The Enlargement of the European Union
Economic and institutional aspects

Seville, 28 and 29 October 2002

Who's Afraid of the Big Enlargement?

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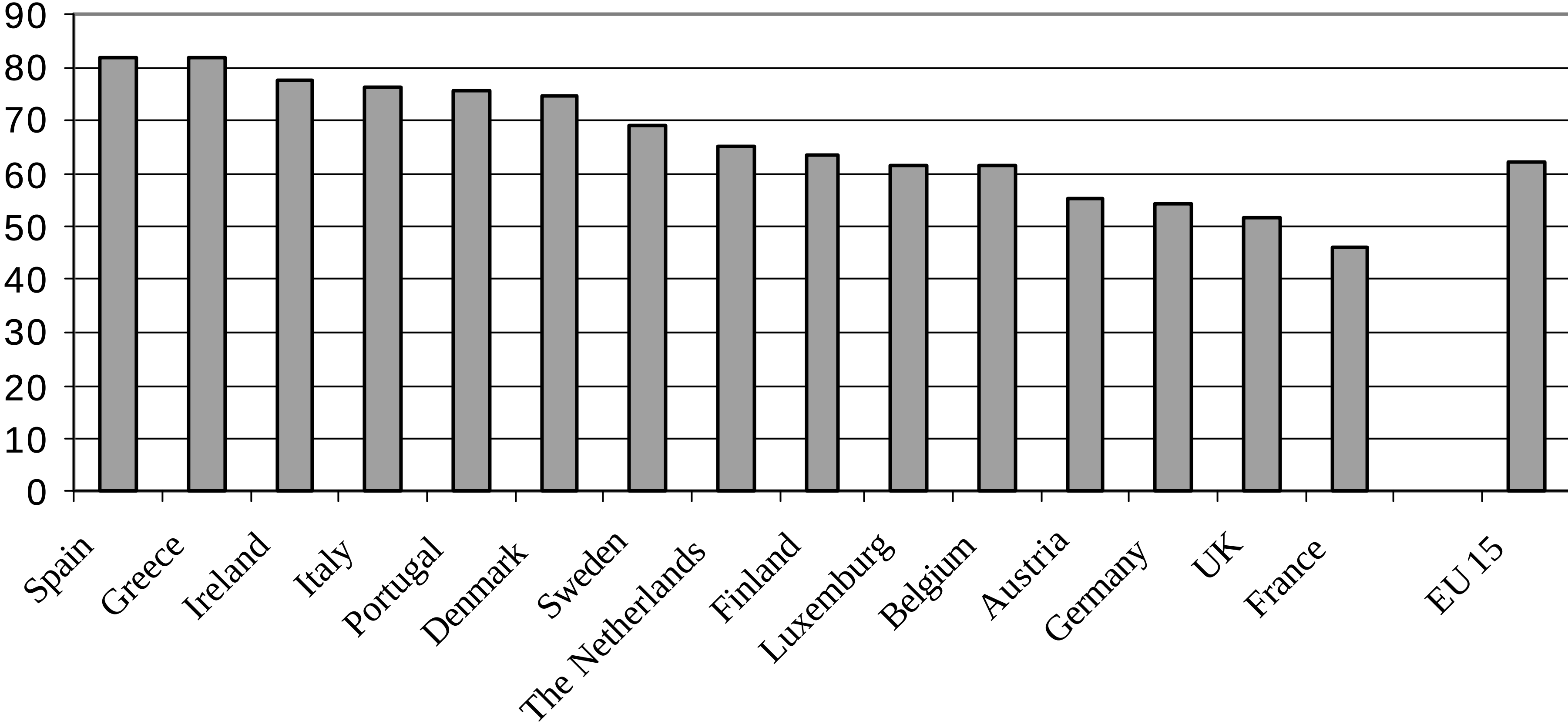
Public Support to Enlargement

Spring 2002 Eurobarometer

- 50% of EU citizens in favour, 30% against
- 21% for unlimited support (*any* country in) and 21 against *any* enlargement
- 40% for limited enlargement
- 41% for QMV after enlargement, 33% for keeping unanimity

Percentage of Citizens __________ the EU Enlargement

(Spring 2002 Eurobarometer survey, valid votes only)



However

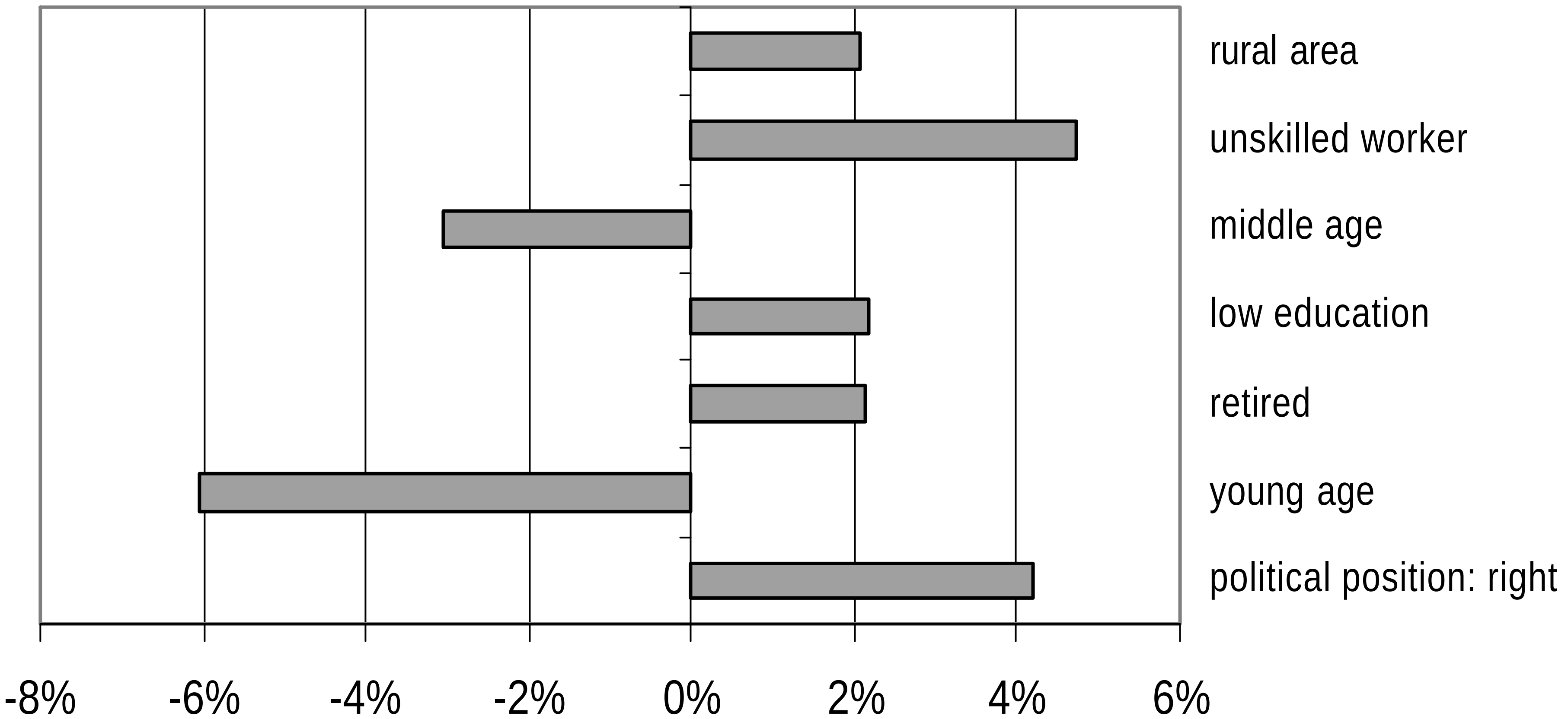
Citizens uninformed:

- many “don’t know”, only 21% feel well informed about Enlargement
- more than 50% does not know who will be the New Members
- when asked specifically majority against Slovakia,Estonia,Latvia,Lithuania,Bulgaria, Slovenia,Romania and Turkey

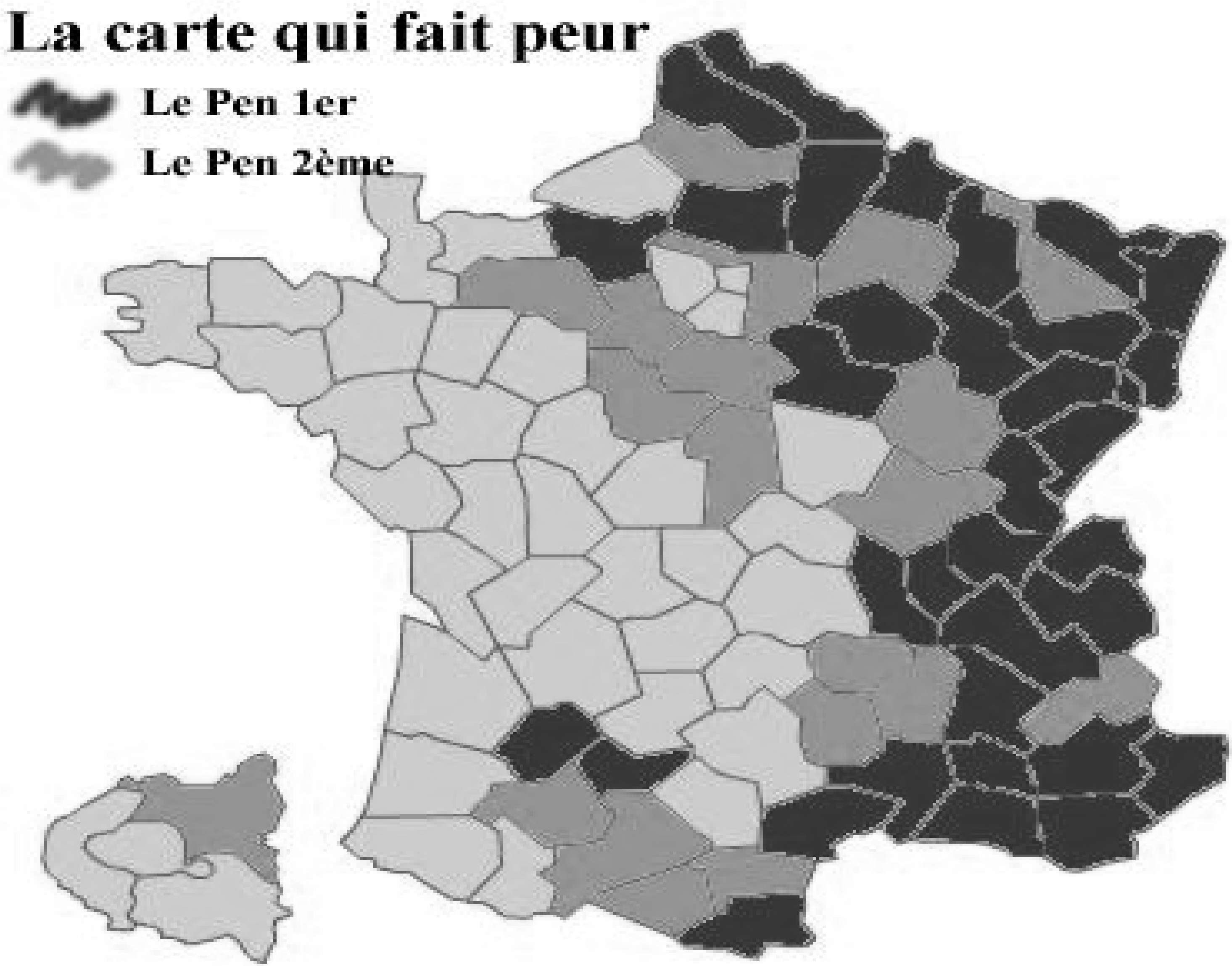
Outline: WWW

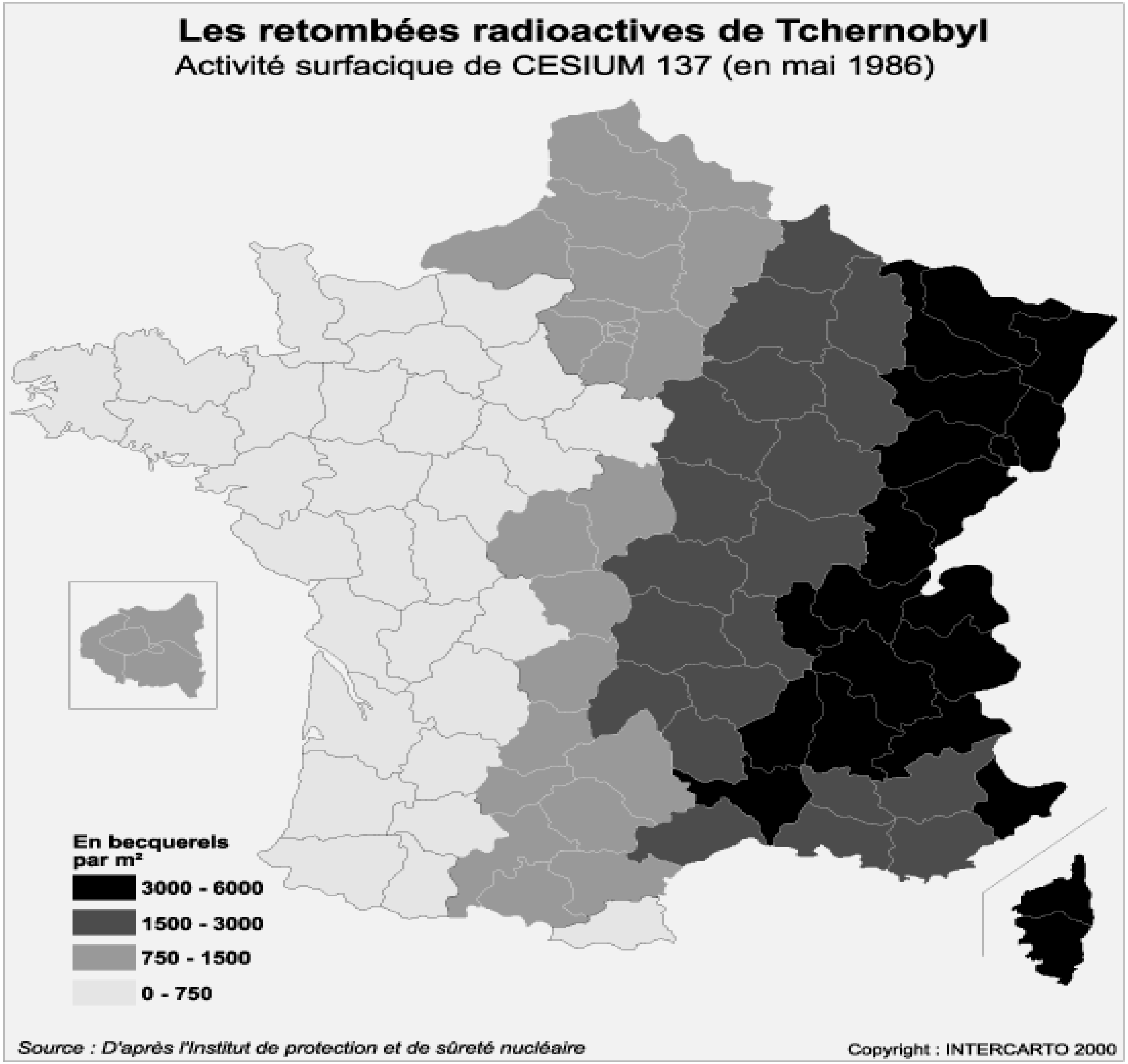
- **W**ho’s afraid of the Enlargement?
- **W**hy are they afraid?
- **W**hat can be done to cope with these anxieties?
  - Migration policies
  - Social policy reforms
  - Structural funds

WHO? Personal characteristics and attitudes towards EU enlargement



Le Pen voters have the same characteristics





Les retombées radioactives de Tchernobyl
Activité surfacique de CESIUM 137 (en mai 1986)
En becquerels par m²
3000 - 6000
1500 - 3000
750 - 1500
0 - 750
Source : D'après l'Institut de protection et de sûreté nucléaire
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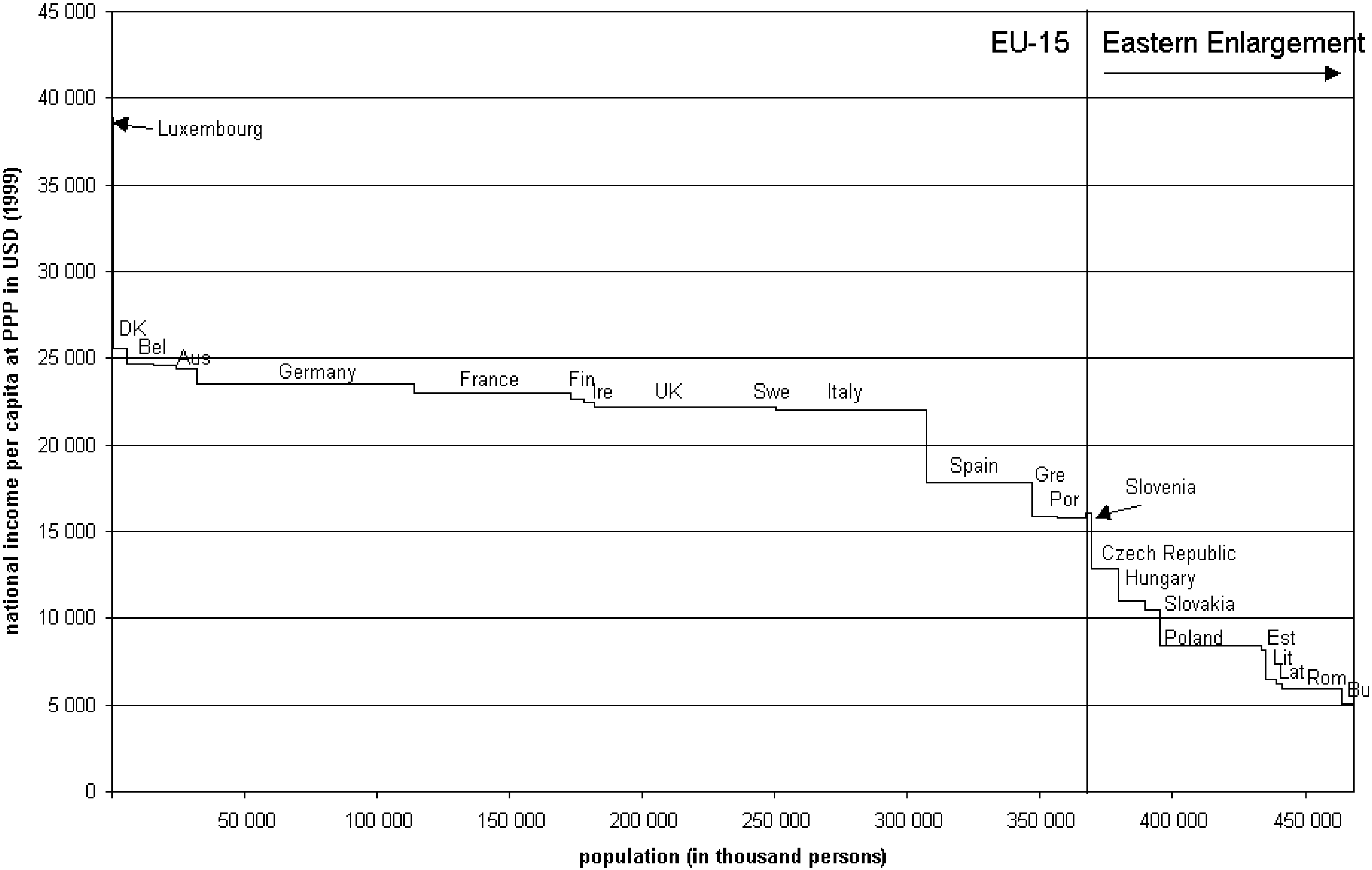
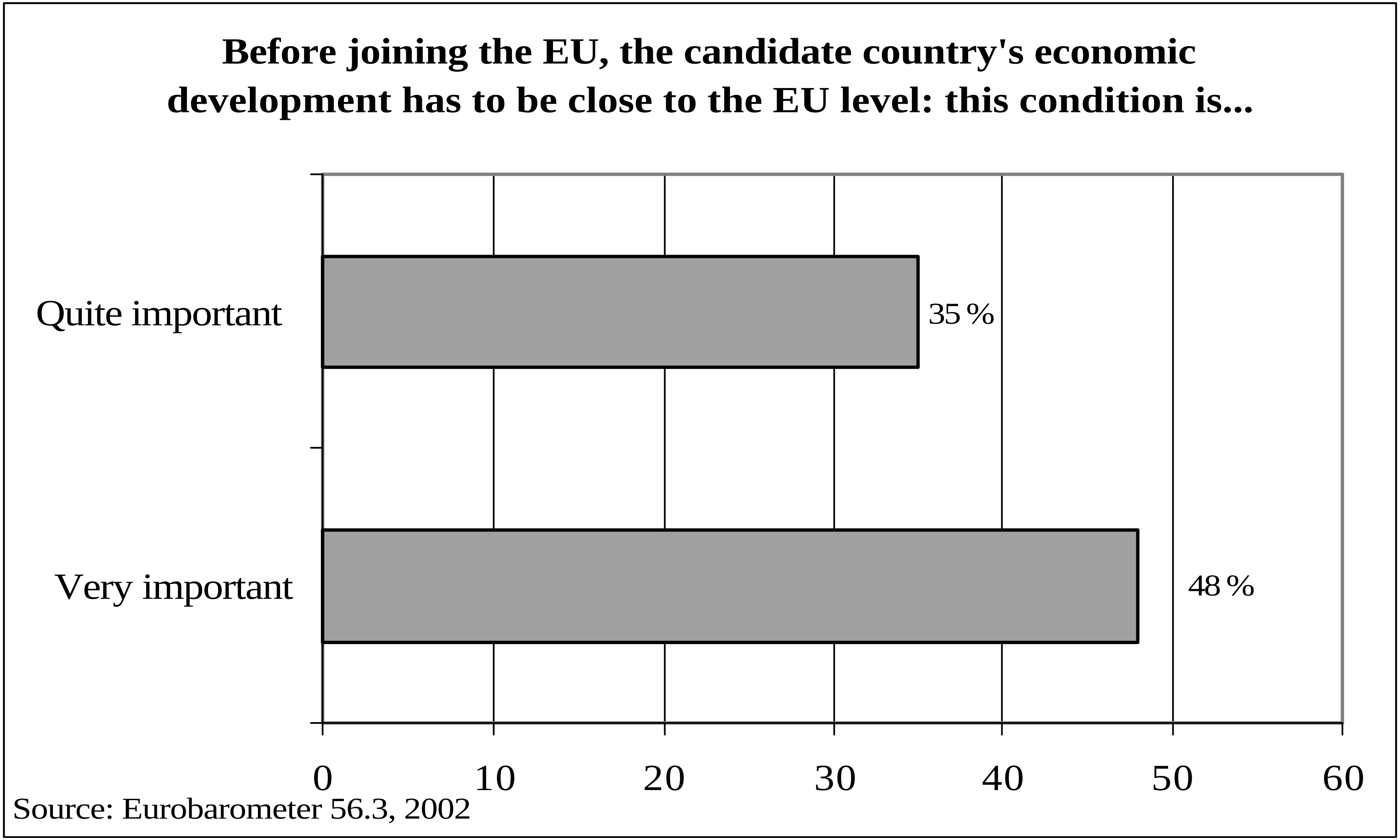
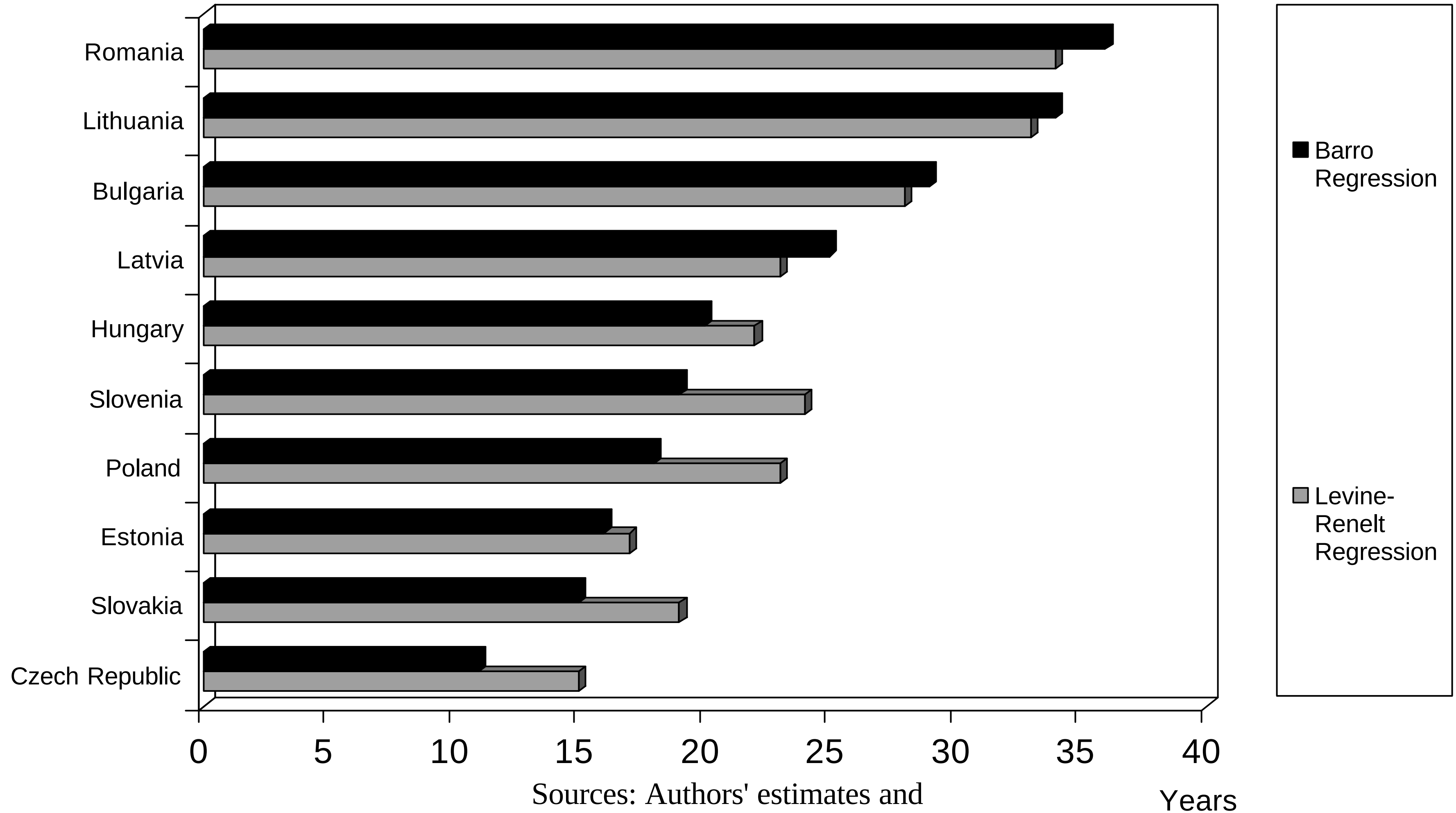
Why Afraid?
Large income gaps *and* populations



better to wait for income convergence



but convergence is a long-term business
(years required for convergence to low-income EU)

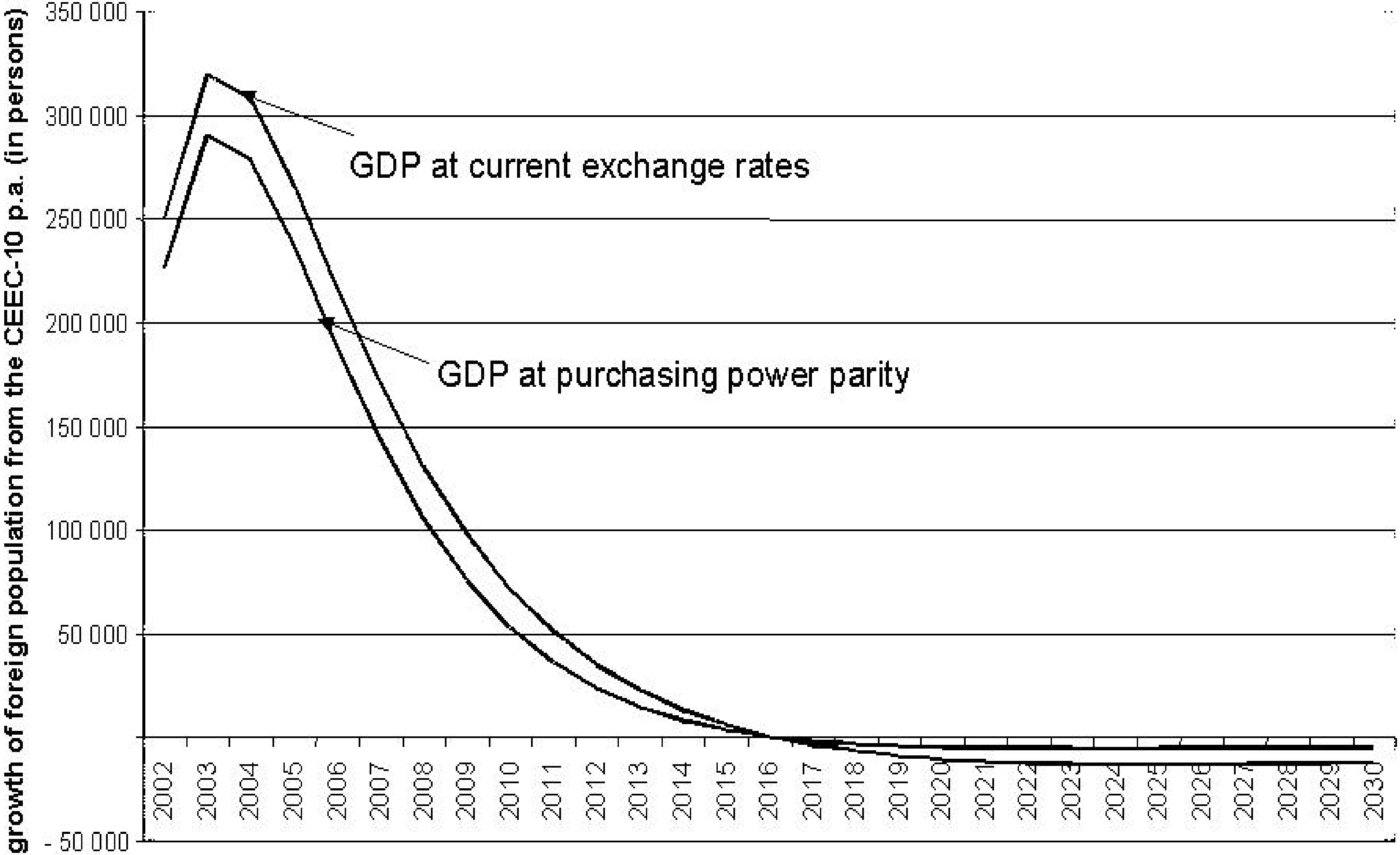


Sources: Authors' estimates and calculations.

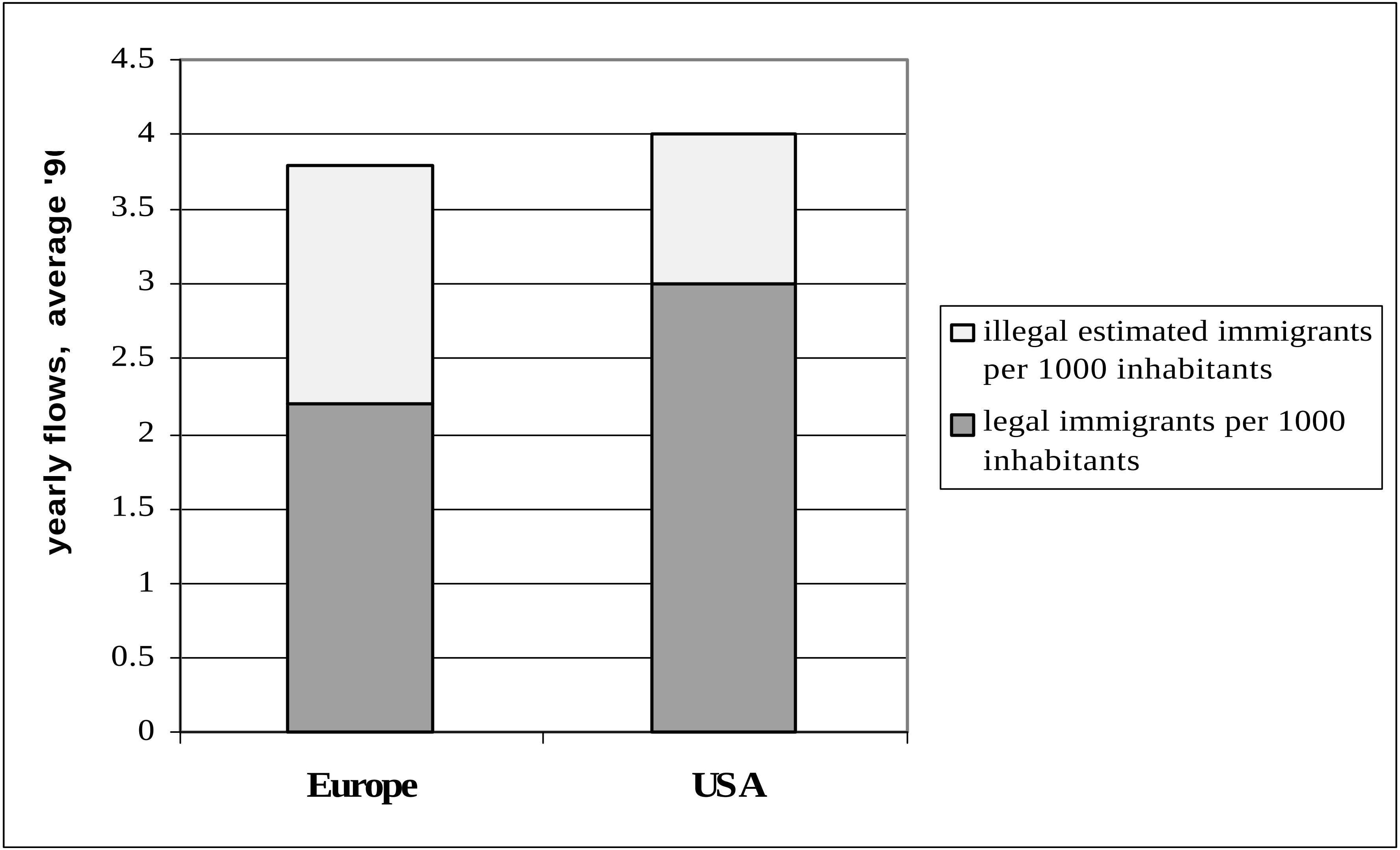
What to do?

- Make sure that perceived benefits of accession exceed perceived costs for *each* EU citizen
- This requires:
  - EU-wide *migration policies*
  - A well-functioning EU-wide safety net and *social protection* with mobility friendly institutions
  - reforms of *structural funds* and of their financing method (budget reform)

Migration Policies
Estimated migration *flows* to Germany

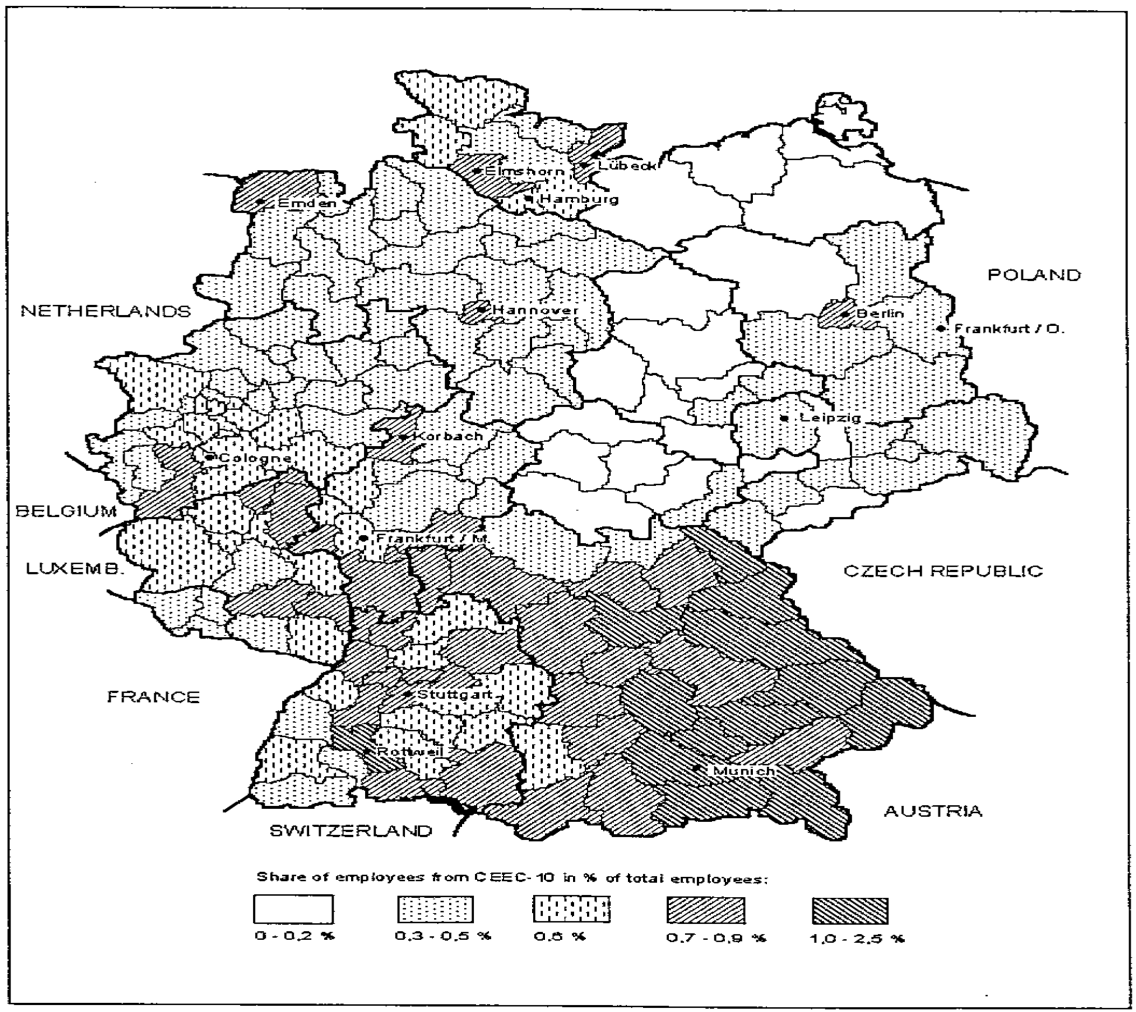


EU wide migration policies: more realistic and better enforced



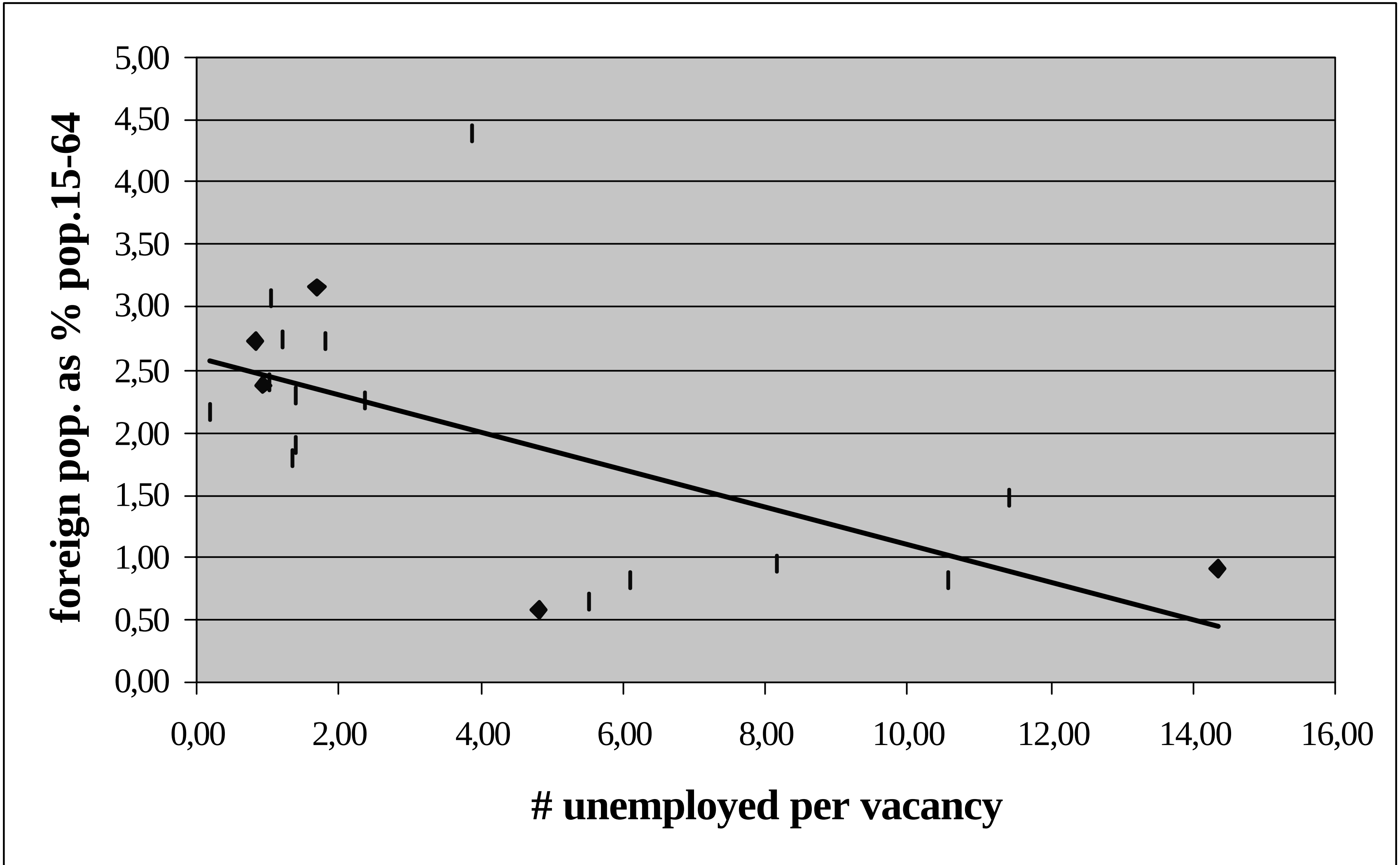
Migrants "grease the wheels" of European labour markets

Germany: Regional Distribution of Employees from the CEECs

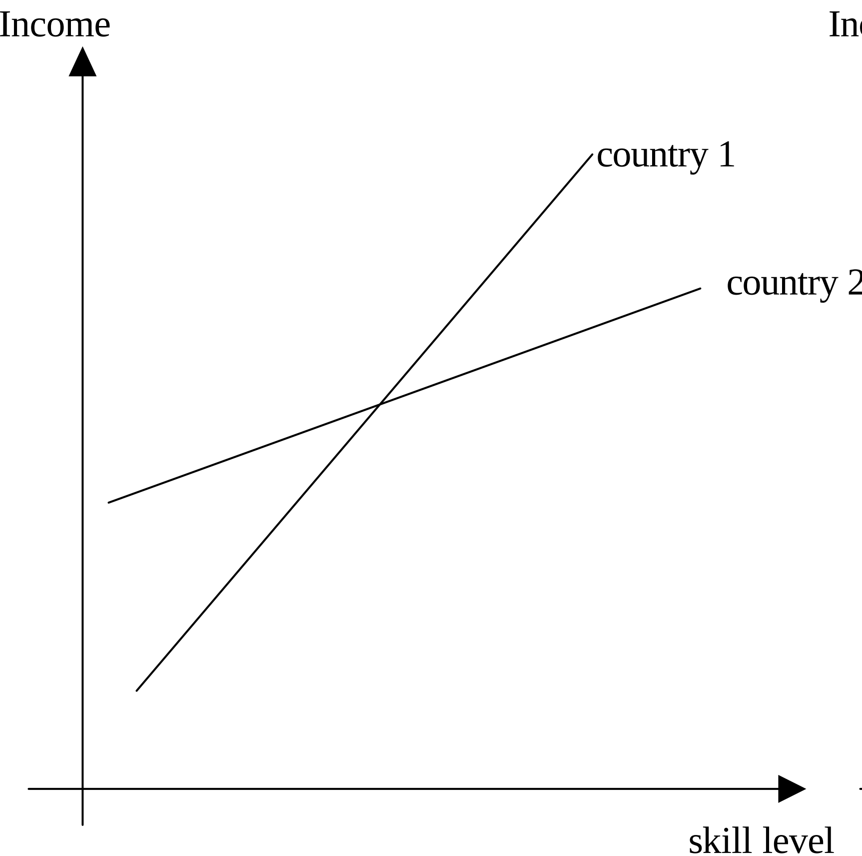


Source: Federal employment services, authors' calculations.

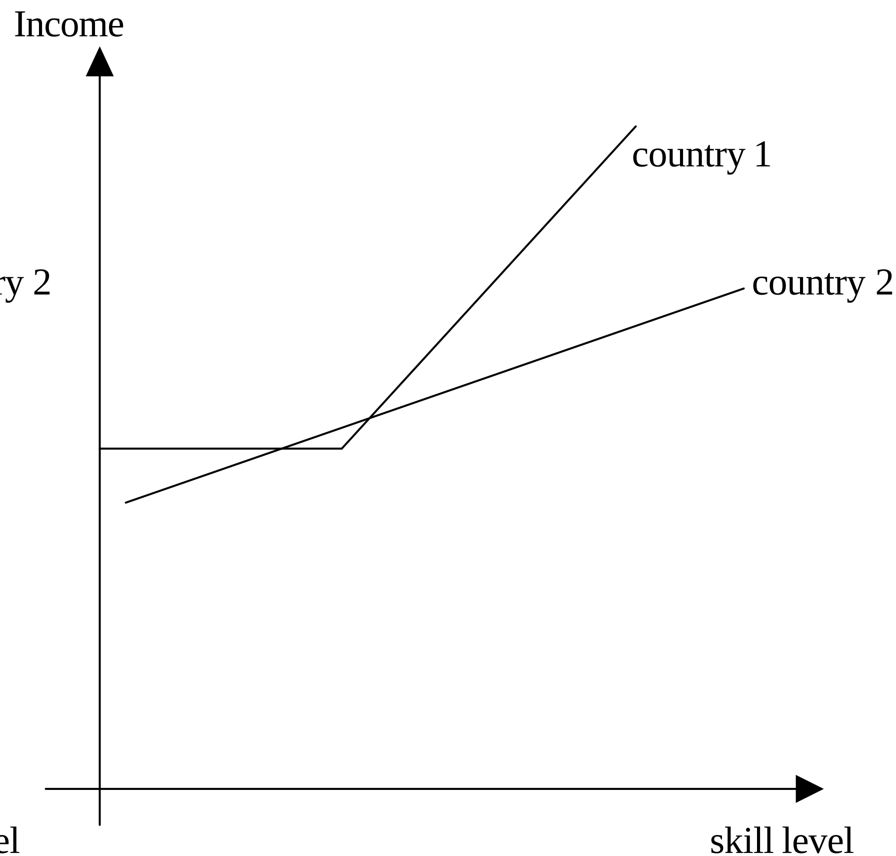
another example: Italian regions



but decisions of migrants should not be distorted by *safety nets*…..



skilled migrants go to country 1
unskilled migrants go to country 2



safety net in country 1:
also the unskilled go to country 1

OXFORD

Immigration Policy and the Welfare System

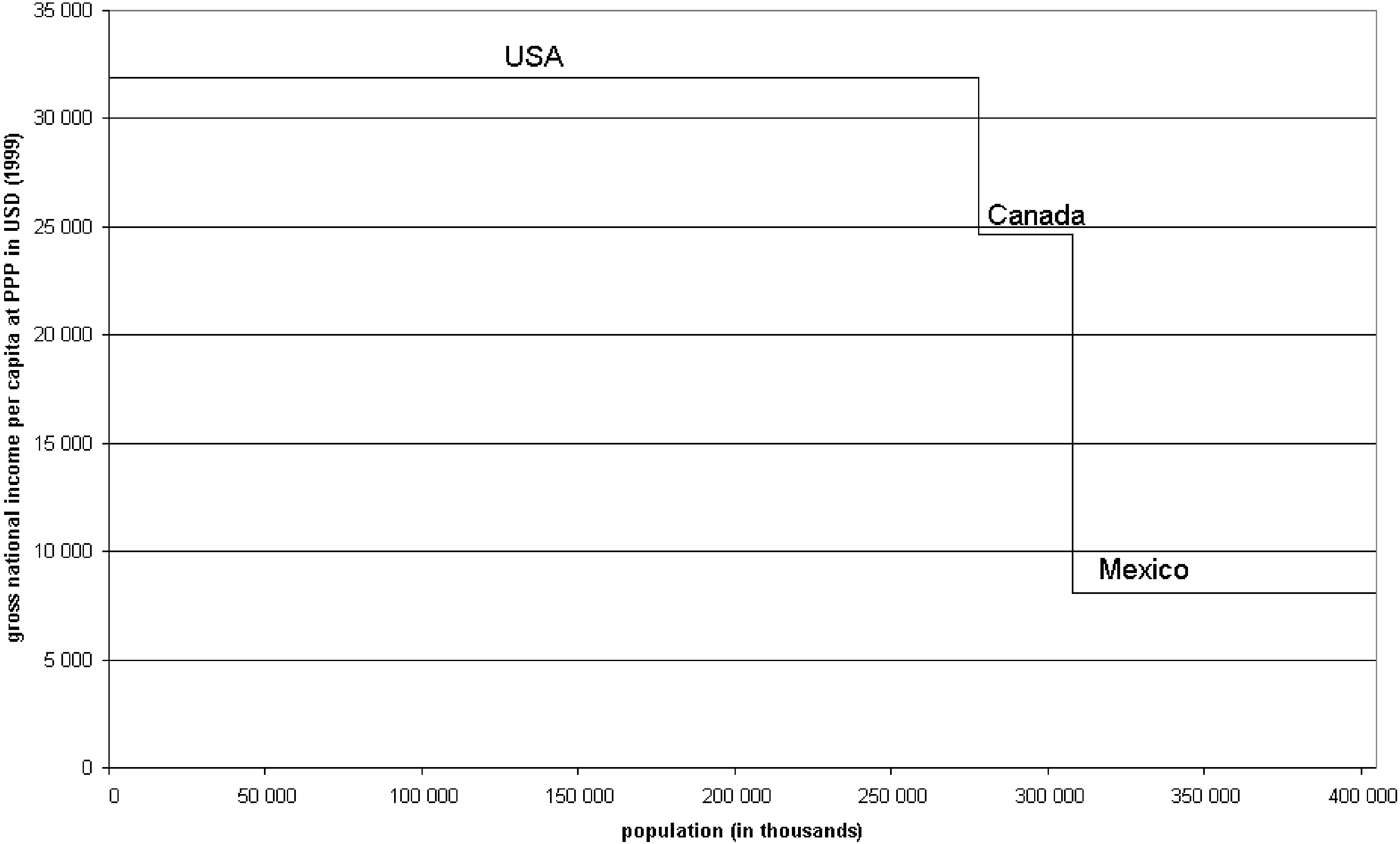
A Report for the Fondazione Rodolfo Debenedetti in Association with The William Davidson Institute

Edited by

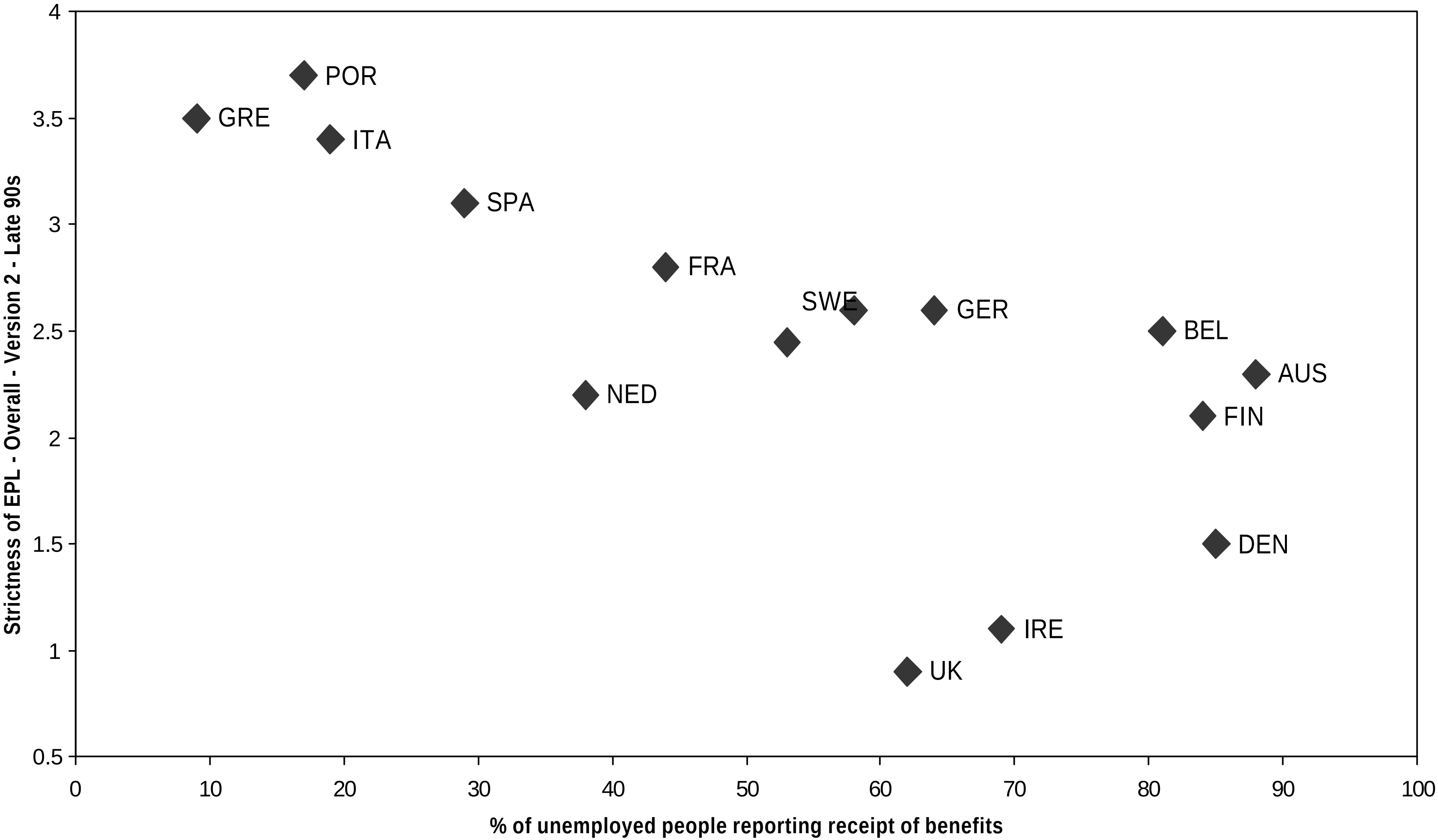
Tito Boeri, Gordon Hanson, and Barry McCormick

The William Davidson Institute

Social protection via mobility friendly institutions:lessons from NAFTA

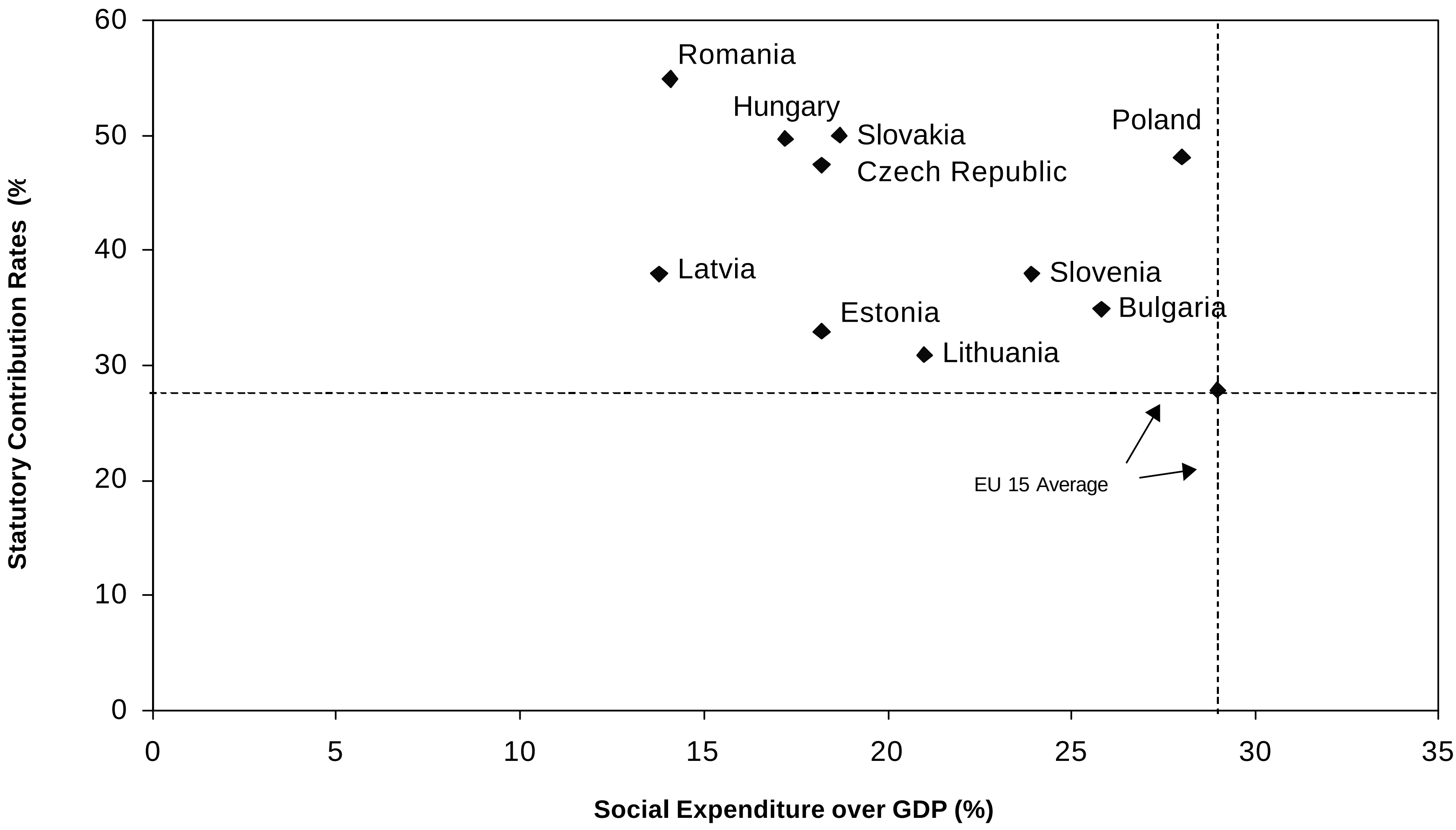


Moving along the UB/EPL tradeoff

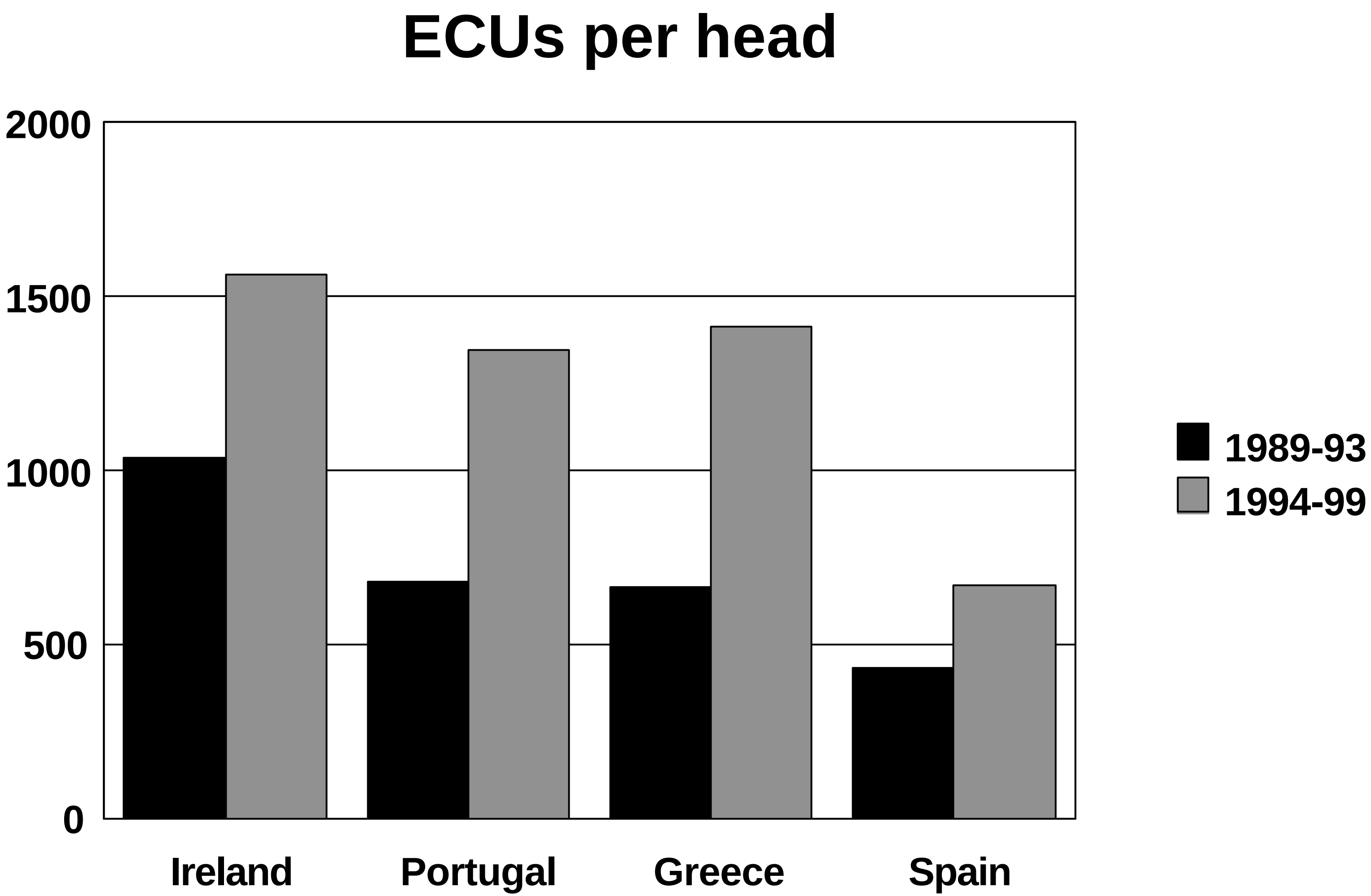


Source of data: Oecd

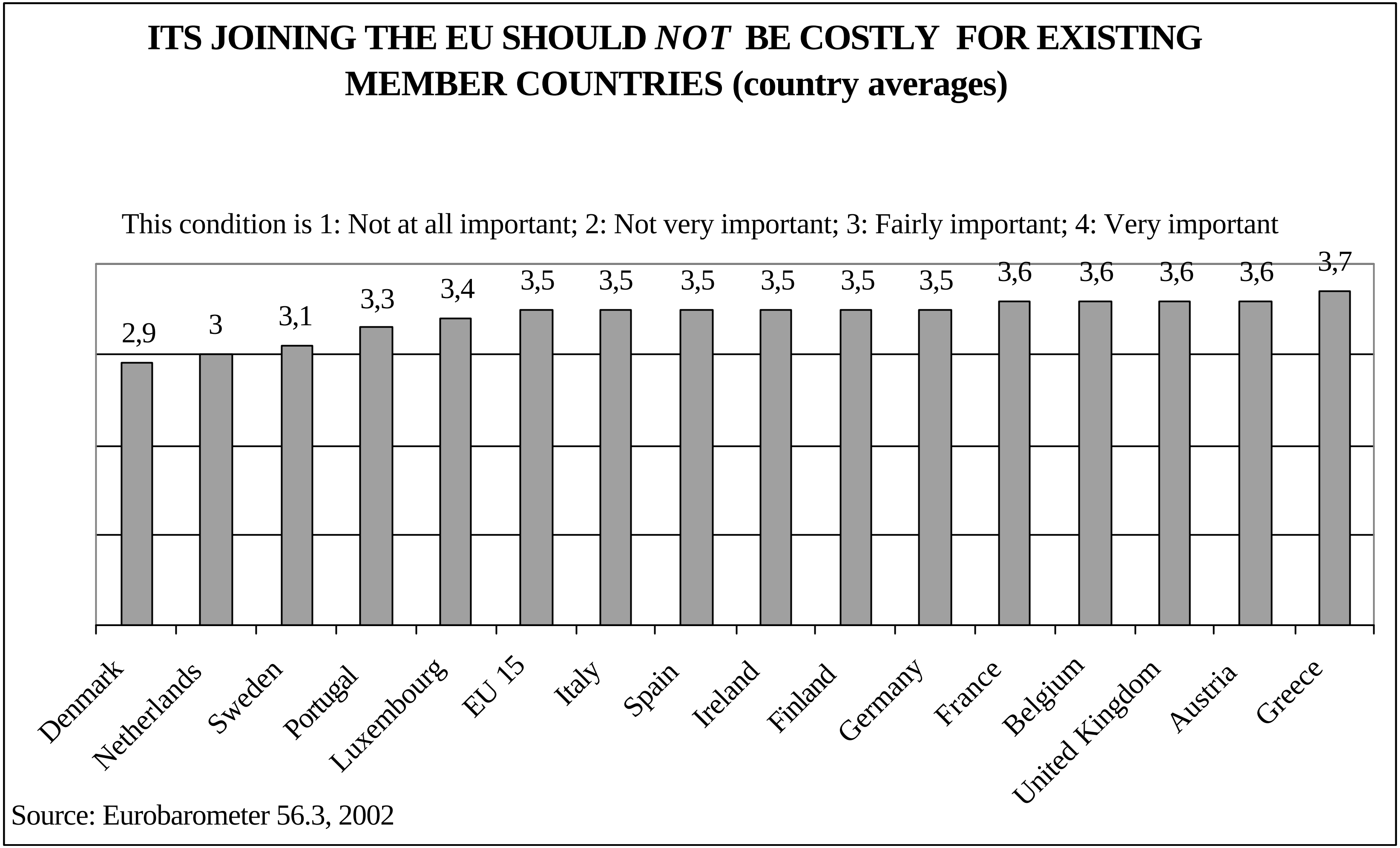
Social dumping? No but we need better welfare systems in the East



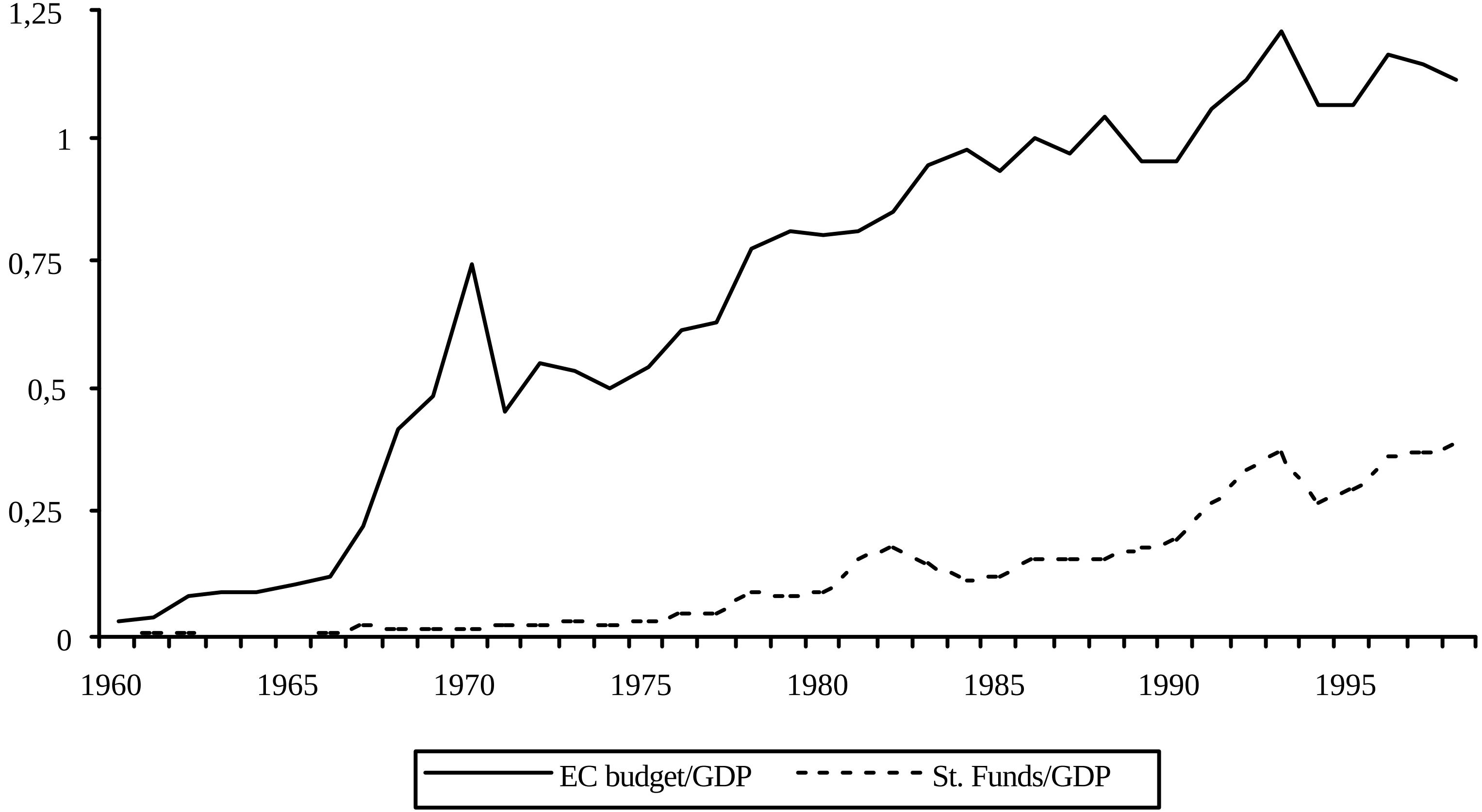
Economic Convergence should be supported by ***Structural Funds*** as in previous Enlargements



Possibly without increasing the EU budget



Still room to expand SF within the 1.27 EC budget/GDP cap



The “Enlargement tax”

- Inevitably net transfers to new countries will be positive. How large?
- Applying to new members the degree of redistribution implicit in the 1998 EU budget, the net transfer from *current* to *new* members is estimated in **52 euros per head** (totalling 19.5 billion euros, 0,25% of the EU GDP)
- this “tax” should be funded depending on income levels of current EU members (redistribute also via the financing mechanism)

Benchmark allocation of the budget costs of enlargement among the EU-15 and 1998 excess balances of these countries

	per capita costs in pps	per capita costs in euros	total cost in Meuros	excess deficit 1998	difference
Belgium	52.1	50.7	518	-609	1,127
Denmark	52.1	64.0	340	-994	1,334
Germany	52.1	55.4	4,545	3,529	1,016
Greece	52.1	40.9	431	-1,267	1,698
Spain	52.1	42.7	1,682	1,369	313
France	52.1	56.9	3,356	-4,160	7,516
Ireland	52.1	50.6	189	-2,066	2,255
Italy	52.1	47.0	2,705	2,239	466
Luxembourg	52.1	56.8	24	-221	245
Netherlands	52.1	51.2	807	1,254	-447
Austria	52.1	53.6	433	-289	722
Portugal	52.1	34.3	342	-567	909
Finland	52.1	57.3	296	178	118
Sweden	52.1	60.9	539	1,137	-598
UK	52.1	54.9	3,261	467	2,794
EU-15			*19,468*	*0*	*19,468*

Summarising

- EU-wide migration policies (including worksite inspections)
- Reforms of social policies encouraging protection in the market; gradual buildup of a pan-European safety net
- Reforms of structural funds increasing transparency in redistribution and effectiveness of regional policies

How to achieve all this?

- Conditionality related to entry is almost over
- Transitional period cannot be used to this end; nor it can buy time until convergence is achieved
- Incentives, reviews, suasion….
- …and well-designed reforms