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Robert
Schuman
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Studies



Enlarging
the European Union
Achievements and Challenges

Report of Wim Kok
to the European Commission



**ENLARGING THE EUROPEAN UNION
ACHIEVEMENTS AND CHALLENGES**



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26 March 2003



**European University Institute
Robert Schuman Centre for Advanced Studies**

..... **WIM KOK**

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He was a member of Parliament and leader of the Labour Party (PvdA) in the Netherlands, and deputy chairman of the Socialist International. From 1989 to 1994 he served as Minister of Finance and Deputy Prime Minister, and from 1994 to 2002 as Prime Minister of the Netherlands.



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Although the responsibility for the report is mine, many individuals and organisations have contributed to it.

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INTRODUCTION

My aims in this report

This report examines the implications and challenges of the forthcoming enlargement of the European Union (EU).

In the first place, it tries to give answers to the main questions which are posed by citizens during the process of ratification for ten new members to join on 1 May 2004. *Why is the EU extending from 15 to 25 (and later more) members? What will be the effects of enlargement on the daily lives of citizens? Are the hopes and doubts, expressed in present and future member countries, well founded?* These questions of citizens deserve serious answers. My aim is to set out in a balanced way not only the benefits and opportunities of bringing new members into the EU, but also the potential obstacles, costs and risks.

In the second place, it addresses the main challenges which enlargement poses. The accession of 10 countries in 2004 is only a stage in a process that began more than a decade ago, and will continue for many years. Much has been achieved on the way, by both old and new members, but more remains to be done. *How to make a success of enlargement? What needs to be done to obtain its full benefit, rather than a partial success, or even a failure?* My aim is to set out the main areas in which the EU needs to develop a strategy for successful enlargement.

Although the public's general view of enlargement is positive, there is a widespread need for more information. Some of the questions posed concern basic problems of European integration. Will the extension of the EU to include more countries be accompanied by a loss of national identity? Will it be possible to take

decisions in the EU with so many members? Can enlargement help to give the EU stronger voice in world affairs? As it approaches enlargement, the EU needs to respond to these questions.

The process of bringing societies and peoples together begins now. It is like a merger in the business world: the real test of success is when it becomes a daily reality for people on the work-floor. That is why we need a clear agenda for managing change in the enlarged EU.

Why enlargement?

Enlargement is the most ambitious project that the EU is undertaking: it is, in effect, the reunification of the European continent, divided in the aftermath of the last world war. Preceding enlargements have taken place in a divided Europe, but this one helps to achieve the dream of the EU's founding fathers: to make Europe whole and free.

Throughout my life, I have been a convinced European. From my youth I remember the last world war, and I know the value of the peace, stability and prosperity which we have today. I understand how much we have gained from the process of European integration in the past half-century. The wars and atrocities in former Yugoslavia have demonstrated what Europeans can do to each other when the forces of disintegration are allowed to overtake the wish for unity.

The enlargement of the European Union to me, therefore, is the fulfilment of a vision - a vision that is too easily forgotten in times when security and prosperity within Europe are taken for granted. But if we pause to reflect, we see that this vision is what the EU and its enlargement are really about: the reunification of Europe's peoples in a constitutional framework that encourages them to work together in peace and stability.

For the peoples of Central and Eastern Europe, Europe symbolised the values to which they longed to return for more than a generation during the period of the Iron Curtain and the Cold War. But the return to Europe has been much more than a symbol for them: the prospect of EU membership has helped to make irreversible their choice of pluralist democracy and market economy, and encouraged them on the path of reform. The prospect of this stable anchor has been the precondition for restoring economic prosperity, which in turn underpins continued stability in the region.

But their road to Europe has not been an easy one. The process of transformation has led to massive change throughout Central and Eastern Europe: not everyone has benefited to the same extent from the new opportunities, and old forms of security have been lost. The real costs of enlargement are not measured by the budget of the EU: the most far-reaching effects of adaptation have been felt already in the future member states.

For the peoples of the present EU, stability and democracy in Central and Eastern Europe have already yielded great benefits, not only in terms of security, but also of prosperity: the rapid increase in trade has meant opportunities for enterprise, investment, more employment and more growth for Western Europe.

These benefits will be consolidated and augmented, for both old and new members, when enlargement takes place in 2004, provided that the EU meets the challenges which it presently faces.

Today's context

Enlargement takes place at a time when the EU faces major challenges concerning its *economic performance*, its *internal cohesion*, and its *external role*.

The world economy is in trouble. The motor of growth in Europe has almost stopped, at least in the present member states, and unemployment remains obstinately high. In their Lisbon strategy the leaders of the EU declared the aim of becoming the most competitive and dynamic knowledge-based economy in the world, but so far these high-minded words have not been accompanied by the structural reforms needed for stable growth in the long term, and for a dynamic response to globalisation. The world is not waiting for us.

In its internal policies, through lack of political will and difficulty of decision-making, the EU is failing to giving an adequate response to the concerns of its citizens in a number of areas. The results of the Convention on the Future of Europe will be crucial. We need a system of governance that strikes a better balance between the twin requirements of efficiency and democratic legitimacy. The EU needs to reinvent itself. But today's environment is far from ideal for new ambitions or grand ideas. There is a growing sense of insecurity among the citizens of Europe, and an increasing fear of the unknown.

Externally, the EU has played no part in addressing the problem of Iraq, the most important question of foreign policy in the world today. Its members have been deeply and visibly divided; worse, the EU and its foreign policy instruments have

played no role at all. While individual member states have played a major part in this question on the international stage, Europe as a whole has been non-existent. This situation is not acceptable to Europe's citizens. The EU's economic weight must be accompanied by a political voice in world affairs.

These three major challenges - economic, internal, and external - accompany the EU's expansion. The EU needs to regain its economic dynamism and competitiveness, respond effectively to the demands of its citizens, and define its political role in the world.

My approach

I believe that the momentum of the forthcoming expansion of the EU provides the occasion for us to address the challenges in a decisive way. These problems are not caused by the EU's enlargement. What the coming expansion does is to oblige us to confront them, and in some cases it can help to provide solutions. Enlargement can be a catalyst for solving some of Europe's outstanding issues. It can give the dynamism for us to make a leap forward.

It has also become clear to me that we need to re-focus our approach to EU policies by considering already now the situation of the enlarged EU - the future EU-25. The discourse of 'existing members' and 'applicant countries' is already out of date, and we need to look ahead to the future situation where the new members will be partners. For that reason, I use the term 'future members' rather than 'applicant countries' whenever possible in this report.

I consider that the new partners have more to do to complete their preparation for membership. But I also feel that they have much to teach us from their recent experience of political, economic and social reforms.

A five-point agenda

The benefits and opportunities of enlargement by far outweigh the potential obstacles, costs and risks. It is the most successful act of foreign policy that the EU has ever made. A delay in enlargement, or its abandonment, as a result of non-ratification by any of the EU members, would be a major political failure for Europe. Moreover, it would have considerable costs both for the EU and for the applicant countries.

But a badly-managed enlargement would be almost as bad. If the EU does not move ahead with the reforms and adjustments that enlargement now demands, it will miss the chance - perhaps for ever - to make Europe stronger and safer, in the interest of its citizens, its neighbours and the world.

So I believe that the time has come for us to develop a new vision of what Europe can do with its new members, and how to do it. The strategy which I have in mind for managing change can be summarised in five themes:

1. ***Acting together in Europe:*** we need better decision-making, and the determination and political will to make truly European policies in the enlarged EU.
2. ***Boosting the European economy:*** we need more innovation and reform, for growth, competitiveness and job creation in the enlarged market.
3. ***Making Europe safer for its citizens:*** we should use enlargement to make a major leap forward in cooperation on justice and internal affairs, delivering higher standards and better security.
4. ***Developing our partnership with neighbours in Europe:*** as the EU's frontiers extend, we need a neighbourhood policy that spreads prosperity and stability around us.
5. ***Giving Europe a voice in world affairs:*** we must seize the chance with 25 members for greater authority, coherence and influence on the international scene.

These ideas are explained in more detail in the report's summary and its individual chapters.

What I propose requires an effort of comprehension by old and new members alike. For the existing EU, the accent in the past was on the *acquis* - exhorting and advising the future members how to apply European rules. As they become full members and equal partners - with rights as well as obligations - the language of 'we' and 'you' must change to another mode: "we together" in the enlarged Union.

For the new members there will be important psychological changes, as they become 'decision-makers' instead of 'decision-takers'. They will need to define their points of view in the different areas of EU activity, without losing sight of the need for common objectives, and sometimes compromise, within the enlarged EU.

This enlargement is different from its predecessors because it shifts the EU to a new scale of activity: a continental scale of operation, which can enable it to function better, to deliver better results to its citizens, and to be an actor in world affairs - provided that it seizes the opportunity.

Between now and the accession of the new members in May 2004 we have a unique chance to prepare the success of this enlargement, and to involve the future members in that preparation.

For this ambitious project, we need a coherent plan. That is why I submit to the European Commission, and to the other European institutions, the recommendations in this report.

Wim Kok

19 March 2003



SUMMARY

This report examines the consequences of the enlargement of the European Union (EU) from 15 to 25 members, and later more.

Although many studies of enlargement have been published, most of them have approached it from a national or sectoral point of view. This report analyses it from a European point of view, drawing independently on a range of ideas, opinions, and research. It does not attempt to reflect the many different interests and views of individual countries - that would have been beyond its scope - but it does take account both of the existing members and of the future members, and looks ahead to the prospects for the enlarged EU as a whole.

In successive chapters the report:

- ▶ reviews the process of enlargement up to now, and assesses what has been achieved (Chapter 1: Building the New Europe); and
- ▶ identifies the main questions which are posed about enlargement by the public and in political circles (Chapter 2: Citizens and the Enlarging Union).

The report then addresses these questions, which it groups in four themes:

- ▶ Economic aspects (Chapter 3: Economy, Labour Market, and Finance);
- ▶ Internal security and standards of protection (Chapter 4: Quality of Life);
- ▶ External policies of the enlarged EU (Chapter 5: Europe in the World);
- ▶ European governance and identity (Chapter 6: Acting Together in Europe).

The analysis of these themes is not static, but dynamic: the report addresses not only the consequences of applying existing EU rules and policies, but the reforms which the EU needs to make for a successful enlargement.

Peace and stability on a continental scale

What is the main benefit that EU enlargement offers? It is the chance to achieve peace and stability on a European scale:

- Enlargement of the EU is progressively reuniting our continent, divided in the aftermath of the last world war. It extends to Central and East Europeans the zone of peace, stability and prosperity which West Europeans have enjoyed for more than a generation. The historic achievement of the European Community, now the European Union, was to avoid conflict, or even war, through the economic and political integration of its members. To extend that to the rest of Europe is a benefit of immeasurable value.
- In the past decade, the prospect of EU membership has helped the countries of Central and Eastern Europe to consolidate their return to pluralist democracy and market economy. Their efforts of reform and transition have been assisted by the EU. The resulting stability and increasing prosperity are of benefit both to them and to the existing members.
- With the end of the Cold War, the artificial division of Europe was ended, but potential conflicts among ethnic and national groups and minorities emerged in Central and Eastern Europe. The prospect of EU membership has removed many of these problems.

This vision of reunification - of a Europe 'whole and free' - is what inspires the enlargement of the EU.

The process of expansion is bringing positive results in many fields of public policy which are of interest to European citizens. But for it to succeed fully, a clear strategy needs to be defined. How can it be managed in a way that yields the full benefits? In the past, the attention of press, public and policy-makers has been focused on the process of accession - "how and when will the new countries join?". Now attention needs to shift to the question "what happens after they join?" and "what policies do we need for the enlarged EU?". We need an agenda for managing change.

This report identifies five key areas in which the EU can take steps to ensure that enlargement will be a success.

1 – Acting together as Europeans

- The arrival of the new members, with their rich cultural heritage, will increase the EU's diversity. Enlargement will mean more interchange of ideas, and better understanding of other Europeans. The EU institutions will continue to respect national languages, and encourage the learning of other languages.
- With the increase from 15 to 25 members the EU must reform its system of decision-making, to avoid the risk that "more" will mean "less". Already the EU institutions are subject to criticism. Enlargement gives the need, and the occasion, to "upgrade" our system of governance. Making the connection between today's challenges and the need for better governance can lead to the breakthrough that political union requires.
- This requires an effort on the part of Europeans to understand each other better, to identify common interests, and to combat the fear that a bigger EU could mean a loss of identity. A sense of confidence in Europe is needed for us to act together to find European solutions.

This report therefore recommends:

- ▶ The Convention on the Future of Europe should deliver a constitutional text that is clear and comprehensible. We need a document that spells out to the citizens of the enlarged EU what it can do and cannot do, and a system of governance that strikes a better balance between the twin requirements of efficiency and democratic legitimacy.
- ▶ The reforms must include the extension of majority voting, the strengthening of the 'Community method', and respect for the institutional balance.
- ▶ We need improved implementation of EU rules and policies by new members and also by existing members.
- ▶ We should do more to promote understanding between citizens - especially understanding of the new members: that means exchanges of people from different parts of society; work experience; study by younger people in other EU countries; and strengthening of European university networks.

If we are serious about making the EU function better, we need the right attitudes. We should not entrench ourselves in national perceptions: big or small countries, old or new members, rich or poor regions, we all are Europeans. We are bringing together not just political entities, but societies and peoples. What we need is a realisation of the larger issues involved, a true wish for European integration, and determination to succeed. If Europe does not want to be united, no institutional adaptations will unite it!

2 – Boosting the economy

The process of enlargement has already yielded economic benefits, and can offer more. The benefits include:

Increased prosperity for old and new members as a result of the wider market

The rapid increase of trade and investment in recent years between the EU and its future members has brought big economic gains. Accession, with the abolition of frontier controls for goods, will bring the new members fully into the market. Gains can also be expected from the liberalisation of services, capital and labour. These benefits are of the same kind as we saw with the introduction of the frontier-free single market in 1993.

For existing members better economic prospects

The factors here include:

- ▶ equal terms of competition in the enlarged market;
- ▶ access to a workforce with good qualifications;
- ▶ higher demand resulting from growth in the new members.

For new members the chance to catch up with the prosperity of Western Europe

The factors here include:

- ▶ more investment, in addition to the capital inflow of recent years, leading to further improvements in productivity, skills, and technology transfer;

- ▶ the stable legal and economic framework provided by EU membership:
- ▶ assistance from EU funds.

The new members have higher rates of growth than the EU. If that is maintained, the result will be:

- ▶ a reduction in the social and economic gap;
- ▶ higher incomes and social standards;
- ▶ less incentive to migrate to other EU countries.

The arrival of new members gives the EU the chance to reform its economic and social policies in ways that it already needs. Enlargement is not a threat, but an impetus for renewal.

The EU can learn from the new members, and from their experience of social and economic reform. Some of them have made necessary changes more rapidly than existing EU members.

Enlargement and its changes can bring long-term benefits, but the costs may precede the gains, and there will be losers as well as winners. The challenge is about managing change.

This report therefore recommends:

- ▶ European and national policies should give priority to economic growth and convergence: that means a high overall rate of growth for EU-25, with even higher rates if possible for the new members, Growth and convergence must be the keywords for the enlarged EU.
- ▶ We need more innovation and reform, to boost growth, competitiveness and job creation in the enlarged market. In the 'Lisbon strategy' it is time for the EU and its members to translate words into actions. Priority should be given to areas such as job creation, investment in research, and the liberalisation of energy, telecommunications and transport sectors, in order to make the common market work better. The new members should be involved fully in the Lisbon strategy now.
- ▶ Present and future member states need employment policies which contribute to efficient social and economic policy, and thus to making a success of enlargement. Market-driven labour migration through the free movement of persons in the common market is a factor for growth. Present member states should open their markets for labour

supply from new member states as soon as they can do so. Even when restrictions are lifted, the inflow of workers is likely to be limited.

- ▶ The EU needs an economic and social model which combines the best elements from existing and new members. Its aim should be to facilitate adjustment into new employment, rather than the protection of existing jobs. Measures should be prepared now to take care of those affected by enlargement within a shared European framework.
- ▶ The ground should be prepared for the important decisions to be taken soon after enlargement on the EU's future budgetary framework. The aim should be to put in place the policies that are really needed for EU-25.

The Union needs to demonstrate solidarity and cohesion with its new members, because their growth and development will pay dividends for all. At the same time, reforms of policy are indispensable: not just for saving money, but to deliver better policies. When deciding on such changes, we should keep in mind the aims of the Lisbon agenda and the need for innovation and growth:

- For the common agricultural policy, we need a continuing shift of support away from prices and quantities towards quality, and a policy of rural economic development which assists rather than checks the outflow of employment from agriculture in Central and Eastern Europe. This also means opening possibilities also to developing countries through agricultural trade.
- For the structural expenditure, we need measures adapted to the needs and priorities of the new members, and to the regional integration of Central and Eastern Europe. Investments will be needed for environment and infrastructure, and also in human resources and education.
- Innovative use should be made of the EU budget for supporting other policies, such as research and development.

On the income side of the budget, we need a more equitable, transparent and stable system.

Throughout the continent, the EU needs to deliver the results that people want, by helping the mature economies to innovate, and the less mature ones to complete their transformation. The world is not waiting for us!

3 – Making Europe safer

In many fields of importance to citizens, enlargement is already improving cooperation with the future member countries. By extending the EU we are not importing problems from them, but extending our ability to deliver solutions.

More effectiveness against international crime

The future members have increased co-operation by their police and judges in enforcement of laws. International traffic in drugs and humans becomes easier to control as the countries of Central and Eastern Europe adopt common standards, monitored by other EU members. The protection of their frontiers with non-EU countries is improving.

Better control of immigration

The future members are cooperating to regulate the flow of immigrants and asylum-seekers from other countries.

Protection of the environment

As the future members conform to EU rules on pollution of air and water, their environment is becoming safer for their own citizens, and for those in adjoining countries. EU policy will help them to conserve their rich heritage of species and natural habitats.

Higher standards of nuclear safety

The EU is extending a comprehensive safety culture to the countries of Central and Eastern Europe and bringing their nuclear plants up to higher levels of safety.

Food standards

EU standards of protection for consumers will be maintained: for those in the existing member states there will be no relaxation as a result of enlargement, and for those in the new member states protection will increase.

But in all these fields more needs to be done by both the EU and national authorities, to reassure citizens.

This report therefore recommends:

- ▶ a major step forward in the creation of the EU's area of freedom, justice and security, including a reform of the decision-making system;
- ▶ closer cooperation and better action by member states and EU institutions to combat international crime and control immigration;
- ▶ the integration of environmental considerations in other policies;
- ▶ effective monitoring of the implementation of EU rules in present and future member states.

4 – Neighbourhood policy

As the EU expands, we need a neighbourhood policy that spreads prosperity and good governance to the neighbouring countries, to create a ring of stability and safety around us. New forms of partnership can help the EU to spread stability, prosperity and good governance to non-member countries. For some of them, the prospect of EU membership can be a powerful incentive for progress and reform.

This report therefore recommends:

- ▶ Better forms of EU partnership should be developed with neighbouring countries, whether they join the EU or not.
- ▶ For countries which may join the EU in the coming years, we should insist on satisfactory preparation for membership, and respect of the political and other criteria.
- ▶ The enlargement process should continue with Bulgaria and Romania, and with Turkey. For the countries of the Western Balkans, the perspective of future EU membership can be a catalyst for change.

5 – Europe's role in world affairs

- To add 10 countries with 75 million citizens to the existing 15 countries with 375 million can strengthen the EU's ability to influence world events. It will help Europe to meet the challenge of globalisation. But as recent events show, the EU can have an influence in world events only if it is able to adopt a clear policy and speak with one voice.

- In the field of international economic relations, the EU is already a leading actor, but does not make full use of its weight; enlargement will be the occasion to enhance its influence.
- In foreign affairs, security, and defence the EU has made limited progress, but has not developed the means or the will to act effectively. Currently, in a key issue of foreign policy - Iraq - the EU as such is totally absent. The EU cannot continue to combine economic strength with political weakness.
- We must seize the chance with 25 members for greater authority, coherence and influence on the international scene. The EU and its member states should rapidly draw the lesson from the present experience with Iraq: utilise and improve the mechanisms within the EU to reach a common understanding and a common position on key problems.

This report therefore concludes that, with the prospect of enlargement:

- ▶ we should reflect urgently on the need to rebuild a genuine common foreign policy, with the intention of speaking with a single voice;
- ▶ the Convention on the Future of Europe should lead to improvement in the EU's external representation.

Europe is, or ought to be, a true political Union. If that political wish is shared by the politicians and the peoples of Europe, than that will be the reality. If that political wish does not exist (or has ceased to exist) than we should stop deluding ourselves.

..... **Non-enlargement**

A hypothetical question

The question is sometimes asked, “What is the cost of non-enlargement?” Is it possible to calculate what would be the consequences if the EU did not proceed with its planned extension - just as “the costs of non-Europe” were calculated before the EU created the single market?

The two cases are different. Enlargement of the EU is a process that has been under way for more than a decade, and has yielded results already: it is not feasible to “put back the clock”. Moreover the reasons for enlargement are not only economic, but political, and it is difficult to quantify them. But the question merits an answer. It obliges us to review the results and the prospects of the enlargement process.

What has been achieved so far?

- ☞ The prospect of accession to the EU has accelerated the transformation process in Central and Eastern Europe that followed the collapse of Communism.
- ☞ The emergence of stable democracies there has enhanced security for Europe as a whole. Causes of conflict, such as minority issues and border problems, have been removed.
- ☞ The rapid growth in trade has meant new markets and investments for EU members: the future members already conduct most of their trade with the EU.

Without the EU’s enlargement project, many of these gains would not have been achieved.

cont. ➞

What of the future?

A delay in enlargement, or its abandonment, as a result of non-ratification by the EU members, would be a major political failure for Europe. It would have costs both for the EU and for the applicant countries:

- ☞ Non-enlargement of the single market, with resulting lower growth in the applicant countries, would deprive the EU of economic gains.
- ☞ For the applicant countries, it would weaken the incentive for reform, discourage foreign investment, and reduce economic growth.
- ☞ It could create political instability, with potential repercussions for the EU. It would increase risks in the Balkan region, where peace and stability are still fragile.
- ☞ Without enlargement, the EU would be less able to combat the problems of organised crime, illegal immigration and terrorism.
- ☞ Disillusion in the applicant countries would feed Euro-scepticism in the EU and elsewhere.

Thus the costs of non-enlargement - both political and economic - would be high, and would be paid by the existing members as well as those excluded. It would mean not only losing future benefits, but also throwing away much of the effort and investment made in the past. The “other Europeans” would remain neighbours of the EU, but unhappy and resentful neighbours, less willing to solve the problems that transcend national frontiers in Europe, or to share responsibility for shaping Europe’s role in the world.



BUILDING THE NEW EUROPE

The forthcoming enlargement is another step towards European integration: a historic opportunity to end the artificial divide between Western and Eastern Europe, and to reunite our continent.

Enlargement to include 10 new member states, including those of Central and Eastern Europe, emphasises the underlying ideals, values and objectives of the EU. Encouraging peace, stability, democracy, and prosperity throughout Europe by integrating states and peoples is the EU's *raison d'être*. Enlargement is achieving this vision by encouraging political and economic integration. Accession for the new member states of Central and Eastern Europe symbolises a return to Europe and the chance to anchor their democracies firmly within the EU.

The unification of the European continent demonstrates the EU's continuing dynamism and progress. Over the past 30 years it has welcomed new members in four consecutive waves - the current being the fifth. Enlargement has not prevented the EU from making progress, often while it was taking in new members. However, the current enlargement presents new challenges which carry both opportunities and risks.

Why the EU enlarges

The EU's enlargement results from the decision to share the benefits obtained in Western Europe by creating a stable area where war has become impossible. The EU has the responsibility to help neighbouring countries develop economically and democratically while promoting stability and security.

.....Main dates in the enlargement process

- 1989** Collapse of the Berlin wall
Initiation of European Community's financial support for the Central and Eastern European countries to reform and rebuild their economies
- 1990** Cyprus and Malta apply for EU membership
- 1990-1996** Conclusion of Association Agreements (Europe Agreements) with states of Central and Eastern Europe
- 1993** Copenhagen European Council approves EU enlargement for countries of Central and Eastern Europe, and defines the criteria for membership
- 1993** European Commission publishes its Opinions on Cyprus and Malta
- 1994** Essen European Council approves pre-accession strategy
- 1994-1996** Ten states of Central and Eastern Europe apply for EU membership
- 1997** European Commission publishes its Opinions on the countries of Central and Eastern Europe, and proposes a strategy for enlargement in 'Agenda 2000'
- 1998** Accession negotiations start with Hungary, Poland, Estonia, Slovenia, Czech Republic and Cyprus
Malta reactivates its application for EU membership
- 1999** Berlin European Council agrees on 'Agenda 2000' and a financial perspective for EU enlargement
Turkey accepted in the EU enlargement process on the basis of the Copenhagen criteria
- 2000** Negotiations start with Slovakia, Latvia, Lithuania, Bulgaria, Romania and Malta
- 2002** Copenhagen European Council concludes accession negotiations with Cyprus, Malta, Slovakia, Czech Republic, Poland, Hungary, Slovenia, Estonia, Latvia and Lithuania

This ideal is rooted in the experience of turmoil on the European continent during the inter-war years, the destruction caused by the last war, and the emerging optimism of the post-war world. Peace and stability are prerequisites for a prosperous economy, and *vice versa*. The reasoning of the EU's founding fathers was based on the logic that integration of the West European economies would prevent war and create peace, stability and prosperity throughout Europe for its citizens. This vision is still important, as the violent disintegration of former Yugoslavia demonstrated.

Enlargement to include the new member countries will define the political and economic framework of the EU for the next generation and more.

Why countries wish to join

In their history the countries of Central and Eastern Europe have suffered from the expansionism of bigger neighbours in the East and West. Their requests to join the EU reflected the fear of finding themselves free but unanchored in a rapidly changing Europe. For enhanced security, they wished to join the EU, and also NATO.

EU membership represents the culmination of their dream to return to Europe after the artificial division of the Iron Curtain. Membership symbolises their re-entry into the European family, stabilises their young democracies, and provides the environment for the achievement of socially balanced market economies. It provides economic and social benefits that underpin democratic development by giving access to the single market, and additional financial assistance. It offers increased opportunities for direct investment and economic renewal, a stable business environment, and progressive social policies.

Past enlargements

The EU has a history of successful enlargements. In 1973 Britain, Denmark and Ireland joined; then it welcomed Greece in 1981 and Spain and Portugal in 1986, after the demise of their dictatorships, thus underpinning their democratic development; in 1995 it took in Austria, Finland and Sweden. In the past 30 years the EU has grown from 6 members with a population of 185 million into an international entity of 15 members with 375 million people. It is now on the eve of expanding to 25 members with 450 million citizens.

Widening has not prevented deepening. At the time of the enlargement with Spain and Portugal, the EU launched the single market programme and policies for the environment, economic and social cohesion, research, technology and social affairs. In 1992 the Maastricht Treaty prepared economic and monetary union while the accession of Sweden, Finland and Austria was underway. Then the EU launched a common currency (the euro) while it simultaneously negotiated the present round of enlargement.

The present round

The EU is now preparing to include eight countries of Central and Eastern Europe (Estonia, Latvia, Lithuania, Poland, Czech and Slovak Republics, Hungary and Slovenia) and two Mediterranean states, Malta and Cyprus (see Table 1 for basic data on their population, area and economy). These countries have been preparing for membership for more than a decade, in accordance with the criteria formulated by the EU.

Table 1

BASIC DATA OF EU AND FUTURE MEMBER STATES

	Area	Population	Gross Domestic Product			
	km ²	million	billion		per capita in	
			euro	pps	euro	pps
Cyprus	9 251	0.762	10.2	12.5	15 100	18 500
Czech Republic	78 866	10.2	63.3	136.2	6 200	13 300
Estonia	45 227	1.4	6.2	13.4	4 500	9 800
Hungary	93 030	10.2	58.0	120.6	5 700	11 900
Latvia	64 589	2.4	8.5	18.2	3 600	7 700
Lithuania	65 300	3.5	13.4	30.5	3 800	8 700
Malta	316	0.394	4.0	n. a.	10 300	n. a.
Poland	312 685	38.6	196.7	355.9	5 100	9 200
Slovak Republic	49 035	5.4	22.8	59.5	4 200	11 100
Slovenia	20 273	2.0	20.9	31.8	10 500	16 000
EU-15	3 237 900	376.4	8 828.9	8 828.9	23 200	23 200

Notes: Gross Domestic Product (2001) is expressed in euro and pps (purchasing power standards)

Source: European Commission

.....The criteria for membership.....

The summit of EU leaders in Copenhagen in June 1993 made the historic promise that “the countries in Central and Eastern Europe that so desire shall become members as soon as they are able to assume the obligations of membership by satisfying the economic and political conditions”.

It spelled out for the first time the conditions for membership, which have become known as the ‘Copenhagen criteria’. The Copenhagen criteria set standards for countries aspiring EU membership:

- ☞ Stability of institutions guaranteeing democracy, the rule of law, human rights and respect for, and protection of, minorities.
- ☞ The existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union.
- ☞ The ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

The first ‘political’ criterion is considered to be a precondition for the opening of accession negotiations, while the other criteria need to be fulfilled by the time of membership.

The third criterion implies that the new members should take over the policies and rules of the EU (the *acquis*) and implement and enforce them effectively.

The benefits of the enlargement process are already visible. In the future member states of Central and Eastern Europe, stable democracies have emerged, with democratic institutions and increased respect for minorities. Their economic reforms are yielding high rates of economic growth (compared to growth rates in the EU) and better employment prospects. This process has been encouraged by the prospect of EU membership, and by financial assistance from the EU, as well as from other international institutions.

The 'conditionality' of the criteria for EU membership has had a strong impact on the pace of reforms, and made them irreversible. The resulting stability and increasing prosperity are of benefit to both present and future members.

Thus, the EU is progressively reuniting the continent, and extending to other Europeans the zone of peace, stability and prosperity which Western Europeans have enjoyed for more than a generation.



CITIZENS AND THE ENLARGING UNION

One of the aims of this report is to address the questions, problems and doubts expressed in different quarters as the EU approaches its enlargement. What do we know about the concerns and expectations of citizens in present and future member states?

Present members

One of the important preoccupations of citizens concerning the EU's enlargement is the field of personal security: will there be an increased risk of crime, and more immigration? Will there be a reduction in standards of protection for consumers, particularly food standards, and increased problems for the environment, such as risks from nuclear power plants in the future members? These fears derive partly from lack of knowledge about the real situation in those countries, but also from the knowledge that during the period when the countries of Central and Eastern Europe had Communist regimes, a wide social and economic gap emerged as higher standards were progressively introduced in the West.

The economic and social gap accounts for other concerns in the present member states: that lower wages and social protection in the new member states will lead to the relocation of investment and employment - of which a number of cases have already occurred - and that free movement of workers within the enlarged market will result in an inflow of migrant labour. These concerns about enlargement are, of course, part of a general anxiety in vulnerable sectors of society resulting from the worldwide process of adjustment that accompanies globalisation.

Table 2**SUPPORT FOR ENLARGEMENT IN EU MEMBER STATES**

Replies to the question:

Are you personally, totally in favour, rather in favour, rather opposed, or totally opposed to the enlargement of the European Union?

Results expressed as a percentage of respondents

	1 + 2	3 + 4	1	2	3	4	5	6
	In favour	Opposed	Totally in favour	Rather in favour	Rather opposed	Totally opposed	Depends on the country	Don't Know
Italy	82	12	44	38	8	4	4	2
Ireland	79	15	36	43	10	5	1	6
Spain	73	8	16	57	5	3	2	17
Belgium	72	18	23	49	12	6	3	7
Denmark	67	21	23	44	12	9	3	8
France	66	27	12	53	18	9	4	3
Average of EU-15	66	21	20	46	14	8	3	9
The Netherlands	66	25	23	43	17	8	2	7
Greece	66	10	30	37	6	4	9	14
Luxembourg	64	23	30	34	14	8	8	6
Germany	64	27	14	50	20	8	2	6
Portugal	62	14	6	56	12	2	2	22
Austria	59	32	21	38	24	8	5	5
United Kingdom	54	26	16	38	14	13	2	18
Sweden	52	28	23	29	15	13	1	20
Finland	51	27	14	37	18	10	4	18

Source: Eurobarometer (November 2002)

The questions posed differ according to the countries concerned. In member countries such as Germany and Austria, which are neighbours of future members, there is a preoccupation with the direct economic and social impact of the abolition of frontiers, while perceptions in the geographically distant members are more diffuse.

Finally, there are doubts in many quarters about the capacity of the EU institutions, in their present form, to cope with the increased complexity of decision-making. When the number of members increases from 15 to 25, will 'more' in effect lead to 'less'?

Public opinion surveys show that people in the 15 member states are generally favourable to enlargement. In the most recent Eurobarometer survey (published in November 2002 - see Table 2) 66 % of respondents in EU-15 expressed themselves in favour of the enlargement of the EU, while 22% were opposed; the remainder either gave no answer (9%) or said that it depended on the countries concerned (3%).

The majority of respondents (82%) had already heard of the enlargement process, although not so many knew which countries are involved (40% could not name even one country). The applicant countries best known to the public in EU-15 are Turkey (cited by 31% of respondents), Poland (30%), the Czech Republic (16%) and Hungary (12%). Those who had heard of the process tended to be more in favour than those who were ignorant of it.

The highest levels of support were recorded in Italy and Ireland (around 80%) followed by Spain and Belgium (70-75%); the lowest support was in the United Kingdom, Sweden and Finland (50-55%); in Germany and France, levels of support were close to the EU average (66%).

Other questions in the Eurobarometer survey give an interesting indication of the views of citizens on the consequences of enlargement. A majority of respondents (more than two-thirds) considered that enlargement would:

- ▶ allow companies in their countries to expand to new markets;
- ▶ give the EU a stronger voice on the international scene;
- ▶ reduce the risks of war and conflict in Europe;
- ▶ make it easier to tackle environmental problems all over Europe.

On the negative side, a majority believed that:

- ▶ it would be more difficult to take decisions in an enlarged EU;
- ▶ enlargement would be very expensive for their country;

- ▶ many citizens from the new members would settle in their country;
- ▶ opening borders would make it harder to tackle crime and drug-smuggling.

and a substantial minority thought that it would:

- ▶ increase unemployment in their country;
- ▶ reduce the standard of social welfare.

However, the broad political arguments for enlargement obtained approval, with a majority of respondents agreeing that:

- ▶ “we have a moral duty to reunite Europe after the divisions of the Cold War”;
- ▶ “it is historically and geographically natural and justified for new members to join the EU”.

Future members

In the future member countries, the main questions concerning the impact of membership are different in nature, since the EU is still something ‘strange’ of which most citizens have no direct experience. However, some of the questions posed concerning the effects of joining a supranational organisation are also found in the existing EU: loss of national sovereignty, national or local identity, difficulty of influencing and understanding decisions taken at the European level.

In the economic and social field, the hopes and fears relating to EU are coloured by the experience of economic transition - an often difficult experience, in which reforms and adjustments have led to greater inequality as well as to economic growth. Competition from the West and foreign investment have already put locally-owned enterprises under pressure.

Discussions about the EU in the future member states have been coloured by the progress of the accession negotiations, whose results have been the object of intense scrutiny. Although it is generally recognised in political circles that the terms of membership are the best that could be obtained, the EU as a negotiating partner has sometimes appeared in an unfavourable light, for example in the agricultural and budgetary chapters of the negotiations, and in its restrictive position on the free movement of workers. Thus there is a perception in these countries that, even after accession, they may not be treated as equal partners, but have a kind of ‘second-class’ status.

In the 10 future member states, Eurobarometer has consistently recorded high levels of support for EU membership. According to the latest available results (based on interviews made in September and October 2002 - see Table 3):

- ▶ 52% of respondents said membership would be 'a good thing';
- ▶ 61% would vote 'yes' in a referendum.

It remains to be seen whether these indications will be confirmed in the referendums which will in these countries in the course of 2003. At the time of completion of this report, the first referendum had already taken place in Malta, with a result in favour of EU membership.

Table 3

SUPPORT FOR ACCESSION IN FUTURE MEMBER STATES

Replies to the questions:

Do you think that your country's membership of the EU would be a good or a bad thing?

If there was a referendum tomorrow on the question of your country's membership, would you personally vote for or against it?

Results expressed as a percentage of respondents

	Membership would be a good thing	I would vote for membership
Hungary	67	77
Slovakia	58	69
Poland	52	61
Average of 10 countries	52	61
Lithuania	48	53
Cyprus	47	58
Malta	45	47
Slovenia	43	62
Czech Republic	43	50
Latvia	35	45
Estonia	32	39

Source: Eurobarometer (November 2002)

Frequently asked questions

Although attitudes to enlargement are generally favourable both in the present EU and in the future members, many questions - often sceptical questions - are posed by the public and in political circle.

..... **Frequently asked questions**

- ☞ How will enlargement affect employment and wages? Will jobs be lost as a result of increased competition in the enlarged EU? Will there be 'social dumping'?
- ☞ Will the new members apply the EU rules correctly, including the rules for the single market?
- ☞ Will the new members adopt the European currency on accession?
- ☞ Will enlargement lead to more insecurity, more risks of crime, more immigrants?
- ☞ Will standards of protection for consumers and the public be lowered by the arrival of the new members? For example, food standards, nuclear safety, environmental protection?
- ☞ Will joining the EU mean a loss of identity for me or my country?
- ☞ Will my country lose its sovereignty when it joins the EU? Will it be a 'second-class' member?
- ☞ Will it be possible for decisions to be taken at the European level with 25 members?
- ☞ How can Europe speak effectively with one voice in world affairs with so many members?
- ☞ Will the next round of enlargement be followed by others, bringing in more countries?

These questions are grouped into four broad themes in the subsequent chapters of this report, which examines the consequences of enlargement for:

- ▶ the European economy (employment, growth, finance, etc.);
- ▶ the quality of life of European citizens (security, standards of protection, etc.);
- ▶ the EU's relations with its neighbours and its role in the world;
- ▶ the way in which Europeans act together to make EU policies.



3 ECONOMY, LABOUR MARKET AND FINANCE

This chapter outlines what has already been achieved in terms of the economic integration of the future members' economies into the EU, and what remains to be done to make enlargement a success. It addresses questions that are widely posed about how the enlargement of the EU will affect economic growth, jobs and EU finances.

For both present and future member states, the economic opportunities and risks of enlargement need to be managed, and the success of enlargement will depend on how well this is done. The extent to which countries, firms and people gain or lose will depend on their own decisions, not the simple fact of EU enlargement. Despite the importance of EU policies, the member countries' economic success has been and will continue to be still very much in their own hands.

In simple economic terms, the coming enlargement of the EU is the integration of a group of countries forming a large wealthy economy of 375 million people with a group of countries of 75 million people that are much less wealthy. Both theory and past experience can guide our assessment of the likely economic consequences.

In relative terms, the increase in population (20%) and area (23%) resulting from the enlargement of 2004 is not greater than previous enlargements. The enlargement in 1973 to include Britain, Denmark and Ireland was proportionately larger in terms of population. The enlargement in 1995 to include Austria, Sweden and Finland was proportionately larger in terms of land area.

This enlargement is very different from previous enlargements, however, in terms of the economic differences: the future members have an average GDP per capita of approximately 40% of the existing members (at purchasing power parity). The most comparable event was the accession of Spain and Portugal in 1986, which increased the EU's population by 16%: they had an average *per capita* GDP of about 70% of the existing EU (at purchasing power parity).

Another difference between this enlargement and previous ones is that most of the new members are completing the transition from planned economies to a market-based system, and have been undergoing difficult economic reforms independently of their efforts to join the EU.

Some commentators have compared the coming enlargement to the creation of the North American Free Trade Area (NAFTA) between the United States of America, Canada and Mexico in the 1990s, since Mexican incomes were and are much lower than those of the USA and Canada.¹ But NAFTA is only a free trade area, whereas membership of the EU involves a customs union with extensive common regulations, a single currency, free movement, and political and legal integration.

In present and future member states, economic conditions vary considerably: it is outside the scope of this chapter to examine individual countries, although it mentions the impact in particular cases where relevant. Necessarily, it focuses on the effect of bringing in the countries of Central and Eastern Europe; Cyprus and Malta are much smaller, having gross domestic products of 10 and 4 billion euro respectively, and have not undergone a transition from a planned economy. Because of their modest size, they do not much affect the overall economic analysis. Among the present member states, enlargement will have a larger economic impact on those which share a border with new members, in particular Germany and Austria.

The economic effects

Enlargement to EU-25 will add 75 million consumers to the EU's single market. This should lead to intensified trade in goods and services, economies of scale, increased competition and more flows of investment, thus resulting in more eco-

 1 T. Boeri, *et al.*, *Who's Afraid of the Big Enlargement? Economic and Social Implications of the European Union's Prospective Eastern Expansion*, CEPR Policy Paper, No. 7, London, 2002.

conomic growth, in both current and new member states. In this respect, enlargement resembles the process of completion of the single market which the EU experienced in the 1990s. In addition, the new member states can expect relatively high growth rates, on account of the “catch-up” possibilities associated with lower *per capita* incomes.

The analysis of the prospects for future growth depends to a large extent on trade, investment and migration, and these three factors are considered in the following paragraphs.

Trade

Extensive economic integration between the current and new member states has already occurred as part of the pre-accession process (see Table 4 for the rapid growth in trade in recent years).

Table 4

EU TRADE WITH CENTRAL AND EASTERN EUROPE

Billion euro

	Imports	Exports	Balance
1995	44.4	53.2	+8.8
1996	47.2	63.8	+16.6
1997	56.9	78.7	+21.8
1998	67.9	90.5	+22.6
1999	75.8	93.2	+17.4
2000	97.5	114.7	+17.2
Total	389.7	494.1	+104.4

Ten countries of Central and Eastern Europe, including Bulgaria and Romania

Source: European Commission

Since trade in goods with the EU was largely liberalised in the course of the 1990s, EU membership means moving into a customs union from a pre-existing free-trade area. It will therefore lead to only a small immediate impact on trade in goods with the new members, and further gains will come only in the medium and long run, as the result of increased investment, and further specialisation of production.

Nevertheless there remain areas where trade has yet to be fully liberalised, such as the automobile sector, and there is limited trade in services, including financial services. Trade in agriculture is also not fully liberalised, although agri-food trade has increased substantially in the pre-accession period. Commentators remark that enlargement may increase the amount that the new members, particularly in Central and Eastern Europe, trade *with each other*.

Estimates of the impact of enlargement for the present EU tend to be limited, given its much larger economic size. One estimate is that the current EU members would gain a total of about 10 billion euros over the long run, increasing their GDP by a one-time gain of 0.2%, which could lead to the creation of an estimated 300,000 jobs (on the assumption of a constant labour-output ratio).² This economic gain would be distributed unequally across existing member states, with Germany accounting for around one-third.

For the new member states, the consensus of economists is that the gains are likely to be proportionately much larger, reflecting the fact that 70% of their exports go to the present EU (only 4% of EU exports currently go to the new member states) and that their economies are far smaller. A recent paper summarises the economic literature thus: "trade-induced simulations typically show that the applicants as a group gain anywhere from 1.5% to 8% or even 10% of GDP in the short to medium run".³

Investment

Given that there is already substantially free trade, and that labour mobility may be limited for some years after enlargement, it is investment which holds the key to future economic growth in the new member states.

Foreign Direct Investment (FDI) has already been encouraged in the new members by the prospect of EU membership. It is difficult to estimate the degree to which it will rise in future. After past accessions, considerable jumps in FDI inflows were experienced, notably by Portugal and Spain; but this has not occurred in all cases, and the increase in FDI depends on sound adjustment policies and good governance at the national level. Some commentators suggest that given the already high level of FDI, the ending of special fiscal incentives, and the completion of the process of privatisation, no further rise is likely after accession. On the other

2 H. Grabbe, *Profiting from EU Enlargement*, CER Pamphlet, London, 2001.

3 J. Pelkmans, *Economic Implications of Enlargement*, Bruges European Economic Policy (BEEP) Series, Briefing No. 1, Bruges, 2002.

hand, it is argued that actual EU membership will result in significant additional flows, assuming the local climate is encouraging. The increased legal certainty associated with EU membership, and the end of the 'safeguard clauses' in their present agreements with the EU, which could have limited their exports, will be favourable factors. Commentators in business circles consider that many companies have new investment projects awaiting the conclusion of EU enlargement, which suggests that a surge in investment is likely. It may be noted that NAFTA led to a considerable increase in investment in production in Mexico. In the case of EU membership, the effect of the 'lock-in' to market access, common regulation and economic guidance should be even stronger.

Thus it is possible that the dynamic effect - a virtuous circle of growth and investment - may lead to further rapid economic growth in the new member states after accession. Experience of previous enlargements shows that this dynamism, however, is not automatic; it will depend on the adoption of sound pro-growth policies by the new member states, and by the EU as a whole.

Even in the most positive of scenarios, the economic convergence of the new member states with the present members will be a long-term process - a matter of decades. The costs and benefits will not necessarily occur in the same time period;

Table 5

ECONOMIC GROWTH IN EU AND FUTURE MEMBER STATES

Percentage change in GDP compared with previous years

	1999	2000	2001
Cyprus	4.6	5.1	4.0
Czech Republic	0.5	3.3	3.3
Estonia	-0.6	7.1	5.0
Hungary	4.2	5.2	3.8
Latvia	2.8	6.8	7.7
Lithuania	-3.9	3.8	5.9
Malta	4.1	5.5	-0.8
Poland	4.1	4.0	1.1
Slovak Republic	1.3	2.2	3.3
Slovenia	5.2	4.6	3.0
EU-15	2.8	3.4	1.5

Based on GDP at constant prices in national currency.

Source: European Commission (December 2002)

costs associated with increased competition and adjustment may come sooner, in the early years of membership. However, the long-term benefits can be very large, if appropriate policies are followed. The growth rates which the future member states have recently recorded (see Table 5) are higher than those of existing EU members.

Migration and the labour market

Since migration of workers leads to economic gains in the receiving countries, this can be one of the major benefits of EU enlargement.

Most citizens of the future member states can already travel freely (without visas) within the EU. Over 850,000 are resident in the EU, representing 0.2% of its population. Migration (often of seasonal labour) is concentrated in the neighbouring countries and regions; two-thirds of these migrants reside in Germany, and around 14% in Austria.

There is public concern in the EU about the possibility of large-scale migration of workers from the new member states after enlargement as a result of the large income differential. However, such fears of large-scale immigration are not likely to be borne out in fact.

The experience of previous accessions of low-income countries is instructive. Net migration flows from Spain and Portugal after accession to the EU were close to zero during the second half of the 1980s. During this period, there were restrictions on migration for a transitional period of seven years. Yet even when restrictions were lifted, coinciding with the recession of the early 1990s, there was barely a rise in migration flows from either country.

A similar transitional arrangement has been agreed for the next enlargement: the present member states will have the right to restrict the inflow of labour from Central and Eastern Europe for a period of up to seven years. Three of the present member states have indicated their intention not to restrict the entry of workers from the new member states after enlargement. Since receiving countries gain economic advantages from immigration, which fills labour shortages in skilled and unskilled occupations, they will benefit from this decision. The other member states should also consider permitting free movement of labour from Central and Eastern Europe as soon as they can do so, without waiting for the end of the transitional period.

Expert calculations of likely migration tend to be modest. The European Integration Consortium's estimate of the numbers who would move to the current EU after the introduction of free movement of labour - without taking account

of the transition period of seven years - is 335,000 (0.1% of the current EU population) rising slowly over the following 30 years to reach a peak of 1.1% of the population.⁴

EU countries and regions closest to the new member states are likely to be more affected than others. A recent report from the Centre for Economic Policy

..... **Free movement of persons**

One of the freedoms which the European Union confers is the free movement of persons: European citizens have the right to live and work in any member state of the Union.

How will this apply to the new members? There are different aspects of this question: the right to travel to other member states, the right to reside and work there, and membership of the 'Schengen' area.

Upon accession, citizens of the new member states will have the right to travel and reside in any of the present member states. However, for a period of up to seven years, the present member states may restrict the right of persons from the countries of Central and Eastern Europe to take up paid employment.

A separate issue from the right to work is free movement of persons within the 'Schengen' area. The countries of the 'Schengen' area have agreed to the abolition of frontier controls between themselves, compensated by the exchange of information and the reinforcement of external borders. A member state's citizens can have the freedom to live and work elsewhere in the EU without that state being member of the 'Schengen' area; this is the current position of Britain and Ireland. The new member states will not immediately be full members of 'Schengen', only when they have sufficiently met the standards for frontier security.

4 T. Boeri and H. Brücker, *The Impact of Eastern Enlargement on Employment and Labour Markets in the EU Member States*, Final Report, European Integration Consortium, Berlin, 2002.

Research suggests that cumulative net migration or long-run migration stocks from the new member states (attained 15-20 years after free movement of labour has been introduced) will amount to 2-3% of the population in Germany.⁵ Border regions will also experience considerable short-term (even commuter) migration for work.

These estimates need to be put into the context of Europe's ageing society, where generational replacement is not taking place. The fertility rate is low, life expectancy has increased, and dependency ratios (the ratio of older people to the population of working age) will rise in the coming years. For the present EU members, an increase in migration can therefore compensate - but only partially - for the growth of dependency due to ageing.

Finally it should be remarked that if economic policy encourages high employment and economic growth in the new member states, optimism among workers about their future prospects will tend to keep them at home. In aggregate, therefore, total migration from the new member states is likely to be limited. What may be the other effects on the labour markets of the present member states? This depends in part on the mix of workers who migrate, and which sectors of the labour market they participate in.

Skilled migrants from the future member states are already filling labour market shortages in vital services and jobs. Their formal education levels are relatively high, but they often suffer skill wastage in migration, and so they tend to work in the same sectors as other foreign workers, such as construction, cleaning services and manufacturing. In the enlarged EU an increase in the supply of low-skill labour - including informal employment - could have an impact on the wages and employment of low-skilled labour within the existing member states, particularly in regions close to the new member states.

There may also be effects on the demand for low-skilled labour as a result of changes in industrial location. In NAFTA, American firms have taken advantage of the economic differential to move labour-intensive production to Mexico, shedding workers with low education levels. If the economic integration of the new member states has a similar effect, some labour-intensive industrial activities may shift to countries and regions bordering on the new member states, with consequent effects on demand for labour.

5 T. Boeri, *et al.*, *supra*, note 1.

Although these factors will put pressure on low-skill skilled workers - a vulnerable section of society - in the present member states, the effect should not be exaggerated. Some future member states are moving into high-tech production, and some migrant labour will be highly skilled. Present and future member states need to ensure that they have labour market policies to help the low-skilled find opportunities to work and that their employment policies contribute to efficient social and economic policy, and thus towards making a success of enlargement.

There are also concerns about 'social dumping' - that the new member states, with lower wage levels and lower social standards, will put unfair pressure on the living standards of the present member states. These concerns, at one level, reflect the fact that the current member states need to adopt policies that will encourage economic growth and employment in an increasingly competitive world (not just or even primarily because of the enlargement of the EU). However, the more dramatic fears are overstated. Part of joining the EU is the adoption of a process of social dialogue and measures of social regulation. On the other hand, higher labour productivity can compensate employers for higher wage levels. As income levels in the new member states rise, these differences will be reduced (and the new members will provide larger markets for the products of the present EU). It is difficult to predict how rapidly wages will rise in the new member states, but plainly policy at both the EU and national level should encourage growth in the new member states.

Economic and monetary union

The new member states are committed to adopting the euro, but no timetable has been fixed.

Adopting the euro will further increase the trade integration of the new members with the euro area economies, eliminate exchange-rate risks for investment, and offer permanently low long term interest rates.

However, the appropriate timetable for the new member states to adopt the euro is by no means clear. There is a tension between the 'Maastricht' criteria for low inflation and limited budget deficits, and the need of transition economies for public investment. This public expenditure includes the amounts necessary to implement the *acquis* and to co-finance infrastructure projects in order to qualify for EU budgetary transfers, as well as broader needs for investment to modernise infrastructure and public services. Transition economies also experience upward movements in their real exchange rates, resulting in higher inflation or nominal exchange-rate appreciation (or both) and these factors could be in conflict with the requirements for exchange-rate stability and low inflation for euro membership.

For these reasons, the new member states will have to weigh carefully the different possible approaches to their path for adoption of the euro, taking account of the exacting nature of its rules. At the same time, the current members of the euro area will need to respect its rules, including the Stability and Growth Pact's limits on excessive public deficits, in order to retain the advantages of macroeconomic stability in the EU that the euro has already delivered.

.....**.The new member states and the euro.....**

According to the EU membership criteria, future members must demonstrate the "ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union." They are expected to adopt the euro when ready to do so, not immediately upon accession.

For a new member country there are detailed conditions, involving several stages:

- ☞ the current, pre-accession stage, during which the country must demonstrate irreversible progress towards a functioning market economy and competitiveness as well as sustainable macroeconomic stability;
- ☞ an intermediary phase following accession, in which the new member participates fully in the single market and demonstrates progress towards achieving the conditions necessary to adopt the euro;
- ☞ a minimum of 2 years of successful participation in the exchange-rate-mechanism;
- ☞ fulfilment of the criteria that apply to current members for the adoption of the single currency, including a budget deficit of less than 3 % of GDP, a debt ratio of less than 60 % of GDP, low inflation and interest rates close to the EU average; the essential condition is a sufficient degree of sustainable real convergence.

The Lisbon strategy

The Lisbon strategy is an important and innovative strategy to make the EU competitive and raise its rate of economic growth.

Progress so far has been unsatisfactory. In recent statements, the Commission has criticised the member states for the “sluggish pace of reforms” and “insufficient resolve in achieving the Lisbon goals”. Other commentators consider that the EU has made advances in some parts of the reform agenda, such as energy liberalisation.⁶

..... The Lisbon strategy

In March 2000, EU leaders meeting in the European Council at Lisbon, pledged to create "the most competitive and dynamic knowledge-based economy in the world by 2010".

In order to achieve this, they adopted a wide range of techniques, from normal European legislation to innovative measures such as benchmarking and peer review of the performance of member states. This process of economic reform aims to heighten competition across the EU, reform labour markets, while strengthening social cohesion and ensuring the compatibility of economic and environmental policies. The targets include:

- ☞ Completing the single market in key areas such as telecoms, energy and financial services.
- ☞ Increasing access to new technologies including mobile phones and internet access.
- ☞ Encouraging research by increasing spending on research and development to reach 3% of GDP, and adopting a single European patent regime.
- ☞ Increasing competition in rail and air transport.

cont. ➞

6 A. Murray, *The Lisbon Scorecard III: The Status of Economic Reform in the Enlarging EU*, CER Working Paper, London, 2003.

- ☞ Tackling the common problems faced by small businesses and start-ups, which are crucial for expanding employment.
- ☞ Promoting competitive markets and reducing distorting subsidies to industry.
- ☞ Raising the overall workforce participation rate to 70% as well as increasing participation by women and older workers.
- ☞ Upgrading workers skills and fostering a culture of lifelong learning.
- ☞ Overhauling pensions systems to ensure the long-term sustainability of public finances.
- ☞ Modernising social protection including reducing the number of people at risk from social exclusion.
- ☞ Addressing the causes of climate change by reducing greenhouse gas emissions.

This ambitious and wide-reaching agenda requires sustained effort over many years. An annual review by the European Commission measures progress against targets.

The future member states will face considerable challenges in meeting some of its targets, such as the aim of raising the average employment rate to 70% and increasing research and development spending to 3% of GDP. But these difficulties are reasons for pressing ahead, not for delaying. Indeed, the present member states have much to learn from the new members, which have undergone difficult economic reforms in their transitions to market economies. Their experience - for example, in pensions reform - should be exploited in the Lisbon strategy. In areas such as adjustment to the e-economy, some of the future member countries are better placed than some present members.

The Lisbon strategy should be given priority so that its timetable - to make the EU the most competitive and dynamic knowledge-based economy in the world by 2010 - is respected. It should fully involve the future member states now, without waiting for the formal completion of the enlargement process.

The budgetary costs

Since the 1990s, the EU has invested in the applicant countries in order to assist their preparation for accession, with a budgetary cost amounting to over 3 billion euro a year since 2000 (see Table 6 for the EU's budgetary expenditure on enlargement).

After accession, the EU's net expenditure in the new member states will be modest. Under the deal reached at Copenhagen in 2002, the financial cost to the end of 2006 is a maximum of 40.8 billion euro, including agricultural subsidies, infrastructure and regional aid, and funds to help improve nuclear safety, public administration and border protection (see Table 7). New members will pay contributions of approximately 15 billion euro to the EU budget, and since they may not be able to make full use of the money allocated, the net budgetary cost of enlargement for the period to 2006 in terms of cash actually disbursed is likely to be around 10 billion euro (some of their allocations, such as structural and cohesion funds having along lead-time, will be paid after 2006).

Although significant for the new members, this budgetary expenditure is modest for the EU in terms of achieving economic growth and assisting political stability. For example, it is less than the costs of the Kosovo war campaign and reconstruction, which have considerably exceeded 10 billion euro, and in terms of GDP it is much less than the resources committed by Germany to its reunification in the 1990s.

For the new members, the implementation of EU policies in sectors such as environment and transport will require significant expenditure for many years to come. They will also have to find money to co-finance infrastructure projects to qualify for EU budgetary transfers. At the same time, they will be hoping to qualify for participation in the euro, with the necessity of restraining budgetary deficits.

The impact of enlargement on the EU budget in the period from 2007 onwards depends on whether and how the budget is reformed. In fact, the cost of enlargement will depend entirely on what the EU decides in future. On the expenditure side that means in particular the common agricultural policy, and the structural funds for economic development in the poorer regions and sectors.

Rural areas throughout the EU are an important but vulnerable component of society, where an active EU policy is needed. However, enlargement provides an opportunity to continue to move the emphasis of agricultural support towards wider aspects of economic development in rural areas. A recent report concluded that the maintenance of the existing agricultural policy, with generous income payments even if further decoupled from production, will go against long-run catch-

Table 6**EU BUDGETARY EXPENDITURE ON ENLARGEMENT: PRE-ACCESSION**

in million euro at 2000 prices

	1990-1999	2000-2003
PHARE (Strengthening democratic institutions and public administration)	6 767,16	6 240,00
ISPA (Transport and environmental infrastructure)	—	4 160,00
SAPARD (agriculture and rural development)	—	2 800,00
Total	6 767,16	13 200,00
Annual average	676,72	3 300,00
Total as % of 1999 EU-GNP	0,08	0,16
Annual average as % of 1999 EU-GNP	0,008	0,04

Notes: 1990-1999 expenditures based on actual payments, post-1999 on commitments
Ten countries of Central and Eastern Europe (including Bulgaria and Romania) without Cyprus, Malta
and Turkey which benefit from separate pre-accession funding

Source: European Commission

up growth for Central Europe, because it will provide incentives for continuing low-productivity farming rather than adjustment into more productive sectors of the economy.⁷

One study on the future of the EU budget after enlargement, which sketches different budgetary scenarios,⁸ shows that the costs of enlargement depend to a large extent on whether the existing member states are 'compensated' for reduced structural fund expenditure in their regions, as they become relatively richer in the enlarged Union. In a scenario with no reform of the common agricultural policy, and a continuation of present rules for the structural funds with the assumption

7 J. Pelkmans, *supra*, note 3.

8 B. Karlsson, *What Price Enlargement? Implications of an Expanded EU*, Report to the Expert Group on Public Finance, Ministry of Finance, Stockholm, 2002.

Table 7**EU BUDGETARY EXPENDITURE ON ENLARGEMENT: POST-ACCESSION**

in million euro at 1999 prices

	2004 - 2006
Common agricultural policy	4682
Rural development	5110
Structural actions	21746
International policies of which:	4256
Existing policies	2642
Institution building	380
Schengen facility	858
Nuclear safety	375
Administration	1673
Special cash-flow facility	2398
Temporary budgetary compensation	987
Total commitments	40852

Notes: 2004-2006 commitment for ten countries acceding in 2004 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia, Malta)

'Structural actions' includes 38 million euro of non-allocated technical assistance

Source: European Commission

that the existing member states continue to receive the same amounts of structural funds as in 2006, enlargement costs would rise from 0.03% of GDP of the enlarged Union in 2004 to 0.23% in 2013.

Reforms of these policies could have a considerable effect on the EU budget as a whole, as well as the cost of enlargement. In other scenarios, a reduction of direct income support in agriculture to 85% of the present level by 2013 would lead to enlargement costs of only 0.18%; with a strict application of the rules for structural support for present members, enlargement costs would be only 0.11%.

Reforms of the distribution of the financial burden are also possible. The EU's revenue agreements have become increasingly complicated, and a more equitable, transparent and stable system is needed.

Conclusion

In view of enlargement, European and national policies should give priority to economic growth and real convergence between old and new member states; that means a high overall rate of growth for EU-25, with even higher rates if possible for the new members. Over the longer term, this will reduce the social and economic gap, and create extra growth in the old members through the dynamism of the new ones.

The ground should be prepared now for the important decisions to be taken by 2006 on the future budgetary framework:

- ▶ Enlargement provides the opportunity to revisit the mix of structural assistance with the aim of linking funding more closely to the drivers of economic growth. Past experience has shown that subsidies are unhelpful if used to delay, rather than to assist, adjustment. The uses of structural expenditure should be reviewed in order to identify areas of expenditure which would best assist economic growth and innovation in the new members, particularly the regional integration of Central and Eastern Europe through cross-border infrastructure.
- ▶ Other innovative and growth-related forms of expenditure, outside the scope of the structural funds, should be considered, such as expenditure on research and development.
- ▶ The common agricultural policy should continue to shift support away from prices and quantities towards a policy of quality, and a dynamic policy of rural development which assists rather than checks the outflow of employment from agriculture in the new member states. This must be driven by a concern for people and their communities, which means opening possibilities also to developing countries through agricultural trade.

The political momentum of the Lisbon strategy should be restored, and the reforms which it envisages should be pursued with urgency to encourage growth in the enlarged Union. The future member states should be fully involved in it now.

Labour mobility will be a key factor in handling the adjustments following from enlargement. Temporary unemployment insurance, together with assistance in the search for jobs, will be more effective in facilitating change than employment protection legislation. Enlargement will increase pressure for labour reallocation between industries and countries, particularly in member states and regions close to the new member states, thus adding a further impetus for such reforms.

Present and future member states need employment policies which contribute to efficient social and economic policy, and thus to making a success of enlargement. Market-driven labour migration through the free movement of persons in the common market is a factor for growth. Present member states should open their markets for labour supply from new member states as soon as they can do so. Even when restrictions are lifted, the inflow of workers is likely to be limited.

The EU needs an economic and social model which combines the best elements from existing and new members. Its aim should be to facilitate adjustment into new employment, rather than the protection of existing jobs. Measures should be prepared now to take care of those affected by enlargement within a shared European framework.



QUALITY OF LIFE

Citizens in the EU are concerned about the quality of life in the enlarged EU. They ask themselves how enlargement will affect their daily lives in the areas of internal security, environment, nuclear safety and food standards. Have the accession negotiations given replies to these public concerns? Will it be better to have the new members inside, rather than outside, the EU?

Internal Security

Issues of crime, drugs, terrorism and illegal migration are high on the agenda of European citizens, irrespective of enlargement; the EU and member states need to perform better to meet citizens' expectations. Enlargement can have very positive consequences for internal security, since it will extend cooperation in police, border and judicial matters further across the European continent.

This section considers the challenges that the Union faces in the field of internal security, and the ways in which it addresses them. Then it considers the effects which enlargement of the Union is likely to have in the area of internal security - which problems enlargement will help to solve, which problems enlargement may aggravate and how these might be addressed.

The EU encourages the free movement of goods, services, capital and persons throughout the Union, to the benefit of all its citizens. But these freedoms can create opportunities for crime - particularly organised crime, operating across national borders - which national authorities are unable to tackle alone. This is the

challenge that the European Union seeks to address by cooperation in internal security matters. But meeting citizens' concerns in matters of security must be balanced by protecting individual rights and freedoms - this is why the Union set itself in the Treaty of Amsterdam the objective of creating an area of freedom, justice and security, which was developed in detail at the Tampere European Council in 1999.

This area of freedom, justice and security goes well beyond issues of security and includes judicial cooperation in civil matters. Enlargement of the EU will offer benefits in these areas too. For example, it will make it easier for citizens to have recourse to civil courts in other member states to pursue matters related to their private life or their commercial interests.

In the area of security, the EU has adopted policies in the area of international judicial and police cooperation, as well as the common management of the EU's external border. The results include *Europol*, the purpose of which is to strengthen police and customs cooperation through the exchange and analysis of information and intelligence, and coordination of joint investigations, and *Eurojust*, which facilitates cooperation between prosecutors across Europe. Common rules on the definition of offences and minimum sanctions are being put in place for crimes such as trafficking in human beings and drugs, terrorist offences, cyber-crime, racism and xenophobia, so that there are no 'safe havens' for these criminal activities. The agreement on the European arrest warrant will simplify extradition procedures within the EU. Cooperation in anti-terrorist matters has been intensified following the events of 11 September 2001, and the future member states have fully associated themselves with the EU's plan of action to combat terrorism.

Illegal immigration

One of the public's concerns is illegal immigration. When political, economic and social conditions in countries encourage people to seek better opportunities elsewhere, organised crime adapts itself to supply the needs of this 'market'. Thus the trafficking of migrants - many of them not from the future member states, but arriving in the EU via those countries - by organised crime is a serious aspect of illegal migration, although it is difficult to calculate the number of migrants making use of traffickers. The high prices which migrants pay for the traffickers' services result in large criminal profits. Furthermore, the migrants are frequently exploited by traffickers into criminal activity, begging or prostitution, often to repay the cost of being smuggled. Trafficking of migrants by organised crime therefore has a criminal impact both on the societies in the countries through which they pass and on their destinations.

Illegal immigration can involve not only the smuggling of people, but also visa abuse (overstaying, working when not permitted), and bogus marriages or student

status. Many migrants lack legal status, but have no criminal connections. Illegal status, however, does reduce migrants' ability to use the banking system or have proper recourse to the legal system, with the result that there are increased incentives for petty crime. There are no simple solutions to these problems, which involve questions of law, social policy and human rights.

Well-managed external borders are one of the ways in which the EU combats illegal immigration and safeguards against other forms of criminal activity. The Schengen system involves the abolition of internal frontier controls on persons between the EU member states, with the exception of the United Kingdom and Ireland,⁹ so as to facilitate travel. To balance the removal of these controls, member states have put in place a series of measures at the external frontiers including common rules on crossings, checks and surveillance at the frontier and a common visa regime, as well as cooperation in the fight against crime and illegal immigration.

Much illegal immigration in Europe is unrelated to the EU's neighbours, and comes from countries that have experienced war or internal conflict. The Commission is seeking to address the conditions in the countries from which migration is occurring, to reduce the factors that lead to high levels of potential migrants seeking entry to the EU, and to integrate the management of migration into the EU's external policy.

The area of freedom, justice and security is a relatively new area of the EU's activity, and there remains a considerable gap between ambition and reality. Many issues relating to asylum, management of migration, external borders, and cooperation in police and judicial affairs require unanimous agreement in the Council, and the roles of the European Parliament and European Court of Justice are limited. Issues of justice and security are matters of political sensitivity, and national governments expect to have a full say in the development of policy. But the lack of political will, together with the unanimity rule, have delayed progress in, for example, areas of asylum and judicial cooperation.

What will enlargement change?

The enlargement process has improved the future members' ability to play their part in the security policies of the Union. The question of efficient border control has been continuously addressed in accession negotiations, and the future

9 Non-EU members Iceland and Norway are also members of the Schengen regime in order to retain the Nordic Free Travel Area.

members have accepted to impose a high level of external border control upon accession. Considerable funds have been available through the programme of pre-accession assistance for upgrading external frontiers, and training border police and judiciary. Technical assistance and twinning projects have also been used extensively in this area. Funds are available through the Commission's programme to improve border infrastructure in Russia and Ukraine. The new member states will achieve a level of border control similar to what exists for the current Schengen external borders. Substantial financial assistance for border security issues will continue after membership.

The new member states will not, however, take part in all aspects of the Schengen arrangement immediately on accession; the internal border controls will be lifted only when they have demonstrated that they meet all the requirements of the Schengen *acquis*. This will require the unanimous agreement of all member states which have already removed their internal border controls, and will be based on a series of detailed evaluation exercises. Both Greece and Italy had to upgrade their standards for several years before becoming full members of Schengen.

Thus, the enlargement of the Union strengthens its ability to combat crime and illegal migration. The Union will benefit from strengthened control of the borders of the new member states. In criminal law the policy of 'no safe havens for crime' will be extended to take in ten new countries. Police and judicial cooperation to investigate and prosecute crimes will be possible across a much larger area of jurisdiction. There is also the potential for better security cooperation with the countries beyond the new external frontiers, including Russia and the countries of the Western Balkans. The political stability and economic prosperity of the new member states will be increased through EU membership, which itself will contribute to the fight against international crime and illegal migration.

Will enlargement bring new problems?

First, the increasing diversity and number of members will increase the difficulty of reaching decisions in the process of creating the envisaged European area of freedom, security and justice, to meet citizens' demands for effective action against international crime and illegal immigration.

Although issues such as the harmonisation of criminal law and criminal law procedure are likely to remain sensitive for national governments, the EU needs to reform its arrangements for decision-making to reduce the scope of the unanimity rule, and to reinforce democratic scrutiny. The results of the Convention on the Future of Europe in this field will have a significant impact on the success of enlargement.

Second, cooperation in justice and security issues requires honest, efficient and skilled administration for the trust on which cooperation relies. The ability of the new member states to take an active role in European judicial cooperation will depend on their national capacities. Despite considerable and impressive reforms, a recent report¹⁰ has concluded that the new member states of Central and Eastern Europe cannot all yet guarantee a consistently independent, competent and accountable judicial process. This is of course an area where there are problems in the current member states, but the new member states' historical experience and legacy have brought particular problems.

Third, many of the new members have national or linguistic minorities, or Roma communities. The pre-accession process has obliged them to pay more attention to the rights of these various communities. Legal and institutional frameworks for the protection of minorities have been reinforced, and action plans to improve the situation of the Roma communities have been developed, including the implementation of anti-discrimination legislation in line with European law and guidance from the Council of Europe. In this way the enlargement process has reduced the risks of friction within societies, or even between countries, and contributed to improving security within the enlarged EU.

Environment

Both in the EU-15 and in the future member states questions are raised about the impact of enlargement on the environment. In the EU, public opinion is concerned about the environmental legacy of the communist era in Central and Eastern Europe. The future member states are concerned about the costs of complying with the EU's environmental legislation.

As a result of these concerns environment appeared initially as an 'enlargement problem'. But it has become clear that this is an area where the enlargement process yields substantial benefits. The prospect of EU membership has raised the profile of environment policies in the future member states. It has helped them to clean up polluted industrial areas, improve public health, reduce damage to forests, fields and fisheries, increase protection of natural habitats, and introduce safer and sounder waste management. Environmental investments and more modern technology will improve economic efficiency and productivity.

10 Open Society Institute, *Monitoring the EU Accession Process: Judicial Capacity*, Open Society Institute, Budapest, 2002.

The impact of enlargement

Following decades of environmental degradation in Central and Eastern Europe the popular demand for democracy in 1989 was partly motivated by environmental concerns. Over the past decade the future member states have dealt with many of these problems, using EU guidelines to introduce new legislation, strengthen institutional capacity and address issues of sustainable development in the context of their transition. As a result of the changeover from a planned economy to a market economy, much of their heavy industry has been reorganised and modernised, and energy efficiency has improved.

The start of the accession process gave a further impetus. The EU's environmental legislation requires the creation of environmental institutions, the development of country-specific solutions, and the mobilisation of funds for their implementation. All the future member states have joined the European Environment Agency. Modern and more efficient industries and less pollution will be beneficial both for the countries concerned and for other EU countries. The enlarged EU will be a growth market for environmental technologies that promote innovation and additional demand. In Cyprus and Malta the issues of waste management have been brought to the fore, and both countries have introduced legislation.

For most countries formerly under Communism, the centrally planned system resulted in large state-owned agro-industrial complexes employing many people, with little concern about the environmental impact. The need to comply with EU requirements has encouraged the new member states to give greater consideration to environmental issues in agriculture and rural development. The collapse of central planning, and lack of investment, has resulted, in many cases, in farming becoming organic. With demand for organic produce growing within the EU, this may be an opportunity for farmers in the future member states.

The future member states offer the enlarged Union a rich source of biodiversity, with natural parks, forests and protected landscape, unspoiled natural areas, and plant and animal species that are rare in Western Europe such as the bear, the bison, the lynx, etc. These assets will enrich the European environment and reduce pressures on local ecosystems.

Implementation and finance

Effective compliance with EU environmental standards requires administrative effort and massive investment, particularly for EU directives such as water management (urban wastewater and drinking water), dangerous substances in the aquatic environment, waste (landfills, waste incineration, waste packaging), air

quality, large combustion plants, integrated pollution prevention control, nature protection, and transport.

The bulk of investment will be needed in air pollution abatement, water and waste-water management, and the management and disposal of municipal and hazardous waste. The European Commission and the European Bank for Reconstruction and Development estimate the costs of implementing this legislation for all the future member states combined in a range from 80 to 110 billion euro. Most of the cost will have to be born nationally, although the EU and international financial institutions will provide some funds for co-financing.

To mitigate this impact the EU has allowed for transitional arrangements giving temporary exemption from the most difficult pieces of environmental legislation, where adjustment needs to be spread over time. This concerns approximately 15 directives out of a total of 149, for which there will be transitional periods mostly of less than 10 years. Transitional periods have not been allowed in the areas of: air, waste, water, impact assessment, nature protection (habitat, birds); the essentials of the single market (all product-related legislation); and new installations. This means that new investment in the future member states should comply fully with the EU's environmental standards, as almost all environmental legislation needs to be completed upon accession.

In brief, this is a field where the countries of Central and Eastern Europe are bringing their environmental standards up to EU levels, largely at their own expense, with positive benefits not only for their own citizens, but for other EU countries as well.

To ensure that these positive results are achieved, there will need to be effective monitoring of the implementation of EU rules, and a real effort to take account of the environment in other policies applied in the new member states, with the aim of sustainable economic development.

Nuclear safety

Within the enlarged EU member countries will remain free to choose the energy mix for their electricity supply, and can therefore choose the nuclear option. Of the ten future member states, five operate nuclear power plants. Over the past years the EU has demanded that they ensure a high level of nuclear safety in accordance with the approach adopted by the Group of Seven advanced industrialised countries. As a result of the enlargement process they have closed, or committed

themselves to close, dangerous nuclear power plants, or have upgraded them to strict safety standards.

But nuclear safety is not only a function of the design of the machine. It is the result of a comprehensive safety culture (effective and independent regulatory regimes, operating procedures, quality controls, modern management methods and training) that the EU is extending to the future member countries. Thus, enlargement will help improve nuclear safety in Europe.

Food standards

The importance of food safety issues in the present member states has been raised by recent crises such as the 'mad cow' disease, which is related to intensive farming practices which are less widespread in the future member countries. The EU launched a reform in 2000 that draws together all aspects of food safety throughout the whole food chain, from the hygiene provisions to the associated animal and plant health requirements. The objective is to deliver a high level of public health and consumer protection throughout the enlarged EU.

The future member states have accepted to apply all food safety rules, and to have appropriate control mechanisms in place. No exemptions have been allowed in the accession negotiations; food that does not meet full EU rules cannot be marketed in other member states. The objective is that EU enlargement should not in any way lead to the reduction of the present levels of food safety.

Enlargement will extend a common set of rules to the new members, thereby raising the overall level of safety. It thus will ensure that the new EU borders effectively guard against risks to public, plant and animal health in the enlarged EU. However, alignment to these rules is a demanding task for the future member states. The EU gives financial assistance, and the Commission is monitoring the situation as regards food safety to check that rules are properly applied.

Conclusion

In many areas of importance to citizens, enlargement is helping the EU to provide better standards of safety and security:

- ▶ it strengthens the ability of the EU to combat crime and illegal immigration by ensuring better cooperation and control of these problems in the future members;
- ▶ is raising the environmental standards of the future members, including their nuclear safety, with positive benefits for their citizens and for the EU as a whole;
- ▶ extends to them the EU rules for food safety.

But these benefits need to be strengthened and safeguarded through:

- ▶ a major step forward in the creation of the EU's area of freedom, justice and security, including a reform of the decision-making system
- ▶ closer cooperation and better action by member states and EU institutions to combat international crime and control immigration;
- ▶ the integration of environmental considerations in other policies;
- ▶ effective monitoring of the implementation of EU rules in present and future member states.



Despite the EU's economic weight, its political influence in world affairs remains weak. The need to complement its economic strength with political power is one of the main reasons for a common foreign and security policy. EU enlargement marks an opportunity for the EU to make this a reality.

The EU must also develop its relations with neighbouring countries, as its frontiers shift to the East, so that stability and prosperity are extended to the surrounding countries.

Foreign and security policy

The EU's common foreign and security policy was established as the second pillar of the European Union in 1993. Its goals involve safeguarding the common values, fundamental interests, independence and integrity of the Union in conformity with the principles of the United Nations Charter. This involves: strengthening the security of the Union; preserving peace and strengthening international security; promoting international co-operation; developing and consolidating democracy and the rule of law; and respect for human rights and fundamental freedoms. A number of important developments have taken place. A European security and defence policy is to be established within the overall framework, and in 2001 the EU declared it capable of conducting crisis management operations.

The member states have not, however, pooled their sovereignty in this area. Foreign and security policy is neither an exclusive EU competence nor an area of mixed EU-member state competence, but remains the responsibility of the

member states. At the EU level they co-ordinate their policies more closely and attempt to devise common strategies, reach common positions, and take joint actions on a wide range of issues. However, among the present member states, there are differences concerning the development of medium-and long-term policy aims in both foreign affairs and defence. Different views persist on the range of tasks to be performed, as well as on their geographic scope.

The future member states' perception of threats and security interests differ from the existing member states, most of which have been members of NATO, while others, with a tradition of non-alignment, have remained outside it. For the states of Central and Eastern Europe the experience of Soviet domination colours their perception of security affairs. After the end of the Warsaw Pact, they turned to the Atlantic Alliance, as well as to the EU, for security; and in 1999 three of them (Poland, Hungary, Czech Republic) joined NATO, and the others are likely to join in 2004.

Although the EU has laid the foundations for a foreign and security policy, its achievements have been modest. The EU's weakness was exposed in Bosnia and Kosovo, where it could not prevent conflict, and came too late to the challenge of bringing the warring parties to conclude a lasting peace. The EU's inadequacy has been exposed even more brutally in the international crisis concerning Iraq, in which EU members have been deeply and publicly divided. In this key question of foreign affairs, the EU as such has been absent, although individual member states have played major roles. The failure to have an in-depth discussion of the problem within the EU's institutional framework for foreign and security policy was a symptom of the lack of political will among member states to create a European position. The future member states of Central and Eastern Europe cannot be blamed for this situation.

International economic relations

With a population of 375 million and a GDP of more than 8000 billion euro the EU is a leading global actor. It accounts for more than a fifth of global trade. It is the world's leading exporter of goods and services and a major source of foreign direct investment, as well as the main export market for more than 130 countries around the world. It has the largest integrated market in the global economy and the world's second reserve currency. Since trade relations are a competence of the EU, the Commission negotiates on most trade issues on member states' behalf in the World Trade Organisation and in interregional and bilateral trade negotiations.

The guiding principles of the EU's trade policy are its contribution to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers. Its strategy is to open up its market for most international trade, excluding amongst others agriculture, while others do likewise. The value of exports from developing countries to the EU has been rising steadily (52 % in 2000) and the EU is the biggest importer of goods from the 49 least developed countries. It has developed a network of institutionalised multilateral, interregional, and bilateral trading relationships, involving almost every country in the world.

The basis for the EU's development policy rests on trade-and-aid agreements and the economic co-operation and partnership agreements between the EU and seventy one African, Caribbean, and Pacific countries. The EU also has been a major provider of international development assistance, ranging from food aid to technical support to financial donations.

Enlargement will increase the EU's population to 450 million people and add to its economic weight in terms of GDP and trade. It will become the biggest economic bloc in the world with the largest single market thus surpassing the US. This should provide greater influence for the EU in global economic negotiations and bargaining, ranging from trade negotiations, international monetary and financial reforms and the G8 process to regional economic concerns. All the new member states are part of the WTO and the major international financial institutions. Poland, Hungary, the Czech and Slovak Republics are members of the OECD. Their membership of international institutions will allow the EU to speak with a stronger voice in economic, financial, and commercial policy.

Moreover, the future member states' rapid transition towards a market economy and their experience of international economic integration will provide the EU with valuable insights when dealing with the developing countries.

Neighbourhood policy

At the next enlargement, the external frontiers of the EU will shift more than 500 km to East. The EU will acquire a new border with five states (Croatia, Serbia, Romania, Ukraine, Belarus), it will extend its border with Russia, of which it will enclose a part (Kaliningrad), and it will acquire new presences in the Eastern Mediterranean (Cyprus) and the Southern Mediterranean (Malta).

All of the neighbouring countries in the Balkans and East European region have a low level of economic development - lower than the new members which join

the EU in 2004 - and many of them are not yet anchored in democracy, political stability and market economy. The arrival of the enlarged EU at their borders is already creating problems because of the need for the new members to apply effective frontier controls as they prepare to join the EU's area of free movement for goods and persons. There is a risk of a new 'curtain' being erected further East and South in Europe, between rich and poor countries.

Relations with the 'new neighbours' will become a important challenge as the EU expands. It needs to develop a neighbourhood policy that spreads prosperity and good governance to the surrounding countries, to create a 'ring' of stability and safety.

The EU has already developed an array of instruments for its neighbourhood policy, including the European Economic Area, Stabilisation and Association Agreements and Partnership and Cooperation Agreements. These models should be developed in a way that promotes prosperity, stability, and good governance, on the basis of shared values. In return for concrete progress in political, economic and institutional reforms, they could obtain better access to the EU's single market, with further integration and liberalisation to promote the free movement of persons, goods, services and capital. Other fields of cooperation could include: intensified cooperation to combat security threats; involvement in conflict prevention; transport, energy and telecommunication networks; and European research.

The EU's assistance to these countries should be coordinated with that of other international organisations, and should facilitate trans-border cooperation.

The positive results of the present round of enlargement show that stability and security can be achieved very effectively by means of the extension of the EU. The prospect of EU accession – through the 'conditionality' of the criteria for membership - has been extraordinarily successful in Central and Eastern Europe in driving political and economic reforms. But this process cannot be extended indefinitely. The EU cannot simply accept every neighbouring country that wishes to join, on the logic that enlargement brings peace and prosperity. This logic is ultimately in contradiction with the logic of cohesion.

The question of future EU enlargement needs therefore to be situated in the framework of a broader 'neighbourhood policy' (or 'proximity policy') of the enlarged EU. It should:

- ▶ insist on satisfactory preparation for membership by those countries which may join the EU in coming years;

- ▶ develop its partnership with all the neighbouring countries, whether they will join or not.

The enlargement process with Bulgaria, Romania and Turkey will continue. The EU has declared this process to be irreversible, and all three have made efforts in preparation for membership. Bulgaria (population 8 million) has made better progress with economic reforms than Romania (22 million); both hope to join in 2007, an objective which the EU has endorsed, on condition that they comply with the criteria. The EU has increased its financial assistance to them to prepare for membership. Turkey (65 million) presents more difficult problems, since it does not yet fulfil the political criteria for membership, including human rights and protection of minorities.

The five countries of the Western Balkans (with a total population of 25 million) lag behind the countries of Central and Eastern Europe. Although their individual situations are different, most of them are still trying to establish the basic democratic institutions necessary to function as normal states. Some are still under the supervision of the international community after the wars that followed the break-up of Yugoslavia. The EU needs to define a better strategy for their development. In return for confirmation of their prospect of membership, they should subscribe to a programme of domestic reforms, to be monitored by the EU, as the first milestones on their way to membership. There can be no question of promising a date for accession, since that must depend on their own efforts to achieve normal functioning as states, to pursue the Stabilisation and Association process, and to fulfil the Copenhagen criteria. The 'conditionality' of EU membership should be used to bring stability and prosperity; the costs will be small compared with the risks if conflict were to break out again in the region.

A neighbourhood policy of this kind needs the full involvement of the ten future members. The interaction of EU-25 with its future neighbours will, in fact, depend largely on the new countries, who know their neighbours better than do the existing members. They will bring into the EU a valuable experience in the political, diplomatic and commercial fields, through their knowledge of their neighbours, including the knowledge of their languages. This is true, for example, of their experience of Russia, the EU's biggest neighbour, with which the EU will be obliged to develop closer political and economic links as a result of enlargement.

Will the new members be in favour of continued expansion of the EU? They will surely wish to extend stability and prosperity to their neighbours, and even to shift the EU's external frontiers progressively further away from themselves, where that is possible. However, they may not wish to give priority to financial assistance for neighbours as long as they have large needs themselves for assistance from

EU funds. The risk that the first years of integration of the new countries into the EU will bring 'enlargement fatigue' makes it all the more desirable to define the right approach to future expansion in the framework of a neighbourhood policy for EU-25.

Conclusion

The EU is already a leading actor in the field of international economic relations, and enlargement to 25 members will enhance its influence. In foreign affairs, security and defence, it has made some progress in developing common actions, but in a key issue of foreign policy today - Iraq - the EU has been totally absent.

Europe is economically strong but politically weak. With the prospect of enlargement:

- ▶ we should reflect urgently on the need to rebuild a genuine common foreign policy, with the intention of speaking with a single voice;
- ▶ the Convention on the Future of Europe should lead to improvement in the EU's external representation.

Enlargement is, in fact, the EU's most successful act of foreign policy, and as it expands, its relations with its new neighbours will be important. The EU should:

- ▶ develop better forms of partnership with surrounding countries, whether they join the EU or not;
- ▶ continue the enlargement process with Bulgaria, Romania and Turkey, and use the prospect of EU membership as a catalyst for change in the countries of the Western Balkans;
- ▶ insist on satisfactory preparation for membership by these countries, including the respect of the EU's political and other criteria.



Enlargement poses the fundamental question: how can decisions be taken, and policies developed, in a Union of so many members?

Never in its existence has the EU accepted so many new members at the same time. Since its first enlargement, it has added nine new members over a period of 30 years: now it plans to accept ten, and others will follow. Although the next round of enlargement means an increase of only a fifth in the EU's population, there will be ten new countries represented in the institutions.

The integration of Europe is happening at a rapid pace, which is at the same time too slow. For the challenges that Europe faces - its economic competitiveness, its internal security, its need for a political role in the world - cooperation is too weak and the results are often meagre. But the EU of 2003 is already different from the EU of the 1990s: national sovereignty is being shared in fields such as justice and home affairs, and cooperation has begun on security and defence. The European Union is on the way to becoming a political union. This is demonstrated by the fact that its democratic legitimacy is now being questioned. Questions of identity, governance and legitimacy are at the heart of the Convention on the Future of Europe.

The questions which enlargement poses go deeper than governance, or the mechanisms for decision-making. For Europeans to take decisions together on common policies implies a common understanding of the European interest, and a will to cooperate and act together. This touches on questions of interest and identity, at the European level and at the national level.

Questions of identity

With its extension to 25 and later more members, the EU will embrace widely different peoples, languages and culture. What effects can this have on the local and national identities of its citizens? What kind of European identity is possible with such a diverse group of countries? How can they act together? Will the identity of smaller countries be submerged by the EU, or by their neighbours?

These 'existential' problems are not limited to intellectual elites. They are at the heart of some of the basic questions asked by ordinary citizens confronted by the prospect of an enlarging EU. Moreover, they come in a period when mobility and migration have led to an increasingly diverse society in Europe, including immigrants from non-European countries. The question of society's attitudes to 'strangers' and 'others' - assimilation, integration, exclusion - is widely posed in Europe, independently of the EU's enlargement.

Answers to some of these questions are given by past experience of the process of economic and political integration in the EU. National and regional identities have not been diminished; in some member states, regional identities have emerged more clearly, a process which has been facilitated by the wider European framework.

The new members wish to be treated as equal partners. In the EU's decision-making structures they will have the same rights as other members - there will be no 'second-class status' for the newcomers. Fears of erosion of their national sovereignty - which some of them have only recently regained - are not justified: in fact, they will enhance their sovereignty by sharing it within a European framework. Their relations with their bigger neighbours in the EU will be governed by law, rather than by force as was the case too often in the historic past.

The method of integration adopted by the EU - the Community method - has permitted the harmonious cooperation of small and big countries. The EU institutions, designed originally for a Community of three bigger countries and three smaller ones, have successfully conciliated the interests of countries of different sizes. Indeed, the extraordinary success of the 'Community method' has been to provide a model which reassures smaller countries that their interests will not be overridden by their bigger neighbours, without frustrating the interests of the latter.

This success has been based on a balanced representation within the institutions - for example, the distribution of votes and seats in the Council and Parliament gives the smaller countries a larger share in relation to their population than the bigger countries - and a balance between the institutions - including the

unique role of the Commission as promoter of the European interest, initiator of action, and guardian of the law.

The next enlargement will bring in many smaller countries. This change will require an effort of comprehension, by bigger and smaller states alike, to avoid the risk of tension or confrontation.

The acceptance of diversity has been one of the cardinal principles of European integration. In the field of culture, for example, the EU's actions have been limited to the encouragement of diversity. There has never been a project to develop a standardised 'European culture'. The EU's acceptance of diversity and multiculturalism is illustrated by its treatment of languages. The official languages of the original members, and of each new arrival, are accepted and respected by the EU institutions. The cost of interpretations and translation - currently in eleven languages, in future with the languages of each of the new members - is accepted as necessary and desirable for the functioning of a democratic, accessible and transparent system.

At the same time, European integration has been accompanied by an increasing emphasis on shared principles and values. In fact, the present round of enlargement gave an impetus to that development when at Copenhagen in 1993 the EU's leaders defined the 'political' criterion for membership - the need for democracy, rule of law, human rights, and protection of minorities. At Amsterdam in 1997 they introduced the principle of democracy into the basic Treaty, and the Convention on the Future of Europe is expected to go much further in the direction of defining the principles and values of the EU.

What can be said of the consequences of the arrival of the new members for questions of identity and culture within the EU?

Evidently they will bring with them wide differences. But the perception of these differences tends to be distorted in Western Europe by the experience of the post-war period when the political division of Europe created an artificial barrier between East and West. In reality, a visitor to the capitals of the Central and East European countries observes more similarities than differences. These countries shared since the Middle Ages in the interplay of cultural influences in continental Europe, and formed part of different administrative and political groups that have existed in Europe in successive centuries. The experience of separation by the Iron Curtain was a temporary aberration.

The new members have a rich cultural heritage to share with other Europeans. In fields such as art, architecture, music, cinema, literature, their contribution to European culture is widely understood and appreciated in the existing EU members.

As far as values and ideas are concerned, the new members desire to participate fully in the construction of European policies and political identity. For many years, 'Europe' was for Central and East Europeans the symbol of liberties and values which they wished to regain. Moreover, as countries too often dominated by bigger neighbours, they understand the advantage of working within a collective European framework. It is true that the wide economic gap between them and the EU can be a handicap to their full participation in some European policies. But although they may lack the economic means, they have the political will.

What can be done to encourage a greater sense of unity within the enlarged EU, while respecting the diversity of its peoples? The task will require effort and courage by Europe's political leaders. It needs a well-informed and balanced press and media, willing to understand and explain the European dimension as well as the national positions to Europe's citizens. What can the EU itself do to assist?

Since the most important means for developing a sense of Europe is better mutual understanding among its peoples, there should be a greater effort by the EU and national governments to promote exchanges of people, from different parts of society, between the countries of the enlarged EU. Citizens in the current EU generally have a poor knowledge of the new members. Younger people especially should be encouraged to visit and study in other European countries, and to profit from work experience abroad. European university networks should be strengthened.

Reform of the EU institutions

Even without enlargement, the EU needs institutional reform so that its governance is brought closer to its citizens. People want the European institutions to be more efficient and open to democratic scrutiny.

Institutional reform is also a key question prompted by enlargement. In addition to the criteria for new members - the three 'Copenhagen criteria' - the EU laid down in 1993 a fourth criterion for enlargement: the Union's own capacity to absorb new members, while maintaining the momentum of European integration. That is why the process began that led to the Treaty of Nice in 2001. The institutional reforms decided at Nice were a bare minimum: an 'arithmetical' revision of

the numbers of votes and seats in the EU institutions, rather than a fundamental review of the system. The truth is that, having encouraged the new members to make maximum efforts to prepare themselves for membership, the Union has not yet prepared itself sufficiently in the crucial area of its institutions and its constitution.

This realisation led to the setting up in 2002 of the Convention on the Future of Europe: a new experiment on the part of the EU to review its functioning by means of a process going wider than the traditional intergovernmental method, and including representatives of the countries that have applied for membership. Beginning with four important questions - the role of national parliaments, the simplification of the Treaties, the Charter of Fundamental Rights, and the delimitation of powers between the EU and member states - the Convention has broadened the scope of its work to encompass the drafting of a new constitution for the EU.

It is not the object of this report to add to the many proposals and recommendations under discussion in the Convention, which already takes account of the enlarged EU. The future member states are involved in the Convention, and will be called upon later to ratify its results. What this report underlines is the necessity and urgency for a successful preparation of the coming enlargement through clear recommendations from the Convention, consequent decisions by the Intergovernmental Conference that will follow it, and rapid ratification by all members of the enlarged EU.

A European constitution, with better decision-making and democratic legitimacy, making the EU more effective and nearer to citizens, is urgently needed. Among the reforms it will be essential to include:

- ▶ an extension of majority voting in the Council, to permit the future development of EU policies;
- ▶ a strengthening of the 'Community method' and respect for the institutional balance.

The Convention cannot prepare everything that will be needed for enlargement. Its role is not to reform the policies of the wider EU, but to improve its organisation, methods and constitution. It needs to redefine how the EU decides and acts, rather than to prescribe what those actions and decisions should be. But a satisfactory reply to this question of 'how' - to the institutional and constitutional problems of European governance - is crucial for the success of the coming enlargement.

Better implementation of policies

Another challenge is to ensure that European rules and policies are well implemented in the enlarged EU.

For the future member states, the effective application of EU rules has been a central theme of pre-accession preparation: in fact, it has been the key 'admission test' for their membership. The EU has repeatedly insisted on the capacity for good implementation of its rules and policies (the *acquis*) as an essential requirement. In preceding enlargements, this question of administrative capacity did not arise. However, with the Central and East European applicant countries, whose public administrations were weakened in the Communist period, it has been a matter of concern because of the need for mutual trust between member states to permit the proper functioning of the EU system, particularly the frontier-free single market.

Much still needs to be done to improve their public administrations, so that as members they can apply European rules and standards in a fair and effective way. Since 1997 the Commission has monitored their progress, issuing reports each year, and highlighting the areas where improvement is needed. Financial assistance for improving new administrations and legal systems has been given by the EU. This amounted to around 1 billion euro in 2002, and special aid will continue to be available to the new members after accession. Many problems still remain to be solved by the future members, including the need for well-trained (and adequately compensated) public servants, reform of the judicial system to permit effective recourse to the courts, and measures to combat corruption.

For the present member states, the question of implementation is also posed, although for different reasons. With the reduction of EU legislative activity in a number of fields, and the successful extension of EU policies in other areas such as the environment, the focus of attention has turned from creating laws to applying them.

The governments of existing members need to make improvements in their implementation of EU law. Late transposition, bad transposition, and weak enforcement of laws contribute to the public impression of a Union which fails to deliver. For example, the Commission reported that of 83 Directives approved by the Council related to the single market, which should have been transposed in 2000,

only 5 had effectively been transposed in all member states. Corruption too, is a problem that affects the present member states. In fact, surveys suggest that in some member states (Greece, Italy) the situation is perceived to be worse than in some of the future members.¹¹

Conclusion

Acting together in Europe requires an effort on the part of Europeans to understand each other better, to identify common interests, and to combat the fear that a bigger EU could mean a loss of identity.

Enlargement gives the need, and the occasion to 'upgrade' the EU's system of governance. The EU is caught between the challenges posed by the fast-changing international reality and the need for better governance and enhanced democratic legitimacy. Making the connection between the challenges and the need for better governance can lead to the breakthrough that a truly political Union requires.

That is why we need:

- ▶ A constitutional text from the Convention on the Future of Europe that is clear and comprehensible. Its reforms must include the extension of majority voting, the strengthening of the Community method, and respect for the institutional balance.
- ▶ Improved implementation of EU rules and policies by new members an existing members alike.
- ▶ More to promote understanding between citizens, including exchanges of people; work experience and study by young people in the other EU countries; and strengthening of European university networks.

11 R. Hodess (ed.), *Global Corruption Report 2003*, Transparency International, Berlin, 2003.



ANNEXES

Meetings and Participants

1 – Workshops at European University Institute

The following persons took part in a series of ‘workshops’ on enlargement of the EU chaired by Wim Kok at the European University Institute, Florence on January 9-10, February 8-9, and February 18-19, 2003 (the number of meetings which they attended is indicated in brackets).

While the responsibility for the resulting report rests entirely with the chairman, the participants in these workshops provided invaluable information, ideas and advice.

Judy Batt – University of Birmingham (1)

Christoph Bertram – Research Institute of Stiftung Wissenschaft und Politik, Berlin (2)

Walter Botschatzki – Vice-President of the German Employers’ Federation (1)

Ian Clark – DG for Environment, European Commission (1)

Franklin Dehousse – Royal Institute for International Relations, Brussels (1)

Fernando Fernandez – Universidad Europea de Madrid (1)

Heather Grabbe – Centre for European Reform, London (2)

Andras Inotai – Institute for World Economics, Budapest (2)

Athanassia Ioannou – General Secretariat for Greeks Abroad, Athens (1)

- Alexander Italianer – DG for Economic and Financial Affairs, European Commission (1)
- Josef Janning – Bertelsmann Foundation, Gütersloh, Germany (1)
- Marjorie Jouen – Notre Europe, Paris (1)
- Bengt O. Karlsson – Former Director, Ministry of Finance, Sweden (1)
- Françoise de La Serre – Director of Research - Centre d'Etudes et de Recherches Internationales, Paris (1)
- Delia Meth-Cohn – Economist Corporate Network, Vienna (1)
- Jacques Pelkmans – College of Europe, Bruges (1)
- Wanda Rapaczynski – President of Agora, Warsaw (1)
- Olli Rehn – Centre for European Studies, University of Helsinki (2)
- Janusz Reiter – Centre for International Relations, Warsaw (1)
- Mara Silina – European Environmental Bureau, Brussels (1)
- Richard Sinnott – Institute for the Study of Social Change, University College, Dublin (1)
- Michelle Sutton – DG for Justice and Home Affairs, European Commission (1)
- John Vassallo – Director of European Affairs, GE Europe, Brussels (1)
- Fritz Verzetnitsch – President of European Trade Union Confederation (1)
- William Wallace – London School of Economics (2)
- John Wyles – GPlus Europe, Brussels (1)



- Joost Klarenbeek – Ministry of Foreign Affairs, Den Haag (2)
- Dave van den Nieuwenhof – Ministry of Foreign Affairs, Den Haag (1)
- Alain Servantie – DG for Enlargement, European Commission, Brussels (3)



- Graham Avery – Fellow, Robert Schuman Centre for Advanced Studies, European University Institute (3)
- Giuseppe Bertola – Professor, European University Institute (1)
- Michael Keating – Professor, European University Institute (1)
- Alina Mungiu-Pippidi – Fellow, European University Institute (1)

Will Phelan – Research Assistant, European University Institute (3)
 Rick van der Ploeg – Professor, European University Institute (2)
 Wojciech Sadurski – Professor, European University Institute (1)
 Anna Triandafyllidou – Project Director, European University Institute (1)
 Wim Van Aken – Research Assistant, European University Institute (3)
 Helen Wallace – Director, Robert Schuman Centre for Advanced Studies, European University Institute (3)
 Jan Zielonka – Professor, European University Institute (3)

2 – Consultation with Non-Governmental Organisations

The following persons participated in a meeting chaired by Wim Kok in Brussels on March 6, 2003:

Amnesty International, EU Association: Dick Oosting
 Association of European Airlines - AEA: Ulrich Schulte-Strathaus
 Association of European Chambers of Commerce and Industry - Eurochambres:
 Paul Skehan, Julie Hetsens
 Association of European Public Postal Operators - POSTEUROP:
 Johannes Martin Pouw
 Association of Voluntary Service Organisations - AVSO: Jana Hainsworth
 Banking Federation of the European Union: Nikolaus Boemke
 Caritas Europa: Marius Wanders, Jacqueline Tordoir
 Church and Society Commission of the Conference of European Churches:
 Peter Pavlovic
 Churches' Commission for Migrants in Europe - CCME: Arrien Kruyt
 Confédération Européenne des Cadres - CEC: Michel Baudoux
 Confederation of the Food and Drink Industries of the EU - CIAA: Jean Martin
 Comité des Organisations Professionnelles Aricoles de l'UE, Comité Général de la
 Coopération Agricole de l'UE - COPA/COGECA: Dimitri Barua
 Comité européen des Assurances - CEA: Susanne Czech
 Conseil Européen des Professions Libérales - CEPLIS: Frédéric Destrebecq
 Coordination Committee of European Cooperative Associations - CCACE:
 Bruno Roelants

Eurocities: Bilyana Raeva

European Consumers Organisation - BEUC: Willemien Bax

European Environmental Bureau - EEB: John Hontelez

European Round Table - ERT: Jean Martin

European Trade Union Confederation - ETUC: Grigor Gradev

Fédération Internationale des Ligues des Droits de l'Homme, Association
Européenne pour la Défense des Droits de l'Homme - FIDH-AE: Cécile Coyez

Federation of European Direct Marketing - FEDMA: Alistair Tempest

Federation of European Securities Exchanges - FESE: Paul Arlman

Fellowship of European Broadcasters - FEB: Ger de Ridder

Social Platform - Platform of European Social NGOs: Gordon Deuchars

Standing Committee of European Doctors - CPME: Engwirda Tiddens

Union of Industrial and Employers' Confederations of Europe - UNICE:
Monique Julien

3 – Visits to future member states

Wim Kok visited Prague on 24 February 2003 to give a speech at a conference on EU enlargement organized by the Italian Institute of Culture in collaboration with Charles University and the Prague School of Economics. He met with Czech politicians and opinion leaders, and with the press.

On February 25th, he visited Liberec, in the former Sudeten area of the Czech Republic, near Poland and Germany, to participate in a Europe Day organised by the Delegation of the European Commission. It included a round-table discussion with local and regional leaders from Poland, Germany and the Czech Republic, a discussion with students from these countries, and a general public debate. He also met the press.

He visited Budapest on March 11th to give a lecture to the Hungarian Foundation on European Studies ('Europe 2002'). He had meetings with politicians and other Hungarian opinion leaders, and met with the press.

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