negotiated with Burma/Myanmar because of the scarce improvements in democracy and human rights conditions in the country.

The 15th ASEAN-EU Ministerial Meeting was held in Jakarta, Indonesia on 10 March 2005. The Meeting took several decisions: increased support for ASEAN integration; start of bilateral negotiations with Singapore and Thailand; concrete joint co-operation in the fight against terrorism; substantial progress under the TREATI (trade) initiative; launch of tri-lateral co-operation; the endorsement of the Commission's READI (dialogue instrument for non-trade issues) principle; approval of the Indicative Programme 2005-2006 and agreement on meetings of both Informal Coordinating Mechanism (ICM) and Senior Officials (SOM) in the course of the year to step up contacts and prepare the ground for further progress in the relations.

In May the European Commission also launched a study on the feasibility of an EU-ASEAN FTA.

ACP

The Economic Partnership Agreements (EPAs) negotiations between the European Community and the Africa, Caribbean and Pacific countries (ACPs) started in June 2002. In the first phase negotiations were conducted at all ACP countries level. In 2003-2004 formal negotiations started with each one of the six sub-regions identified by the EU: West Africa (October 2003); Central Africa (October 2003); Eastern and Southern Africa (February 2004); the Caribbean (April 2004); Southern Africa/SADC (July 2004) and the Pacific (September 2004).

Several meetings took place during 2005 at both parliamentary (bi-annual Joint Parliamentary Assembly) and ministerial level in order to further advance with the negotiations. Technical talks took place in March in each one of the regions concerned. In December the ACP-EU Technical Monitoring Committee in Brussels agreed on: 1) the need for meetings between Regional Preparatory Task Forces and other donors in the 1st quarter of 2006, and 2) the need to promote rapid delivery of trade related technical assistance linked to the EPA process.

Western Balkans

In addition to the regional agreements mentioned above, the EU is progressively negotiating and implementing Stabilisation and Association Agreements (SAA) with five South-East European countries (Albania, Bosnia-Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro). The Stabilisation and Association Agreements cover a large number of issues (apart from trade also political dialogue and other areas of cooperation such as environment and energy)

In June 2005, Trade Ministers from the region agreed to work towards the transformation of the network of bilateral FTAs into one regional arrangement. In November 2005 trade preferences for the countries in the region have been renewed for a further 5 years period (until December 2006).

5. Conclusions

Against a background of slow economic growth, rigid unemployment levels, an insufficiently delivering Lisbon strategy, an aging population, growing immigration pressures, concerns about the future energy supply and about the security situation in the Middle East, there does not seem to be a consensus on the role the macro-regional policy level in the EU area should play, both internally and externally, to address the challenges that the EU is facing in different policy areas. Contradictory signals are perceived from different angles, simultaneously calling for a 'lighter' and a 'heavier' European policy level.

Several of the issues mentioned above do, however, show a clear regional dimension and logically call for regional answers. The need for EU-scale action will have to be made compatible with the continuing national and sub-national reflexes, aspirations and proposals.

The challenges for the European policy community include: further deepening of the internal market, shaping of a common energy policy, addressing the structural weaknesses for the development of the knowledge-based society and the enhancement of Europe's competitiveness, reaching a new consensus on Europe's finances, creating the institutions and conditions for a stronger role of the EU on the world scene, and addressing demographic and migration issues. Quite some issues are thus on the agenda of the EU policy makers.

Endnotes

[1] The views expressed in this paper are those of the authors only. They thank Rodrigo Tavares for comments on a previous version. A final version of this paper, together with regional reports from the five UN Economic Commissions will be published in the first World Report on Regional Integration by Springer in 2007.

[2] The EC position was updated in May 2006. See: the recent EC position stated in the May package, http://ec.europa.eu/comm/enlargement/report_2006/index.htm.

[3] For example when Greece (six years transitional arrangements) or Portugal and Spain (initially seven years TA, lowered to six years) joined the EU.

[4] Germany and Austria absorbed 2/3 of all migration from the EU-10 countries in 2002 (Boeri, 2001).

[5] Even when Community rules are once applied, a state may use the safeguard clause and introduce transitional arrangements; though only with consent of the Commission (Paragraph 7, Accession Treaty).

[6] Although the Swedish Government tried to introduce transitional arrangements, it ultimately failed to convince the parliament.

[7] Rebate is the UK's contribution to the Budget that is paid back to the UK government by the EU.

[8] Speech by José Manuel Barroso, President of the European Commission, 'Presentation of the five year strategy and 2005 legislative and work programme', European Parliament, plenary session, SPEECH/05/43, Brussels, 26 January 2005.

[9] Thessaloniki European Council, Presidency Conclusions, 19 and 20 June 2003, 11638/03, POLGEN 55, http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/76279.pdf.

[10] Brussels European Council, Presidency Conclusions, 17 and 18 June 2004, 10679/2/04 REV 2, and Conference of the Representatives of the Governments of the Member States Brussels, 18 June 2004 CIG 85/04 IGC 2003 PRESID 27, Brussels, 17/18 June 2004, http://ue.eu.int/igcpdf/en/04/cg00/cg00085.en04.pdf.

[11] Full text of the Constitution: http://europa.eu.int/constitution/.

[12] With the exception of the Euratom Treaty which is still a separate legal entity while sharing the same institutions with the EU.

[13] For: 500, Against: 137, Abstentions: 40, with 677 of the total number of 732 MEPs voting.

[14] Estonia ratified the Constitution on 9 March 2006 and Finland on 5 December 2006.

[15] Next to the referenda outcome, the data concerning public support/opposition to the Constitution was extracted from the European Commission Standard Eurobarometer 64, December 2005, http://europa.eu.int/comm/public _opinion/archives/eb/eb64/eb64_first_en.pdf.

[16] Javier Solana, 'The Future of the European Union as an International Actor', 23 March 2005, http://ue.eu.int/ueDocs/cms_Data/docs/pressdata/EN/articles/84349.pdf.

[17] The ENP was developed in the context of the EU 2004 enlargement, with the objective of avoiding the emergence of new dividing lines between the enlarged EU and our neighbors. Currently, the ENP applies to the following countries: Algeria, Belarus, Egypt, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority , Syria , Tunisia; Ukraine; Armenia , Azerbaijan and Georgia.

[18] Next to them we could add the external dimension of the internal policies (such as agriculture).

[19] See Communication from the Commission to the European Parliament and the Council on the Commission's objectives, in the framework of the relations between the European Union and Latin America, in view of the 3rd Summit of Heads of State and Government of the European Union and Latin America and the Caribbean to be held in Guadalajara (Mexico) on 28 May 2004 (COM 2004 220 final). See e.g. Adiwasito et al. (2005).

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