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**THE POLITICS OF FINALIZING  
EU ENLARGEMENT:  
TOWARDS AN EVER LOOSER UNION?**  
Christian Tuschhoff

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in Comparative Public Policy and Institutions  
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- #19. “The Politics of Finalizing EU Enlargement: Towards An Ever Looser Union?” Christian Tuschhoff (Freie Universität Berlin).

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# THE POLITICS OF FINALIZING EU ENLARGEMENT: TOWARDS AN EVER LOOSER UNION?

Christian Tuschhoff

## INTRODUCTION

The enlargement of the membership of the European Union is proceeding smoothly. The EU and the candidate members have agreed to a road map that follows a timetable allowing the conclusion of the negotiations with possibly ten countries by the end of 2002. If all goes by to plan, most elections in the key member states will be over and the subsequent years can be devoted to the ratification of the accession treaties without major electoral disruptions.

In light of this optimistic planning, recent reports and statements are disturbing and signal an end to the inertia driven process of EU enlargement. Even Günter Verheugen, the Commissioner in charge of enlargement, and its most important defender, recently conceded that, “the window for enlargement is closing.”<sup>1</sup> When presenting its priorities for the upcoming EU presidency, the Danish government warned that any delay in completing the negotiations by the end of 2002 would be a “historic mistake that may result in stalling enlargement for up to six years.”<sup>2</sup> The German news magazine *Focus* reported (previously) that Verheugen remained the only person who still believed in the feasibility of enlargement.<sup>3</sup> In a debate on enlargement on June 13, 2002, several members of the European Parliament voiced their concerns that enlargement might be delayed.<sup>4</sup> The German Chancellor, Gerhard Schröder, responded to the apparent derailment of the enlargement process<sup>5</sup> by suggesting that the EU should speed up the process.<sup>6</sup> However, his opponent, Edmund Stoiber, cautioned that negotiations must provide for a solid foundation for both old and new member states. He suggested that a number of problems must be resolved before candidates can join the European Union.<sup>7</sup> Ingo Friedrich, the deputy chairman of the CSU and Vice-President of the European Parliament, recently indicated that there is growing evidence that enlargement will be delayed. He said that agriculture, the Irish referendum on the Nice Treaty, and the unresolved conflict of the division of Cyprus may prove too difficult to solve before the Copenhagen summit later in 2002 when the EU decides which countries may join.<sup>8</sup> However, at their last EU summit meeting in Seville, the heads of state and government confirmed their resolve to conclude the negotiations with ten countries by the end of 2002 if those countries are ready.<sup>9</sup>

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<sup>1</sup> Statement after meeting the Danish Foreign Minister, Per Stig Moeller, May 30, 2002, <http://www.euractiv.com>.

<sup>2</sup> Denmark fears enlargement might be delayed, *Euractive* May 22, 2002, <http://www.euractive.com>.

<sup>3</sup> Berbalk, O. and M. Bommersheim. “Wettlauf gegen die Zeit. Die EU-Erweiterung kommt später als geplant. Ein Beitritt der Kandidaten vor 2005 sei unrealistisch, meinen Experten.” *Focus* (May 13, 2002).

<sup>4</sup> “European Parliament concerned with possible delay of enlargement,” June 13, 2002. <http://www.euractive.com>.

<sup>5</sup> See also Franz Danner and Christian Tuschhoff, Derailing EU Enlargement: Why Negotiations Stutter and How to Get Back on Track. <http://www.aicgs.org/at-issue/ai-konzept.shtml>.

<sup>6</sup> Speech, Global Business Policy Council, Berlin, May 31, 2002.

<sup>7</sup> Speech, June 7, 2002.

<sup>8</sup> Friedrich also complained that no common European standards on the safety of nuclear power plants exist. He thus hinted on the problem of the Czech Temelin power plant that has become an issue between the Czech Republic and Austria that might affect the Austrian ratification of the enlargement treaty. “EU-Erweiterung: Zeitplan in Gefahr,” June 24, 2002, <http://www.csu.de>.

<sup>9</sup> Presidency Conclusions, EU Summit Meeting, Seville, June 21-22, 2002.

This study seeks to assess the status of the enlargement process against the background of growing skepticism in western Europe, particularly in Germany. Is this skepticism simply a reflection of the upcoming federal elections on September 22, 2002 and thus without major ramifications for the ratification process? Or will the increasing politization of the negotiations lead to a delay or even a disruption of enlargement? The study examines at the economic costs and benefits of enlargement. It analyzes the major factors of support and opposition by assessing public opinion in Europe and Germany. The study also shows how interest groups, political parties, and governments in Germany sought to mold the public's support and concerns into enlargement policies. Finally, it provides an outlook for how enlargement will shape the European Union, particularly in light of the debate on the European constitutional convention.

## **THE ECONOMIC COSTS AND BENEFITS OF ENLARGEMENT**

As enlargement negotiations enter the final phase, a number of highly controversial issues about its economic costs and benefits have been put on the agenda. A cost-benefit-analysis is a more complex problem than simply looking at how enlargement affects the EU budget. To begin with, the question of how enlargement affects the member states' net contributions to the EU budget depends on whether or not key policies such as the Common Agricultural Policy and Structural Funds will be reformed before enlargement takes place, and on the specifics of the accession treaty on these issues. The effects of free trade and the single market on economic growth and welfare must be included. In addition, any analysis must calculate the effect of enlargement on prices and inflation. Another open question is how enlargement will affect labor markets, employment, and wage levels. Furthermore, a sound cost-benefit analysis should include the distributional effects of enlargement. How are individual candidate countries and member states affected? And, finally, if enlargement fails politically, what are the economic costs and benefits of failure and how are they distributed? This study does not seek to present comprehensive answers to these questions but highlights the resulting political conflicts between countries and special interest groups.

### **General assessments of costs and benefits**

Most studies conclude that EU enlargement is extremely beneficial for the accession countries and modestly beneficial for the current member states.<sup>10</sup> The elimination of remaining tariffs will lead to lower prices; an enlarged single market with common standards and regulations will generate efficiency by intensifying competition; and the four freedoms encourage increased flows of foreign direct investment from West to East and labor migration from East to West. The enlarged European Union will be bigger in terms of territory,

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<sup>10</sup> Keuschnigg, C., M. Keuschnigg, et al. (1999). *Eastern Enlargement to the EU: Economic Costs and Benefits for the EU Present Member States? Germany*. Brussels, European Commission, Keuschnigg, C. and W. Kohler (1999). *Eastern Enlargement of the EU: Economic Costs and Benefits for the Present Member States? The Case of Austria*, Part I and II. Brussels, European Commission, Mooij, R. d. (2000). *Economic Consequences of EU Enlargement*. The Hague, CPB Netherlands Bureau for Economic Policy Analysis, Affairs, D. G. f. E. a. F. (2001). *The Economic Impact of Enlargement*. Enlargement Papers No. 4. Brussels, European Commission, Quaisser, W. (2001). *Kosten und Nutzen der Osterweiterung unter besonderer Berücksichtigung verteilungspolitischer Probleme*. Gutachten erstellt im Auftrag des Bundesministeriums der Finanzen. München, Osteuropa-Institut, Quaisser, W. and J. Hall (2002). *Toward Agenda 2007: Preparing the EU for Eastern Enlargement*. Munich, Osteuropa-Institut München.

population,<sup>11</sup> and the economy,<sup>12</sup> but it will also be poorer. The average Gross National Product per capita will decline by 13 percent. In addition, the economic and social asymmetry across member states will grow. The European Union will move further away from its goal of common standards of living.

Enlargement has been characterized as a win-win situation. However, the devil is in the detail. Economic studies predict that the enlargement-generated economic growth of the accession countries will be ten times the growth in the current member states. The economies of Poland and Hungary may grow an additional 1 percent and the Czech Republic's 0.75 percent annually over a period of ten years. The EU economies will only grow by an additional 0.1 percent annually.<sup>13</sup> The different growth rates reflect the fact that the positive integration effects will be felt less in the current member states because the economies of the candidate countries are relatively small. These different growth rates can contribute to a modest convergence of GDP per capita between the old and new members. However, it will take several decades before the economic performances reach similar levels because the average GDP per capita measured in purchasing power parities in the accession countries is only 40 percent of the EU.

**Table 1: Economic Development and Growth Rates of Candidate Countries<sup>14</sup>**

|                | GDP Real Annual Growth Rates |         | GDP per capita in PPS* (% of EU) |      |      | Years to Reaching 75% of EU-15 Average |
|----------------|------------------------------|---------|----------------------------------|------|------|----------------------------------------|
|                | 1996-2000                    | 2001-04 | 1996                             | 2000 | 2004 |                                        |
| Cyprus         | 3.7                          | 4.5     | 79.6                             | 82.6 | 98.4 | 0                                      |
| Slovenia       | 3.9                          | 3.8     | 66.0                             | 71.6 | 85.3 | 1                                      |
| Hungary        | 4.0                          | 5.3     | 46.6                             | 52.0 | 64.0 | 11                                     |
| Czech Republic | 0.9                          | 3.8     | 64.9                             | 60.1 | 68.0 | 15                                     |
| Estonia        | 5.1                          | 5.8     | 33.2                             | 38.0 | 47.6 | 19                                     |
| Latvia         | 4.7                          | 5.7     | 25.2                             | 29.3 | 36.5 | 27                                     |
| Malta          | 4.3                          | 3.5     | 50.7                             | 53.2 | 60.5 | 30                                     |
| Slovakia       | 4.6                          | 4.5     | 46.2                             | 48.1 | 55.9 | 30                                     |
| Bulgaria       | -1.3                         | 6.1     | 24.9                             | 24.1 | 30.6 | 31                                     |
| Lithuania      | 3.2                          | 4.7     | 28.7                             | 29.2 | 35.2 | 31                                     |
| Turkey         | 3.9                          | 1.4     | 30.0                             | 28.6 | 31.2 | 32                                     |
| Poland         | 5.2                          | 3.5     | 35.6                             | 38.9 | 45.0 | 33                                     |
| Romania        | -1.6                         | 5.0     | 33.1                             | 26.9 | 32.8 | 34                                     |

\* PPS = Purchasing Power Standards

<sup>11</sup> The EU population will grow by 105 million people, or by 28 percent.

<sup>12</sup> While the EU population will grow by 105 million people, or 28 percent, the economy will only grow by 5 percent, or the size of the Dutch economy.

<sup>13</sup> Breuss, F. (2001). "Makroökonomische Auswirkungen der EU-Erweiterung auf alte und neue Mitglieder." *WIFO Monatsberichte*, 11/2001.

<sup>14</sup> "Some candidates generations away from catching up with EU." *Euractive*, June 12, 2002, <http://www.euractive.com>.

Table 1 shows the huge differences in economic development and growth of all thirteen candidate countries. Cyprus, Slovenia and the Czech Republic are the most developed states, and Bulgaria, Turkey, and Rumania are the least developed ones. Bulgaria, Estonia, and Latvia are the fastest growing economies with an average annual growth rate of about six percent. Turkey, Poland, and Malta are growing at a slow pace of 1.5 to 3.5 percent. Cyprus and Slovenia will have surpassed 75 percent of the EU-15 average GDP per capita level by the time they become members. Hungary, the Czech Republic, and Estonia will reach this level within ten to twenty years. However, the majority of countries need around thirty years to reach that target.

It should also be noted that the EU member states already have received most of the enlargement gains because the Europe agreements with the accession countries opened their markets with few exceptions. The free trade and other effects of the next step in the enlargement process – integration into the single market – will be comparatively small, while the costs of extending EU policies to new member states can be significant depending on the specifics of potential reforms and the accession treaty. A working group of German economic research institutes confirmed this view that the major gains of enlargement already have been distributed to the EU member states. The next steps of integration – membership and the extension of the single market – will not generate much economic growth but will impose considerable costs on the current EU member states.<sup>15</sup>

The prediction that the economic benefits of enlargement will be felt more significantly in the accession countries than in the current member states allows the conclusion that the failure of enlargement will have a much more devastating effect in the candidate countries than in the EU. However, only one study has looked at the potential cost of failure. Fritz Breuss writes:

“The integration effects of enlargement are far bigger in the central and eastern European countries than in the EU because of the different sizes of the respective economies. This also means that the economic ‘damage’ of the costs of an enlargement failure will be substantially lower for the EU than for the accession candidates. The EU would have to face an average loss of cumulated income of 0.2 to 0.7 percent of real GDP over a medium to long-term period. The loss of income in the accession countries could accumulate to up to 10 percent.”<sup>16</sup>

The disadvantage of enlargement-induced economic growth in the EU would be partially compensated by lower contributions to the EU budget. Should accession be delayed, these costs will be lower because the GDP per capita will be higher in the accession countries resulting in lower West East net transfer payments. In short, from a cost-benefit point of view for EU-15, enlargement cannot be based on compelling economic arguments. Other options of cooperation short of EU membership for candidate countries would be more cost-effective. A failure to include the accession countries in the Union would cause limited economic damage for the EU-15.<sup>17</sup> The problem of a lack of economic justification for enlargement is further compounded by an uneven distribution of the costs and benefits across the current EU member states.

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<sup>15</sup> ami. “‘Ökonomisch ist die EU-Erweiterung schon gelaufen.’ Wirtschaftsforscher erwarten Kosten statt Wachstumsschub vom Beitritt osteuropäischer Länder zur Union.” *Frankfurter Allgemeine Zeitung* (April 27, 2002): p. 14.

<sup>16</sup> Breuss, F. (2002). *Kosten der Nicht-Erweiterung der EU für Österreich*. Wien, Österreichisches Institut für Wirtschaftsforschung (WIFO), my translation.

<sup>17</sup> This finding confirms earlier studies arguing that free trade arrangements with candidate countries are beneficial for EU-15. However, granting the status of membership cannot be justified by an economic cost-benefit analysis but must be based on political reasons. Schimmelfennig, F. (2001). “The Community Trap. Liberal Norms,

## “Qui bono?”

Most economic impact studies analyzed and predicted the effects of enlargement on the accession countries as a block and on the EU as whole.<sup>18</sup> Some others focused on individual countries.<sup>19</sup> However, in order to assess the impact of enlargement on burden sharing among the member states, it is necessary to look at which countries will benefit the most and the least. A consensus exists that the costs and benefits among both member states and candidate countries are not equally distributed. Most economists point out that the border-states of Germany, Austria, and Italy will benefit the most from enlargement-induced economic growth and prosperity. One early study even predicted that enlargement may be self-financing for Germany because even the increased contributions to the EU budget will be off-set by higher tax returns generated by an expanded economy.<sup>20</sup> Calculating the cumulative integration effects of trade, the single market, foreign direct investment, migration, and financing enlargement on real growth of GDP allows predictions of the short and medium-term impact.

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Rhetorical Action, and Eastern Enlargement of the European Union.” *International Organization* 55, 1 (Winter): 47-80.

<sup>18</sup> Mooij, R. d. (2000). *Economic Consequences of EU Enlargement*. The Hague, CPB Netherlands Bureau for Economic Policy Analysis, Affairs, D. G. f. E. a. F. (2001). *The Economic Impact of Enlargement*. Enlargement Papers No. 4. Brussels, European Commission, Lejour, A. M., R. A. d. Mooij, et al. (2001). *EU Enlargement: Economic Implications for Countries and Industries*. The Hague, CPB Bureau for Economic Policy Analysis, Company, M. (2002). *Business Consequences of EU Enlargement. Major Change or Non-Event?* n.c., McKinsey Contribution to the European Business Summit.

<sup>19</sup> Keuschnigg, C., M. Keuschnigg, et al. (1999). *Eastern Enlargement to the EU: Economic Costs and Benefits for the EU Present Member States? Germany*. Brussels, European Commission, Keuschnigg, C. and W. Kohler (1999). *Eastern Enlargement of the EU: Economic Costs and Benefits for the Present Member States? The Case of Austria*, Part I and II. Brussels, European Commission, Grassini, M. (2002). *Eastern Enlargement of the EU: Economic Costs and Benefits for the EU Present Member States? The Case of Italy*. Brussels, European Commission, Kristensen, T. and P. R. Jensen (2002). *Eastern Enlargement of the EU: Economic Costs and Benefits for the EU Present Member States*. Brussels, European Commission.

<sup>20</sup> Keuschnigg, C., M. Keuschnigg, et al. (1999). *Eastern Enlargement to the EU: Economic Costs and Benefits for the EU Present Member States? Germany*. Brussels, European Commission.

**Figure 1: Overall Growth Effects of EU Enlargement in Member States<sup>21</sup>**

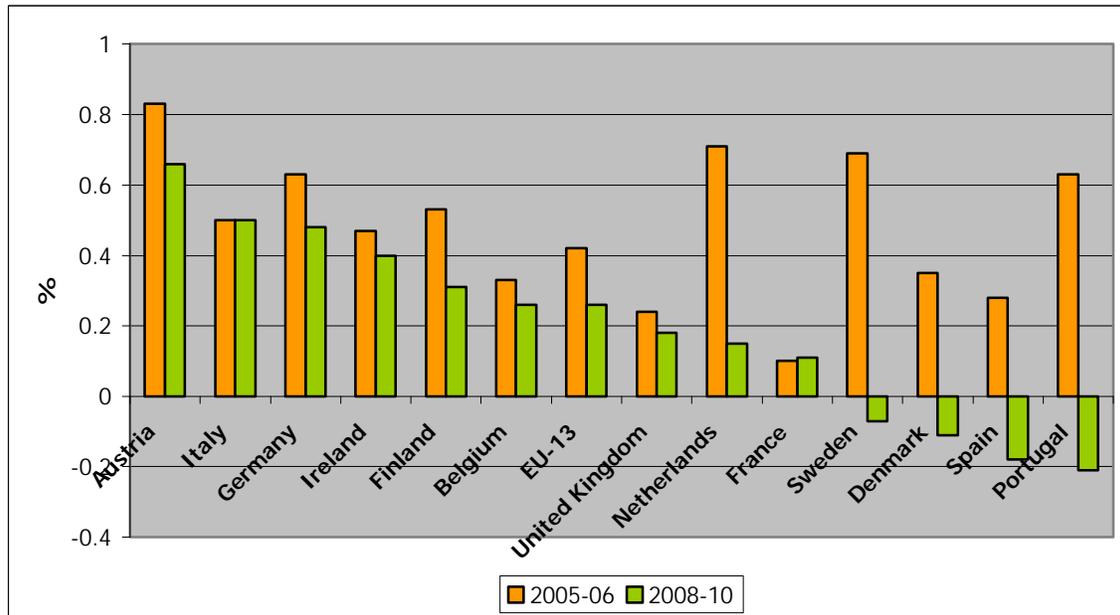


Figure 1 shows that in the first two years of enlargement, the real growth of GDP is substantial. All member states will benefit during the first two years. However, these initial effects will not last. Growth will be substantially reduced, particularly during the first three years of the next financial perspective (2007-2013). It can be predicted that the losers of enlargement will ask for compensation from the winners when the next financial perspective is negotiated. Even more important is the fact that the distribution of enlargement induced growth effects is highly uneven. During the first two years, Austria, the Netherlands, Sweden, Portugal, and Germany will benefit the most. However, these short-term growth rates cannot be sustained. Whereas the border-states of Austria, Italy, and Germany continue benefiting from enlargement-induced growth, the costs will exceed the benefits for Sweden, Denmark, Spain, and Portugal over the medium and long-term. The change from short-term to medium term effects is particularly dramatic in Sweden and Portugal. Should enlargement fail or be delayed, economic impact studies predict that the candidate countries would be big losers and the current member states would be smaller losers.<sup>22</sup>

It is very clear that enlargement leads to distributional conflicts among EU member states. The first type of conflict distinguishes winners and losers. While most member states can expect to gain economic benefits from enlargement, some will likely face overall economic losses. A second type of conflict concerns the unequal distribution of gains. Several member states are expected to benefit more from enlargement than others, particularly over the medium and long-term. This raises the potential for a conflict over relative gains. Both types of conflict will become manifest in the negotiations of the reforms of EU policies, the discussions about financing enlargement, and the negotiations on the next financial perspective. In light of only modest economic gains, the member states may have to shoulder the costs of financing

<sup>21</sup> Breuss, F. (2001). "Makroökonomische Auswirkungen der EU-Erweiterung auf alte und neue Mitglieder." *WIFO Monatsberichte*, 11/2001.

<sup>22</sup> Breuss, F. (2002). *Kosten der Nicht-Erweiterung der EU für Österreich*. Wien, Österreichisches Institut für Wirtschaftsforschung (WIFO).

enlargement as well as the requirements for reforming some of the key policies, thereby adding to the conflict potential.

### **Financing enlargement**

The political debate on enlargement among EU members is focused increasingly on its costs in terms of contributions to and the redistribution of the EU budget. When approving the Agenda 2000 at the Berlin summit in 1999, the members agreed to allocate specific annual amounts to the new member states between 2000 and 2006. They based their cost estimates on the assumption that six candidates were ready to join the EU in 2002. This prediction proved to be too optimistic. According to the current plan, the “big bang” assumes that ten countries (all the candidates except Bulgaria, Romania, and Turkey) will be ready to join in time to participate in the elections for the European Parliament scheduled for 2004. The Commission calculated the agenda 2000 agreement allocated sufficient funding to enlargement in 2004-2006 even though more states will join. The reason is that funding for the new members will be phased in because they will not immediately and fully participate in EU policies such as the Common Agricultural Policy (CAP) and Structural Funds. The Commission stated that the EU’s current financial perspective (2000-2006) must not be adjusted because of enlargement. The political debate has thus concentrated on the enlargement costs of the years following 2006.<sup>23</sup>

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<sup>23</sup> The previous understanding among the major decision-makers that the discussion of the EU budget in light of enlargement should be postponed until after the candidate countries have joined and can participate seems to have fallen apart.

**Table 2: Allocated Expenditures and Budget Contributions by Member State<sup>24</sup>**

| Allocation of Operating Expenditure and Budget Contributions by Member State 2000 (in Mio Euro) |                 |                |                  |                |                 |                 |                |                 |              |                 |                |                |                |                 |                 |                 |
|-------------------------------------------------------------------------------------------------|-----------------|----------------|------------------|----------------|-----------------|-----------------|----------------|-----------------|--------------|-----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Expenditures                                                                                    | B               | DK             | D                | EL             | E               | F               | IRL            | I               | L            | NL              | A              | P              | FIN            | S               | UK              | Total           |
| <b>1. Agriculture</b>                                                                           | <b>957.4</b>    | <b>1,309.2</b> | <b>5,674.9</b>   | <b>2,598.2</b> | <b>5,498.6</b>  | <b>9,005.9</b>  | <b>1,682.3</b> | <b>5,048.2</b>  | <b>21.2</b>  | <b>1,440.9</b>  | <b>1,018.7</b> | <b>657.1</b>   | <b>727.8</b>   | <b>798.2</b>    | <b>4,061.6</b>  | <b>40,500.2</b> |
| <b>% of total Agri</b>                                                                          | <b>2.4</b>      | <b>3.2</b>     | <b>14.0</b>      | <b>6.4</b>     | <b>13.6</b>     | <b>22.2</b>     | <b>4.2</b>     | <b>12.5</b>     | <b>0.1</b>   | <b>3.6</b>      | <b>2.5</b>     | <b>1.6</b>     | <b>1.8</b>     | <b>2.0</b>      | <b>10.0</b>     |                 |
| ~Direct aid                                                                                     | 269.0           | 712.8          | 3,694.6          | 1,577.3        | 3,418.8         | 6,049.5         | 687.9          | 3,238.4         | 15.7         | 245.5           | 442.2          | 368.8          | 279.8          | 515.6           | 2,864.1         | 24,380.0        |
| ~Export refunds                                                                                 | 536.0           | 494.9          | 777.3            | 32.5           | 211.1           | 1,340.4         | 509.8          | 311.2           | 0.0          | 730.9           | 71.2           | 32.1           | 107.6          | 84.4            | 409.4           | 5,648.8         |
| ~Storage                                                                                        | 21.2            | 48.2           | 273.3            | 10.9           | 82.1            | 370.8           | -50.2          | 209.6           | -0.1         | 41.5            | 24.3           | -3.6           | 2.2            | -33.7           | -45.3           | 951.2           |
| ~Rural development                                                                              | 25.4            | 34.2           | 681.6            | 146.8          | 395.4           | 474.1           | 344.4          | 757.3           | 6.7          | 59.6            | 459.0          | 132.1          | 332.5          | 175.6           | 151.8           | 4,176.5         |
| ~Other                                                                                          | 105.8           | 19.1           | 248.1            | 830.7          | 1,391.2         | 771.1           | 190.4          | 531.7           | -1.1         | 363.4           | 22.0           | 127.7          | 5.7            | 56.3            | 681.6           | 5,343.7         |
| <b>2. Struct. Operations</b>                                                                    | <b>382.6</b>    | <b>126.7</b>   | <b>3,765.3</b>   | <b>2,798.2</b> | <b>5,114.8</b>  | <b>2,520.7</b>  | <b>830.7</b>   | <b>5,159.1</b>  | <b>10.3</b>  | <b>478.2</b>    | <b>260.8</b>   | <b>2,400.1</b> | <b>542.6</b>   | <b>232.2</b>    | <b>2,964.1</b>  | <b>27,586.4</b> |
| <b>in % total SO</b>                                                                            | <b>1.4</b>      | <b>0.5</b>     | <b>13.6</b>      | <b>10.1</b>    | <b>18.5</b>     | <b>9.1</b>      | <b>3.0</b>     | <b>18.7</b>     | <b>0.0</b>   | <b>1.7</b>      | <b>0.9</b>     | <b>8.7</b>     | <b>2.0</b>     | <b>0.8</b>      | <b>10.7</b>     |                 |
| ~Objective 1                                                                                    | 122.2           | 0.0            | 2,389.8          | 2,180.6        | 2,933.2         | 457.4           | 653.9          | 3,425.4         | 0.0          | 23.5            | 41.6           | 2,062.5        | 181.7          | 111.1           | 902.3           | 15,485.2        |
| ~Objective 2                                                                                    | 119.5           | 46.5           | 335.1            | 0.0            | 233.0           | 952.7           | 0.0            | 762.1           | 1.3          | 150.0           | 102.5          | 0.0            | 159.2          | 31.2            | 966.3           | 3,859.4         |
| ~Objective 3                                                                                    | 78.7            | 26.8           | 484.8            | 0.0            | 122.1           | 767.2           | 0.0            | 521.9           | 3.8          | 240.4           | 59.3           | 0.0            | 67.4           | 55.5            | 666.1           | 3,094.0         |
| ~Other measures                                                                                 | 26.7            | 39.9           | 271.8            | 0.0            | 148.4           | 71.2            | 0.1            | 169.3           | 4.7          | 19.7            | 38.3           | 0.1            | 115.8          | 16.1            | 58.5            | 980.6           |
| ~Community Initiatives                                                                          | 19.8            | 7.0            | 269.2            | 307.3          | 475.5           | 256.9           | 44.2           | 263.2           | 0.3          | 42.6            | 14.2           | 217.4          | 15.3           | 10.7            | 357.9           | 2,301.5         |
| ~Innovative measures                                                                            | 15.7            | 6.5            | 14.6             | 7.3            | 64.5            | 15.3            | 5.0            | 17.2            | 0.2          | 2.0             | 4.9            | 3.6            | 3.2            | 7.6             | 13.0            | 180.6           |
| ~Cohesion fund                                                                                  | 0.0             | 0.0            | 0.0              | 303.0          | 1,138.1         | 0.0             | 127.5          | 0.0             | 0.0          | 0.0             | 0.0            | 116.5          | 0.0            | 0.0             | 0.0             | 1,685.1         |
| <b>3. Internal Policies</b>                                                                     | <b>618.1</b>    | <b>179.2</b>   | <b>792.5</b>     | <b>174.4</b>   | <b>287.4</b>    | <b>661.2</b>    | <b>87.1</b>    | <b>563.6</b>    | <b>73.9</b>  | <b>306.7</b>    | <b>105.0</b>   | <b>188.3</b>   | <b>109.6</b>   | <b>164.2</b>    | <b>742.4</b>    | <b>5,053.6</b>  |
| <b>% total IP</b>                                                                               | <b>12.2</b>     | <b>3.5</b>     | <b>15.7</b>      | <b>3.5</b>     | <b>5.7</b>      | <b>13.1</b>     | <b>1.7</b>     | <b>11.2</b>     | <b>1.5</b>   | <b>6.1</b>      | <b>2.1</b>     | <b>3.7</b>     | <b>2.2</b>     | <b>3.2</b>      | <b>14.7</b>     |                 |
| <b>Total</b>                                                                                    | <b>1,958.1</b>  | <b>1,615.1</b> | <b>10,232.7</b>  | <b>5,570.8</b> | <b>10,900.8</b> | <b>12,187.8</b> | <b>2,600.1</b> | <b>10,770.9</b> | <b>105.4</b> | <b>2,225.8</b>  | <b>1,384.5</b> | <b>3,245.5</b> | <b>1,380.0</b> | <b>1,194.6</b>  | <b>7,768.1</b>  | <b>73,140.2</b> |
| <b>in %</b>                                                                                     | <b>2.7</b>      | <b>2.2</b>     | <b>14.0</b>      | <b>7.6</b>     | <b>14.9</b>     | <b>16.7</b>     | <b>3.6</b>     | <b>14.7</b>     | <b>0.1</b>   | <b>3.0</b>      | <b>1.9</b>     | <b>4.4</b>     | <b>1.9</b>     | <b>1.6</b>      | <b>10.6</b>     |                 |
| <b>Contributions</b>                                                                            |                 |                |                  |                |                 |                 |                |                 |              |                 |                |                |                |                 |                 |                 |
| Traditional own resources                                                                       | 1,226.8         | 316.7          | 3,351.8          | 201.7          | 917.8           | 1,644.9         | 199.2          | 1,484.1         | 24.1         | 1,747.6         | 270.0          | 183.1          | 125.5          | 389.6           | 3,184.3         | 15,267.2        |
| VAT                                                                                             | 922.7           | 557.5          | 8,794.5          | 527.8          | 2,584.5         | 6,077.2         | 405.3          | 3,840.1         | 74.6         | 1,743.6         | 818.1          | 505.0          | 474.4          | 964.1           | 6,902.9         | 35,192.3        |
| GNP                                                                                             | 1,101.0         | 720.2          | 8,963.8          | 535.3          | 2,617.3         | 6,009.3         | 421.7          | 5,042.9         | 76.4         | 1,787.9         | 893.2          | 506.5          | 556.4          | 1,144.2         | 7,204.3         | 37,580.4        |
| Budgetary Correction                                                                            | 138.2           | 90.5           | 664.7            | 69.0           | 325.8           | 779.4           | 48.2           | 632.8           | 10.4         | 217.6           | 112.3          | 60.3           | 69.3           | 135.0           | -3,424.6        | -71.1           |
| <b>Total</b>                                                                                    | <b>3,388.7</b>  | <b>1,684.9</b> | <b>21,774.8</b>  | <b>1,333.8</b> | <b>6,445.4</b>  | <b>14,510.8</b> | <b>1,074.4</b> | <b>10,999.9</b> | <b>185.5</b> | <b>5,496.7</b>  | <b>2,093.6</b> | <b>1,254.9</b> | <b>1,225.6</b> | <b>2,632.9</b>  | <b>13,866.9</b> | <b>87,968.8</b> |
| <b>in %</b>                                                                                     | <b>3.9</b>      | <b>1.9</b>     | <b>24.8</b>      | <b>1.5</b>     | <b>7.3</b>      | <b>16.5</b>     | <b>1.2</b>     | <b>12.5</b>     | <b>0.2</b>   | <b>6.2</b>      | <b>2.4</b>     | <b>1.4</b>     | <b>1.4</b>     | <b>3.0</b>      | <b>15.8</b>     |                 |
| <b>Net Position</b>                                                                             | <b>-1,430.6</b> | <b>-69.8</b>   | <b>-11,542.1</b> | <b>4,237.0</b> | <b>4,455.4</b>  | <b>-2,323.0</b> | <b>1,525.7</b> | <b>-229.0</b>   | <b>-80.1</b> | <b>-3,270.9</b> | <b>-709.1</b>  | <b>1,990.6</b> | <b>154.4</b>   | <b>-1,438.3</b> | <b>-6,098.8</b> |                 |
| <b>in %</b>                                                                                     | <b>-1.2</b>     | <b>0.3</b>     | <b>-10.8</b>     | <b>6.1</b>     | <b>7.6</b>      | <b>0.2</b>      | <b>2.3</b>     | <b>2.2</b>      | <b>-0.1</b>  | <b>-3.2</b>     | <b>-0.5</b>    | <b>3.0</b>     | <b>0.5</b>     | <b>-1.4</b>     | <b>-5.1</b>     |                 |

<sup>24</sup> Commission, E. (2001). Allocation of 2000 EU Operating Expenditure by Member State. Brussels, European Commission Budget.

However, the dispute over the next financial perspective (2007-2013) and the costs of enlargement take place in an environment of uncertainty, because both the costs and the contributions to the budget depend on a number of assumptions. One important issue is if and to what extent the new members will participate in existing common market policies and become eligible for funding. Another question is whether the European Union will succeed in reforming expensive policies such as CAP. And third, if and to what extent the new members will have to make contributions to the EU budget. For the purpose of simplifying the distributional consequences of the budget decisions, one can distinguish three different groups. The first group consists of the candidate countries, the second group consists of the net beneficiaries of common market policies, and the final group is composed of the net contributors to the EU budget. Table 2 shows that Spain, Greece, Portugal, Ireland, and Italy are the main overall net beneficiaries. Usually, France is included in that group because it is the largest recipient of agricultural expenditures and has a high stake in CAP. Germany, the United Kingdom, the Netherlands, Sweden, and Belgium are the main net contributors to the EU budget. Germany pays almost 25 percent of the EU revenue but receives only 14 percent of the expenditures. The budget reflects previous agreements among the member states. Governments perceive their stakes as part of larger quid pro quo agreements that cannot be changed without jeopardizing the European Union. Any change will likely require gradual adjustments stretched out over a considerable period of time in order to buffer the shock of stakeholders.

In principle, the financing of enlargement can be achieved in four different ways, but an agreement will most likely reflect a compromise of all four. First, the candidate countries will be denied access to the expensive common market policies, particularly CAP and structural operations. Under these conditions, the candidates would carry the main financial burden of their membership and the EU would develop into a two-tier system. Second, the candidate countries become immediately eligible for these common market policies without any major reforms. In this case, the net contributors would carry the main burden of enlargement. Third, the common market policies will be reformed before enlargement and the expenditures of the common market policies will be reallocated to old and new members. The current net beneficiaries would have to pick up the enlargement bill. Fourth, common market policies remain in place and new members become eligible, but members agree on a new mechanism of budgetary correction of imbalances between the beneficiaries and net contributors. Complicating the matter further is the fact that the stability and growth pact of the EU severely restricts the fiscal policy of the member states by allowing an annual national budget deficit of no more than three percent of GDP. In addition, experts have argued for quite some time that the common market policies are not only expensive but also inefficient. Over time they are also incompatible with other international arrangements, such as WTO agreements.

Some progress has been achieved in the enlargement negotiations with regard to structural operations. The EU has argued that the candidate countries will partially participate in these policies and will receive funding of up to four percent of their GDP. It is expected that these funds will also be phased in because the new members will need some time to meet all the administrative requirements before the structural funds will be dispersed to them. Given the basic agreement on structural operations, the controversy zeroed in on agricultural policy.

Basically, CAP consists of two different pillars of funding and accounts for 45 percent of EU expenditures. Market interventions support farm prices through purchases, storage, and export subsidies (i.e. line item 2, 3, and 5 of Table 2) that account for some 26 percent of CAP and 12 percent of the EU budget. Direct payments (line item 1 of Table 2) are calculated per unit of

production, i.e. area or animal. This funding mechanism was introduced by the so-called MacSharry reforms of 1992. Direct payments were intended to compensate farmers for declining market and price support. Direct payments account for 63 percent of CAP and 28.5 percent of the EU budget.

Market support and direct payments form the first pillar of CAP. Rural development – referred to as the second pillar – covers a variety of programs designed to restructure and modernize agricultural enterprises and encourage environmental protection. The expenses of rural development are listed as line item 4 of Table 2 and account for 10 percent of CAP or 4.7 percent of the EU budget.<sup>25</sup> Over time, the funding balance among these pillars has changed from market support to direct payments, and, to a lesser extent, to rural development. When agreeing on Agenda 2000 and enlargement, the member states decided to exclude candidate countries from direct payments because these were perceived compensations for a loss of market support funding. The new members, it was argued at the time, were not eligible for such compensation because they did not lose funding from market support measures.

Earlier this year the European Commission proposed a compromise solution between old and new member states.<sup>26</sup> On agriculture, the Commission suggested:

- The new members will be fully integrated into all market support policies;
- The direct payments to farmers will be increased in steps starting with 25 percent in 2004, 30 percent in 2005, and 35 percent in 2006;
- These payments will further grow and reach 100 percent by 2013;
- The new members will receive 50 percent more per capita for rural development than the old member states.
- On structural operations, the Commission suggested that:
- Funding will be phased in between 2004 and 2006 taking account of the absorption capacity of new members;
- Aid is capped at four percent of the national GDP;
- At the end of this transition period, per capita cohesion funding in the new member states will still be lower than in the current member states (€137 vs. €231). But the total would be equivalent to almost 2.5 of the new members' GDP (old members 1.6 percent);
- To avoid an excessive burden on national budgets, structural operations will emphasize cohesion funds rather than structural funds because the former do not require co-financing.

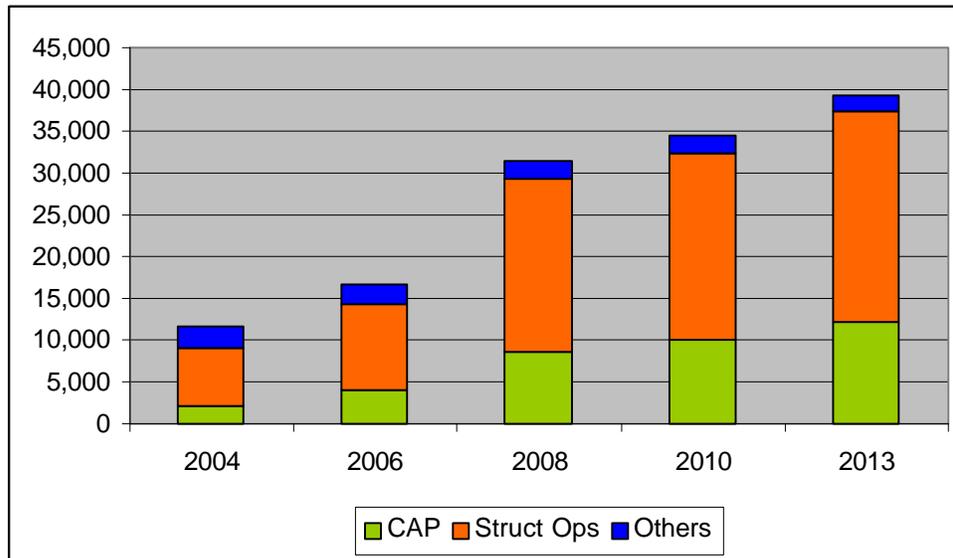
These proposals suggest that the new members will become eligible for both structural funds and CAP spending, but the funding will be phased in starting with 25 percent of CAP and reach a 100 percent by 2013. The question of if and how CAP will be reformed to limit expenditures was left deliberately open by the Commission. In its view, enlargement created an incentive to further limit spending on CAP and change the balance in favor of pillar 2.

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<sup>25</sup> Swinnen, J. F. M. (2002). *Budgetary Implications of Enlargement: Agriculture*. Brussels, Centre for European Policy Studies.

<sup>26</sup> Deutsche Bank Research (2002), *Financing Issues dominate Negotiations Calendar*, EU Enlargement Monitor No. 7 (Frankfurt, a.M.: April).

**Figure 2: Projection of Enlargement Costs 2004-13 (in million Euro)<sup>27</sup>**



However, the Commission's ideas have alarmed the net contributors. According to their calculations (as summarized in Figure 2), the annual expenses for enlargement would quadruple within ten years from €11.6 billion in 2004 to almost €40 billion in 2013. These figures assume that common market policies will not be reformed and that the new members will become increasingly eligible over time. If arrangements for financial contributions would not change simultaneously, the German net payment would double to €19 million per year in 2013.<sup>28</sup> In order to avoid increasing its role as the EU paymaster, Germany is pushing to reform CAP and Structural Fund policies before enlargement takes place.

One possibility to limit expenses would be to continue the spending limits of the agenda 2000 agreement. The agreement reduces structural funding by 1 percent per year and increases CAP spending by only 0.5 percent, i.e. below average. If continued, these spending limits would allow for the maintenance of the ceiling for budget contributions at the level of 1.27 percent of EU GDP. If the net contributors insist on a cost-neutral enlargement, an additional 7 percent reduction of expenses would be required between 2007 and 2013, amounting to a total of €44 billion.<sup>29</sup>

Another possibility is to reduce spending on agriculture and compensate farmers for their loss of EU funds through national programs. However, the re-nationalization of CAP funding could disadvantage candidate countries and their farmers because their governments might not be able and willing to engage in compensatory programs. However, as long as the pending reform of the Common Agricultural Policy has not been decided, the net contributors – Germany, the United Kingdom, Sweden, and the Netherlands – will withhold their consent to extend the direct payments portion of CAP to the candidates. But they agreed that any money saved by agricultural reform in the old member states would be made those funds available to the new members.<sup>30</sup> Thus, the net contributors are engaged in a political strategy that pitches the main

<sup>27</sup> Quaisser, W. (2002). *Kosten der EU-Erweiterung - Neue Vorschläge der Europäischen Kommission und ihre Implikationen für die nächste Finanzperiode*. Munich: Osteuropa-Institut.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Schröder, G. "Die Erweiterung muss bezahlbar sein." *Frankfurter Allgemeine Sonntagszeitung* (June 16, 2002).

beneficiaries of CAP – particularly France – against the applicant countries. Yet, they have promised that the conflict over financing enlargement will not delay the enlargement process.<sup>31</sup> Thus, the key to a successful conclusion of the enlargement negotiations by the time of the EU Summit meeting in Copenhagen at the end of 2002 is whether or not a reform of CAP can be achieved.

### **Reform of the Common Agricultural Policy**

Most analysts found that the Common Agricultural Policy was expensive and should be changed, regardless of the enlargement challenges. However, the dynamics of EU politics and its inertia kept CAP in place without fundamental reform.<sup>32</sup> The opportunity of a mid-term review of CAP scheduled for summer 2002 and the pressure from the net contributors to the EU budget have put CAP reform back on the agenda. As I write, proposals on how to change CAP are being circulated in the Commission and will be made public on July 10, 2002. According to initial reports, the Commission will propose radical changes, such as redirecting some of the direct payments to rural development funding. This shift from pillar one to pillar two is also referred to as “modulation.” Direct payments would be cut by 20 percent over the next six or seven years and redirected towards rural development. Also, the Commission seeks to set a maximum ceiling of €300,000 per year of direct payments per farm. In addition to modulation, the Commission plans to propose more binding environmental, food quality, and animal welfare standards. Taken together, these proposals seek to move agriculture from mass production to organic and quality produce and turn farmers into environmentalists, benefiting the small and medium sized enterprises.<sup>33</sup> The associations of agricultural interests already have voiced their opposition, arguing that enlargement should not happen at the expense of farmers in neither the new nor the old member states.<sup>34</sup> In addition, the French opposition to major CAP reforms is likely to grow in light of the results of the latest elections. The French already scored two small tactical victories in preventing changes of CAP. First, together with Italy, they received agreement at the EU summit in Seville that the stability and growth pact will not strictly require a balanced budget by 2004. This success weakens the argument of the net contributors that the stability and growth pact necessitates a reform of CAP because it limits the possibility for a budget deficit. By losing the fiscal strait jacket of the net contributors as well, France can now argue that it can commit to agricultural subsidies without violating the commitment to the stability and growth pact. Second,

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<sup>31</sup> M.L. “Gemischte Reaktionen in Polen. Die Debatte über die EU-Agrarpolitik. Deutsch-polnische Konsultationen.” *Frankfurter Allgemeine Zeitung* (June 19, 2002): p. 4, M.L. “Schröder: EU-Beitritt verzögert sich nicht. Debatte über Agrarsubventionen. Der Kanzler zu Besuch in Breslau.” *Frankfurter Allgemeine Zeitung* (June 19, 2002): p. 4.

<sup>32</sup> Quaisser, W. and J. Hall (2002). *Toward Agenda 2007: Preparing the EU for Eastern Enlargement*. Munich, Osteuropa-Institut München. Weise, C., M. Banse, et al. (2001). *Reformbedarf bei den EU-Politiken im Zuge der Osterweiterung der EU*. Studie für das Bundesministerium der Finanzen. Berlin, Göttingen, Deutsches Institut für Wirtschaftsforschung. Rieger, E. (1996). *Agrarpolitik: Integration durch Gemeinschaftspolitik? Europäische Integration*. M. Jachtenfuchs and B. Kohler-Koch. Opladen, Leske & Budrich: 401-428, Rieger, E. (2000). *The Common Agricultural Policy. Policy-Making in the European Union*. H. Wallace and W. Wallace. Oxford, UK/ New York, NY, Oxford University Press: 179-210.

<sup>33</sup> “Radical shake-up planned for EU agricultural policy,” *Euractive* June 21, 2002, <http://www.euractive.com>, Mann, M. “Shake-up for European farm subsidies.” *Financial Times* (June 19, 2002) .

<sup>34</sup> COPA-COGECA (2002), *Our Vision for the Future: A Sustainable Agriculture for all Europeans*, Strategy Paper, Brussels: COPA, COPA-COGECA (1999), *The European Model of Agriculture: The Way Ahead*, Brussels: COPA, COPA-COGECA, *Enlargement: Condemnation of Attitude of Some Member States with regard to the Financing of Direct Payments for the CAP*, Brussels: COPA-COGECA Press Release, June 20, 2002.

the foreign ministers of the EU have agreed to postpone discussions of farm subsidies and enlargement until after the German elections. This agreement weakens the German bargaining power because it undercuts the argument of voters' dissatisfaction as a bargaining lever. Germany, as the most affected net contributor, failed to use the opportunity to insist on French concessions right after the French elections but before the German elections. It also did not make the compromise on the application of the stability and growth pact for France and Italy contingent on French concession on agriculture. The reason could be that it fears that its insistence on the strict application of the stability and growth pact can backfire later if Germany fails to meet its own deficit reduction targets.

However, the two tactical victories of the French greatly improved the chance of finishing enlargement negotiations according to the road map. The fate of the project will then depend on whether the treaty will be approved by the member states. The stage of the play will then move to the countries, the national parliaments, and to public opinion.

## **PUBLIC OPINION ON ENLARGEMENT**

The public in the member states of the European Union has largely ignored the issue of enlargement. Most Europeans admit that they are simply not informed about the issue and do not participate in the discussion about it. Surveys of public opinion have shown that support for enlargement is growing slowly over time but is highly uneven across countries. A lack of enlargement enthusiasm still provides for a permissive but not very stable and reliable political environment. And a significant number of Europeans fear the negative consequences of EU enlargement. This section will present survey results for all European member states before it turns its focus on Germany.

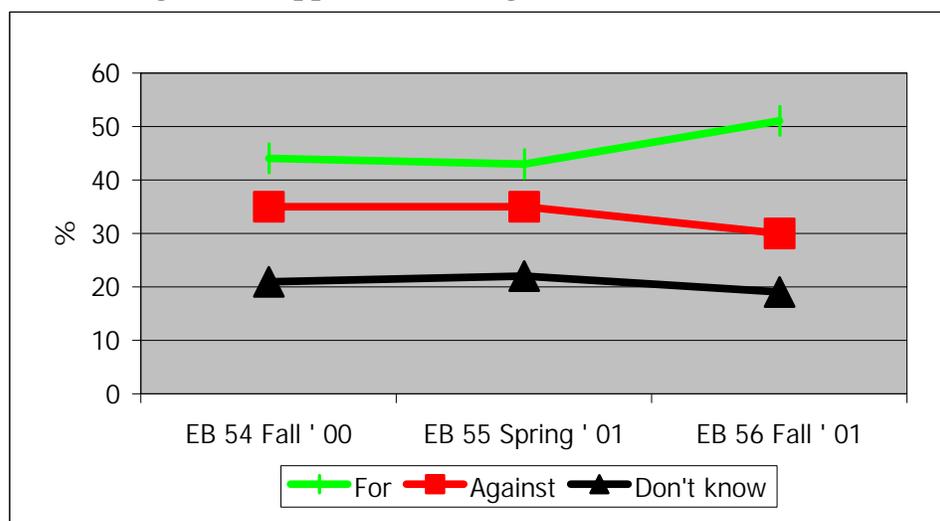
### **Public opinion in the current member states**

While citizens of the current EU member states expressed their skepticism about enlargement early on, a majority supported the idea in general. For example, in 1998 74 percent (1999: 72 percent) felt that the EU would play a more important role in the world if it includes more countries. Sixty-six percent (1999: 64 percent) felt more member countries could culturally enrich the Union and guarantee peace and stability. Both reasons, the growing role of Europe in the world and cultural enrichment, have been major sources of public support for enlargement.<sup>35</sup>

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<sup>35</sup> The following analysis of public opinion is based on the *Eurobarometer* biannual surveys Commission, E. (1998). *Eurobarometer* 49. Brussels, European Union, Commission, E. (1999). *Eurobarometer* 51. Brussels, European Union, Commission, E. (1999). *Eurobarometer* 50. Brussels, European Union, Commission, E. (2000). *Eurobarometer* 53. Brussels, European Union, Commission, E. (2000). *Eurobarometer* 52. Brussels, European Union, Commission, E. (2001). *Eurobarometer* 54. Brussels, European Union, Commission, E. (2001). *Eurobarometer* 55. Brussels, Commission, E. (2002). *Eurobarometer* 56. Brussels, European Commission. The survey results are always released six months after the field-work. The dates in the text refer to the time of the field-work of each survey. The surveys are available at [http://europa.eu.int/comm/public\\_opinion/](http://europa.eu.int/comm/public_opinion/). See also Böttcher, B. "Trügerische Sicherheit - die Erweiterung nach Göteborg." *Deutsche Bank Newsletter Aktuelle Themen* Nr. 212 (June 21, 2001): p. 6-8.

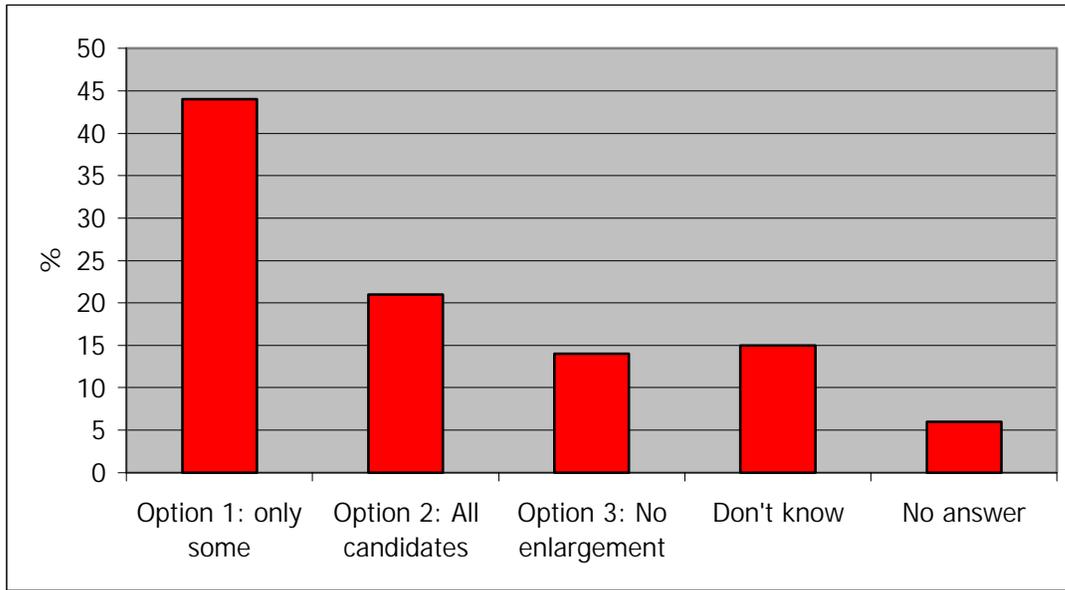
**Figure 3: Support for Enlargement in EU Member States 2000-01**



The fall 2000 and spring 2001 *Eurobarometer* surveys researched the support of the public for enlargement as accession negotiations began. Only a plurality of 44 percent (EB 55 spring 2001: 43 percent) favored enlargement, whereas 35 percent were against it in both surveys (see Figure 3). However, in October 2001 an absolute majority of 51 percent favored enlargement for the first time. This surprising growth of supporters is most likely a consequence of the terrorist attacks on the World Trade Center in New York and the Pentagon in Washington, D.C. on September 11, 2001. Americans and Europeans alike responded to the new threat by strengthening governments and supporting government policies.<sup>36</sup> Nevertheless, only future surveys will tell whether the absolute majority for enlargement can be maintained or even will grow. The lack of enthusiasm for and involvement in enlargement among EU citizens is further demonstrated by their belief that it should not be a major priority. In EB 52, fall 1999, only 28 percent (EB 53, spring 2000: 27 percent) thought that enlargement should be a political priority. Despite obvious differences across member states, a majority of 59 percent (EB 53, spring 2000: 60 percent) thought that enlargement is not a political priority. Subsequent surveys have dropped the question.

<sup>36</sup> Bielka, Frauke N. and Christian Tuschhoff (2002), *Common Threats – Diverging Responses. Despite similar threats Europeans and Americans respond differently to terrorism*, American Institute for Contemporary German Studies, <http://www.aicgs.org>.

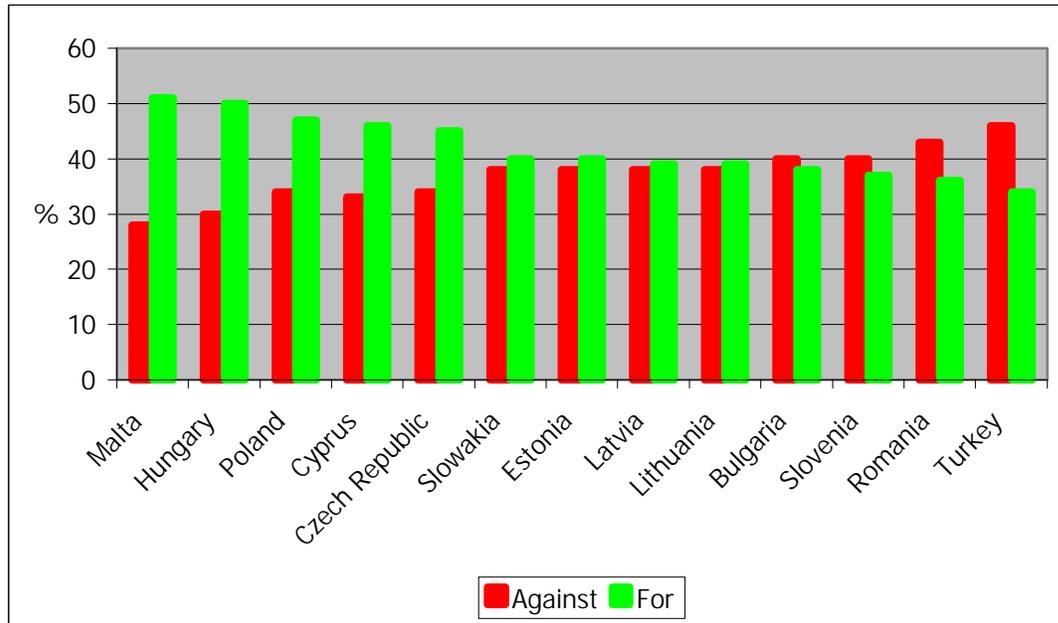
**Figure 4: Options for Enlargement**



EU citizens were discriminating when confronted with a choice of including all or only a few candidate states. A plurality of 44 percent said the European Union should be enlarged to include only some of the candidates (Figure 4: option 1). Only 21 percent favored a “big bang” that included all the countries wishing to join (Option 2), and 14 percent opposed enlargement altogether (Option 3).

People also believed that candidates must meet important conditions before they were allowed to join the EU. Seventy-nine percent of the respondents insisted that candidates have to respect human rights and democratic principles; 76 percent said that new members must be committed to fighting organized crime and drug trafficking; and 70 percent expected a commitment to environmental protection. Sixty-nine percent expect the candidate states to apply all EU rules when they become members and 62 percent insisted that new members have to pay their share to the EU budget. Fifty-eight percent said that enlargement should not be costly for the current members, and 48 percent stated that the candidates’ economic development should be close to the EU level.

**Figure 5: Support for Individual Candidate Countries' Membership<sup>37</sup>**



In addition to specific ideas about the conditions that candidate states should meet before they are allowed to join the European Union, EU citizens made judgments about which states should join. Again it becomes clear that the public does not support the “big bang” solution whereby ten of the thirteen accession candidates – i.e. all but Romania, Bulgaria, and Turkey - would join by 2004. Rather EU citizens prefer a “regatta approach”—only those candidates that meet the criteria should be allowed into the European Union. According to public opinion, the accession states can be put into three separate groups. The first group consists of Malta, Hungary, Poland, Cyprus, and the Czech Republic. For this group, the support for membership clearly outweighs the opposition. The second group consists of Slovakia, Estonia, Latvia, and Lithuania. Support and opposition for the membership of these countries are almost equal. Bulgaria, Slovenia, Romania, and Turkey form the third group. Here, opposition against membership clearly outweighs support. Still, the support for all current candidate countries is rather low when compared to some non-candidates. Seventy-five percent of EU citizens were in favor of Switzerland’s and Norway’s membership, with only 13 percent opposed. Iceland received support from 60 percent, with 22 percent opposed. For Croatia, Yugoslavia, Bosnia/Herzegovina, Macedonia, and Albania the opponents outweigh the supporters by significant majorities. However, Figure 5 should be viewed with some caution because the many “don’t know” responses are not reported. Many EU citizens freely admitted that they are not very well informed about these countries and the process of enlarging the membership of the European Union.

#### The lack of information and participation

However, it is questionable just how stable public opinion is on enlargement. More detailed surveys<sup>38</sup> have shown that most citizens – whether or not they support enlargement - do not feel

<sup>37</sup> Commission, E. (2002). *Eurobarometer 56*. Brussels, European Commission.

<sup>38</sup> European Opinion Research Group, (2001). *Eurobarometer 55.0 - Special Edition. National Highlights*. Brussels, European Commission, European Opinion Research Group, (2002). *Eurobarometer 56.3 ‘Special Bureaux.’* Brussels, European Commission, Directorate General Press and Communication.

well informed and are not involved in the debates on the issue. In 2002, only one percent of respondents felt very well informed and only 12 percent felt well informed about enlargement. In contrast, 83 percent said they lack information. This number is composed of 47 percent, who did not feel very well informed and 36 percent who are not informed at all. Only 1 percent said they participated a great deal and another 10 percent participated only somewhat in the public discussions about enlargement. Fifty-seven percent did not participate at all, and 27 percent said they did not participate very much.

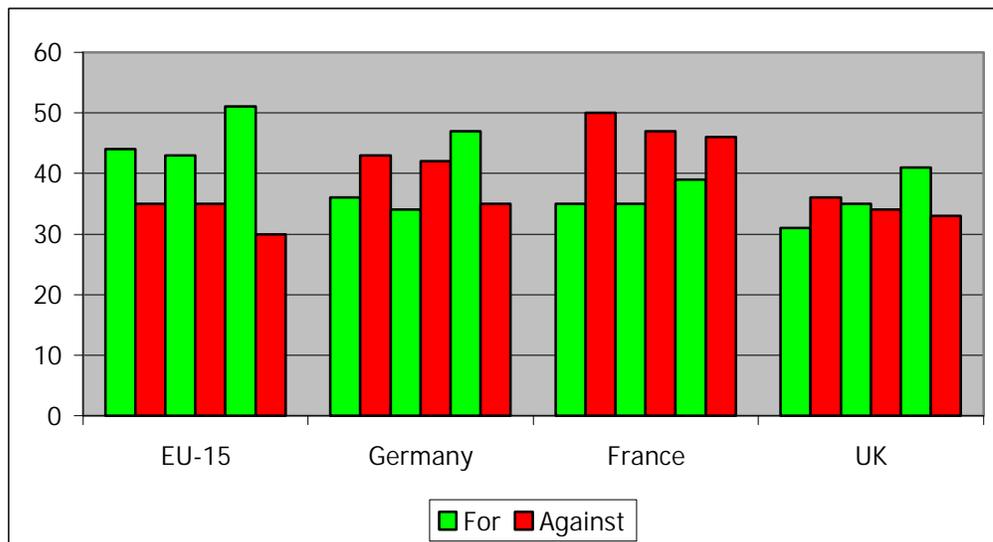
Most people also believed that enlargement will not personally affect them. Even those who are opposed to enlargement are unlikely to challenge their national government on the issue. It is fair to conclude that governments in the current member states face a permissive environment of public opinion on the EU enlargement issue. Even the majorities against enlargement in several member states pose a manageable risk to the political parties and governments.

However, this risk may change should the awareness of the implications of enlargement rise. Efforts by the Commission and others to address the “democratic deficit” by engaging the public in a broader debate and by starting a campaign to raise public support risk generating the opposite effect. In addition, sustained policymaking against the majority of the public poses the long-term risk of losing support. The EU faces the dilemma that remedying the long-term problem of the “democratic deficit” may create the short-term problem of strengthening and hardening the soft opposition against enlargement.

Regional differences

Support for EU enlargement was highly uneven across member states. While supporters outweigh the opponents in the EU as a whole, important regional patterns emerge upon closer inspection.

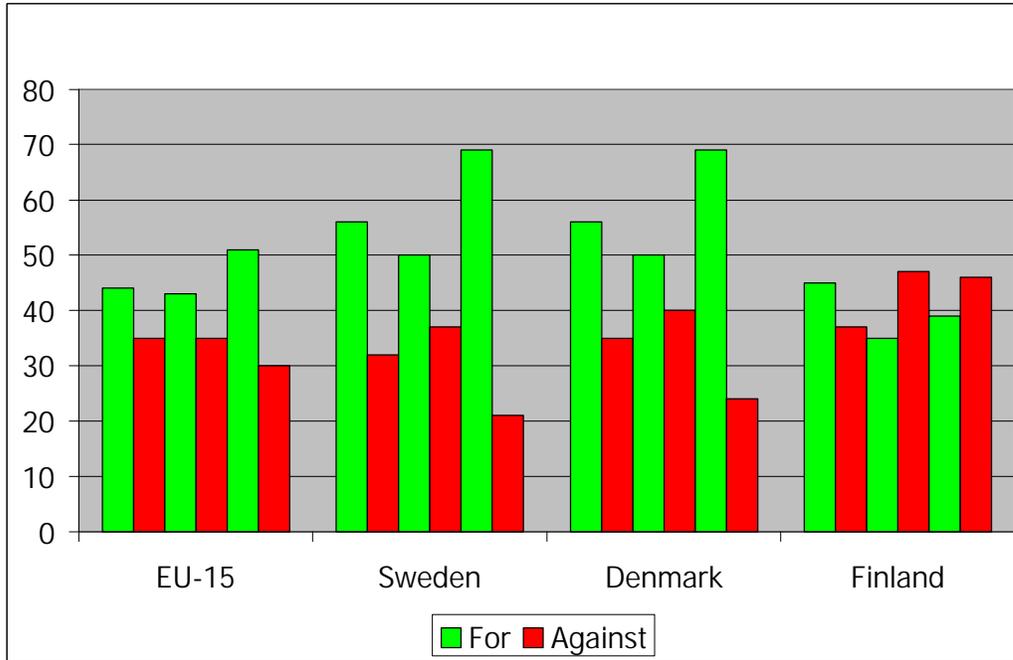
**Figure 6: Public Opinion on EU Enlargement, Big Countries (EB 54-56: 2000-01)**



The French were the most skeptical group. Opponents outweighed the supporters even after the September 11 terrorist attacks on the United States. In Germany, the situation changed after September 11, when the supporters outweighed the opponents for the first time. In Britain, a trend has emerged toward support for enlargement, a trend that was accelerated by the

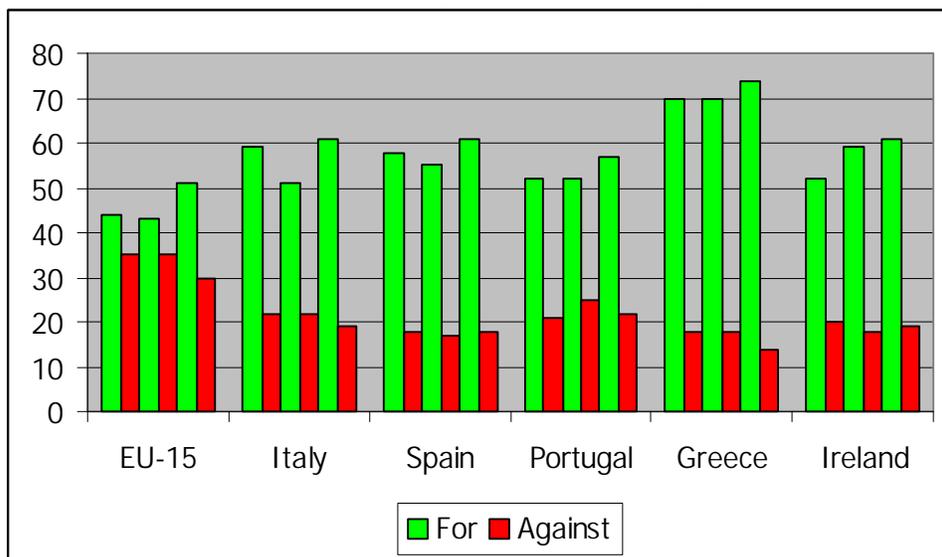
September 11 attacks. However, in all three large member states, support remained below 50 percent and the EU average.

**Figure 7: Public Opinion on EU Enlargement, Scandinavian Members  
(EB 54-56: 2000-01)**



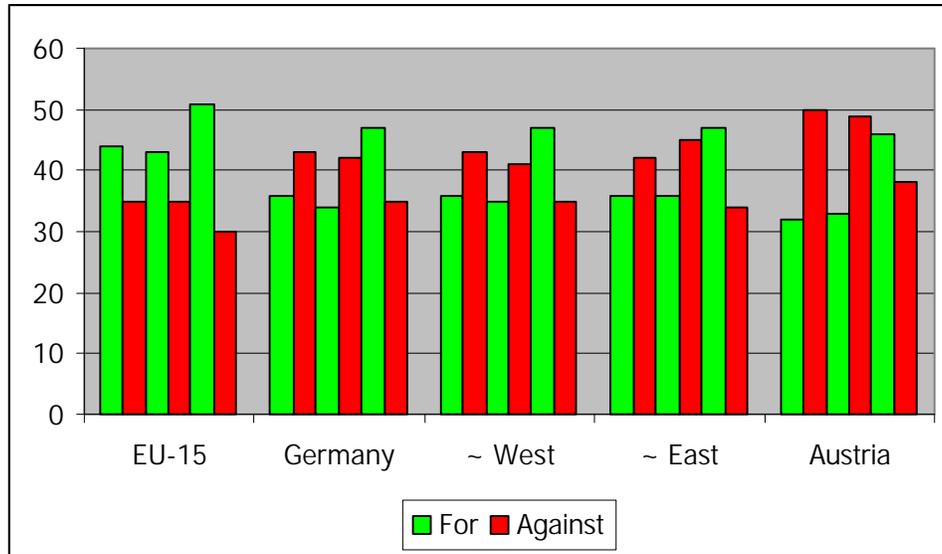
The opposite is true for the EU citizens living in the Scandinavian member states of Sweden and Denmark. Support for EU enlargement there exceeded the opposition to it as well as the EU average. It has remained consistently at 50 percent or higher and reached almost 70 percent after September 11. In Finland, however, opposition exceeded support in the two latest polls.

**Figure 8: Public Opinion on EU Enlargement, Southern Members  
(EB 54-56: 2000-01)**



Even more support can be found in the southern member states and Ireland. Opposition against enlargement has remained around 20 percent or lower. On the other hand, support has been consistent with numbers over 50 or even 60 percent—ranges well above the EU average. The Greeks overwhelmingly support EU enlargement at the 70 percent level. Citizens in these countries have always viewed the EU as an opportunity and supported its major policies, while people in the larger countries tend to view the EU more as a constraint.

**Figure 9: Public Opinion on EU Enlargement, Border Members  
(EB 54-56: 2000-01)**



Finally, Figure 9 looks at the support for enlargement in the border regions, particularly Austria and Germany. Both of these countries are expected to benefit the most from enlargement but will also be exposed to its negative consequences. Support in both is relatively low and falls below the EU average. Opposition is more pronounced in Austria, a country that borders three candidate countries, (the Czech Republic, Hungary, and Slovenia). The eastern Germans are more reluctant supporters of enlargement than the western Germans. It can be concluded that the more citizens expect to be exposed to the consequences of enlargement, the more opposition will grow. They appeared more afraid of the negative repercussions than excited by the economic opportunities of enlargement. However, the September 11 attacks reversed the survey results in all three regions. For now, a relative majority of enlargement supporters outweighs the opponents. It remains to be seen whether the September 11 effect can be sustained.

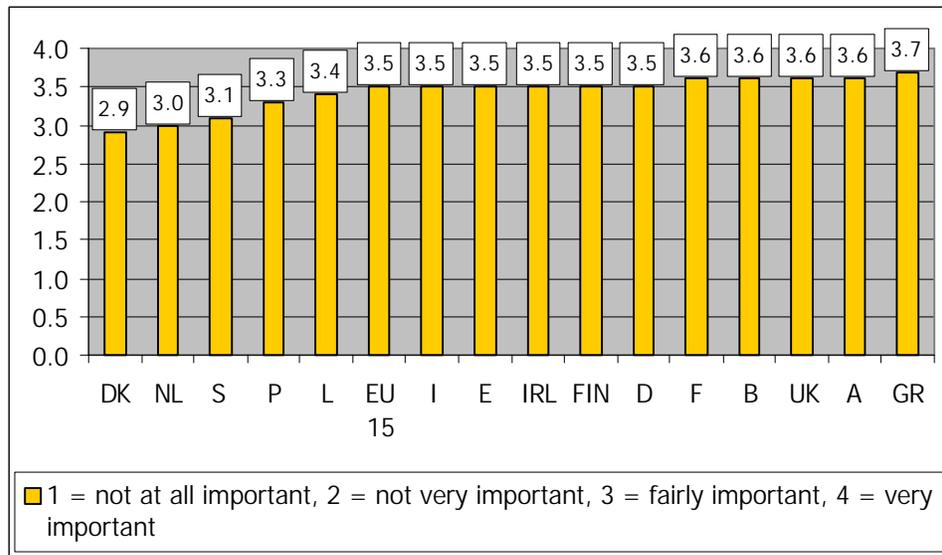
Motives, expectations, and concerns

When the *Eurobarometer* surveys attempted to analyze the motives for EU enlargement, citizens were asked to agree or disagree with certain statements. Sixty-seven percent responded by agreeing that enlargement will unite the European continent. Unification thus became the strongest argument in favor of enlarging the membership of the EU. Moreover, 63 percent agreed that enlargement will strengthen the EU politically, and another 60 percent agreed that enlargement secures peace in Europe. The public’s primary motives for EU enlargement are clearly political in nature. However, people are more skeptical about the economic benefits of enlargement. Forty-eight percent disagreed with the proposition that enlargement will help create more jobs in their country, while 29 percent agreed that it would. Another 45 percent disagreed

with the argument that enlargement will increase the quality of life in their country, while 29 percent agreed. Europeans are almost equally split on the proposition that enlargement is a good thing if their government favors it; 39 percent disagreed, while 35 percent agreed with the statement.<sup>39</sup>

However, even in light of their general support, citizens were concerned about the costs; 45 percent (1999: 47 percent) believed that enlargement will cost their own country money, and 47 percent feared that their own country would receive less financial aid following enlargement (*Eurobarometer* [EB] 49, spring 1998).

**Figure 10: Sharing the Costs of Enlargement (2002)<sup>40</sup>**



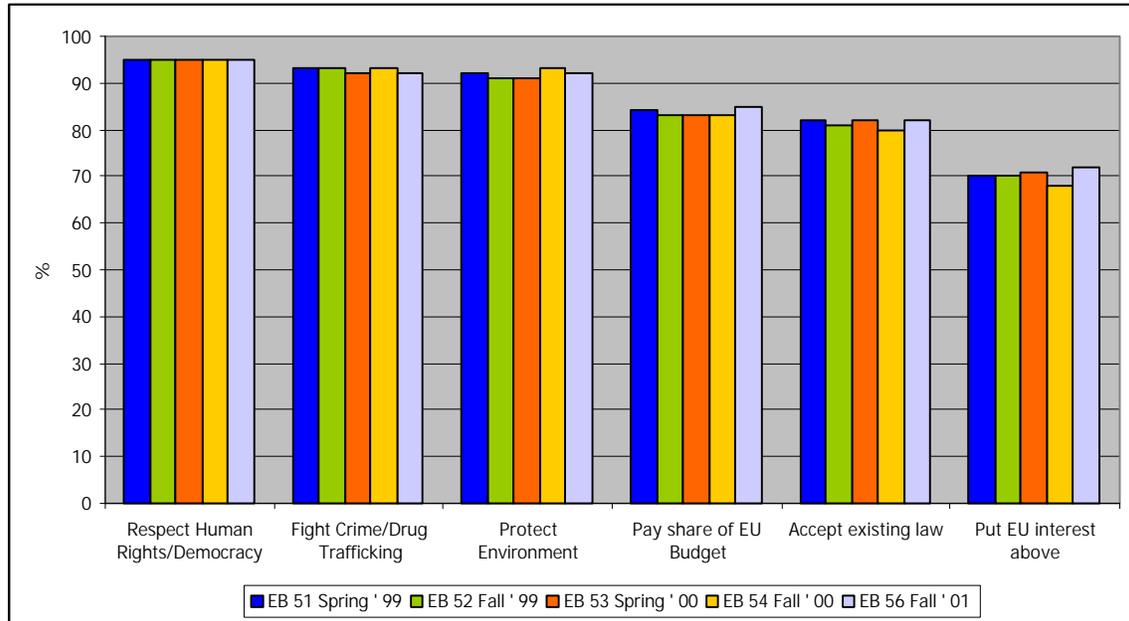
When asked on a scale of one to four how important it is, that a country's membership in the EU should not be costly for the existing member states, most EU citizens said it is fairly important or even very important (see

Figure 10). The EU average number is 3.5. This result indicates that the issues of enlargement costs and the sharing of these costs are very important for the public. About 80 percent considered it essential that new members are able to pay their share of the EU budget (EB 49, spring 1998).

<sup>39</sup> European Opinion Research Group, (2002). *Eurobarometre* 56.3 'Special Bureaux.' Brussels, European Commission, Directorate General Press and Communication.

<sup>40</sup> Ibid.

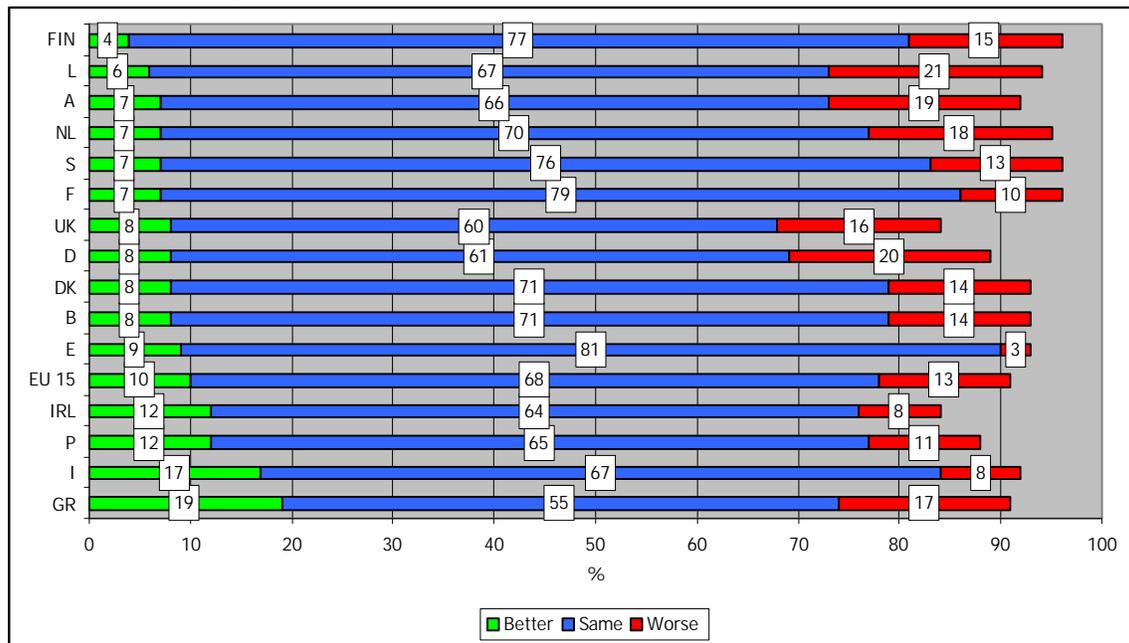
**Figure 11: Importance of Enlargement Criteria (1999-02)**



In addition, overwhelming majorities of EU citizens made their support of enlargement contingent upon respect for human rights and the principles of democracy (95 percent), a successful fight against organized crime, drug trafficking and effective protection of the environment (92 percent) in the candidate countries. Moreover, they expect the new member states to accept the existing treaties, laws, and rules, and, to a lesser extent, that they put the common EU interests above their own. Figure 11 shows that the public has applied these criteria consistently over time. The high numbers send a strong message to the governments of EU members and the candidate countries alike that the public will not tolerate anything less than a full application of the enlargement criteria.

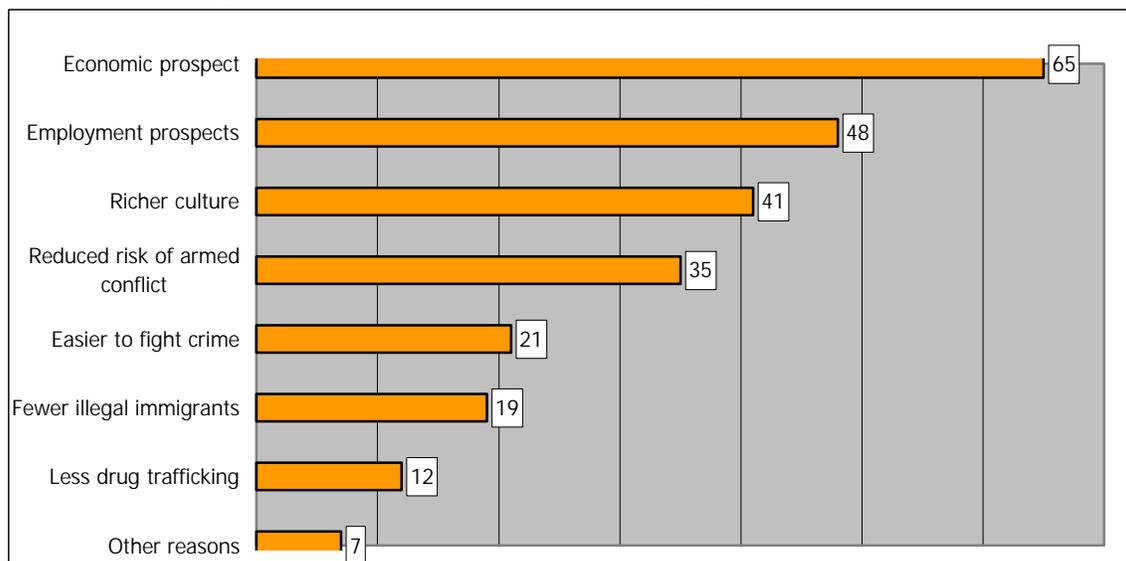
These survey data suggest that EU citizens support EU enlargement primarily for political reasons, but they are skeptical about its economic and social consequences. They expect the main benefit to be peace and stability in Europe. Also, they assume that enlargement enhances the role of the European Union in the world. Yet, they are very skeptical about the economic benefits of EU enlargement. Many doubt that it will create jobs or increase economic growth and welfare. Rather, they are afraid that the accession of new EU members will lead to a lowering of the EU's high standards of environmental protection and increase in crime and drug trafficking. However, such skeptical views however hardly spilled over in an expectation of changes in people's personal lives.

**Figure 12: Personal Life After Enlargement will be...**<sup>41</sup>



Most citizens believe that enlargement will not personally affect them. This important finding partially explains the lack of enthusiasm and involvement of citizens in the public debate. However, in most member states, the number of people who do believe enlargement will change their lives for the worse outnumber those who believe it will change for the better, as Figure 12 demonstrates.

**Figure 13: Reasons for Better Life Expectations (2001)**<sup>42</sup>



The respondents who expected enlargement to improve their lives base their optimism mainly on economic grounds. They also believed that enlargement can lead to cultural enrichment and a more stable, peaceful, and secure Europe. However, only one in five (or less)

<sup>41</sup> Commission, E. (2001). *Eurobarometer 55*. Brussels.

<sup>42</sup> Ibid.

expected that enlargement will improve their personal security by making it easier to fight crime, and by reducing illegal immigration and drug trafficking.

**Figure 14: Reasons for Worse Personal Life Expectations<sup>43</sup>**



Citizens who believed that enlargement will negatively affect their lives base their pessimism on fears of more immigration and higher unemployment. Over 40 percent also expected more organized crime and drug trafficking. About one third expected that the value of the euro might decline and that there might be less EU funding available for their own country.

Taken together, these survey data suggest that most citizens do not care very much about EU enlargement. They know very little about the issues and do not participate in the public debates on them. Most citizens do not anticipate that enlargement will affect them individually and thus see no reason to become engaged. Rather, they watched from the sidelines and offered reluctant support when their governments began negotiations. The lack of interest and enthusiasm has created a permissive public environment for enlargement to move forward as long as the key players do not ignore important signposts. Concerns, anxieties, and opposition will most likely rise if people have reason to believe that enlargement will jeopardize economic growth, welfare and job security. In addition, enlargement may not result in the deterioration of the high standards of environmental protection the EU has achieved, or in huge flows of migration and increases in organized crime and drug trafficking. Finally, governments should ensure that the costs of enlargement are kept under control and that the new members pay their fair share to the EU budget. If negotiators observe these conditions, the public is unlikely to oppose EU enlargement. The survey data suggest that opposition will be difficult to mobilize if governments keep an eye on the signposts. However, the public cannot be expected to enthusiastically support it. Attempts to rally support through public relations and information campaigns – though well intentioned – risk politicizing the issue without generating significantly more public support. As long as the public stays aloof and does not oppose enlargement there is no reason to rock the boat by trying to engage people. The best possible result that a public relations and information campaign might achieve is the growing polarization of supporters and opponents that would

<sup>43</sup> Ibid.

restrict the existing permissive environment. However, this study argues that EU enlargement already has become a more politicized issue for a number of reasons that will be explained below in greater detail. Yet, a closer inspection of public opinion in Germany offers a case study of how people are likely to respond to the politicization of EU enlargement.

### **Public opinion in Germany**

Next to Austria, Germany will be affected most by the enlargement of membership in the European Union. The analysis of costs and benefits (see section on The Economic Costs and Benefits of Enlargement above) shows that both countries expect to reap the largest share of the economic and political benefits. Governments, political parties, and interest groups have consistently supported EU enlargement. However, the public failed to follow the leadership of the elites and remained aloof or even skeptical about the issues. Two public opinion surveys conducted in 2001 and 2002 reveal a continuing gap between the supportive elites and the reluctant public.<sup>44</sup> The following analysis is based on the data of these surveys.

#### The lack of information and engagement

Despite the fact that enlargement will affect Germany most directly, less than 20 percent of the respondents in 2002 felt that they were either well or very well informed about it (2001: 22 percent). The level of knowledge was slightly higher among eastern Germans (2002: 21 percent, 2001: 25 percent) than among western Germans. This is hardly surprising, because eastern Germany shares borders with Poland and the Czech Republic - two of the candidate countries. In addition, eastern Germans were allowed to travel to the eastern European countries during the cold war and know these countries fairly well. The level of knowledge was also higher in the upper income class and among the better educated. Twenty-seven percent of people with higher incomes felt very well or well informed in 2002 (2001: 33 percent) whereas only 15 percent (2001: 13 percent) of the lower income bracket did. Twenty-six percent of the better educated indicated they were well informed in 2002 (2001: 39 percent), whereas only 14 percent (2001: 12 percent) of the less educated said they were well informed. However, these numbers also indicate that the level of knowledge declined last year. The lack of information was the main reason Germans failed to participate in political discussions about enlargement; 81 percent said they either participated only slightly or not at all. Only 17 percent said they participated fully. However, the level of participation is still the second highest in the European Union (EU-15 average: 12 percent). Austrians (23 percent) are the most engaged, while only 4 percent of Greeks, Spaniards, and Britons participate in discussions about enlargement.

#### “Big Bang” or “Regatta”?

Taken together, these numbers indicate that EU enlargement was neither a major concern nor a high political priority for the Germans. This conclusion is further supported by the fact that public opposition against enlargement is fairly low. In 2002 only 18 percent indicated that they were against enlarging the membership of the EU.<sup>45</sup> However, only 13 percent (2001: 12

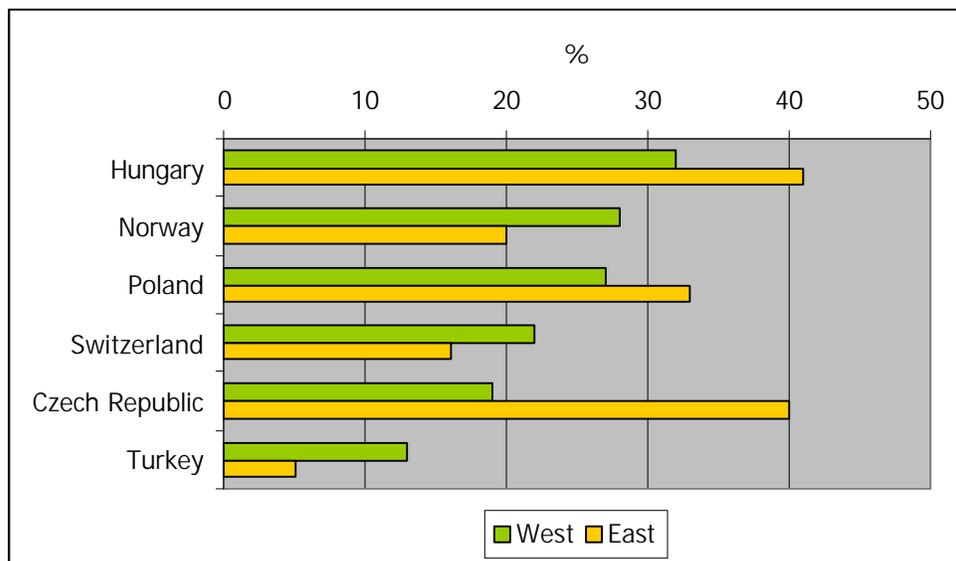
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<sup>44</sup> Holst, C. (2001). *The Euro and Beyond: Germans on the Euro, Enlargement, and the Dialog on Europe's Future*. Brussels, European Opinion Research Group. Survey carried out for the European Commission's Representation in Germany, Holst, C. (2002). *Eurobarometre 2002 - 'Special Bureaux'* (2002). Survey carried out for the European Commission's Representation in Germany. Brussels, European Opinion Research Group.

<sup>45</sup> Opposition against enlargement is much higher in Austria even though it is declining from 41 percent in September 1998 to 31 percent in March 2002 Spectra (2002). *Einstellung der Österreicher zur EU Deutlich verbessert*. Wien, Spectra.

percent) supported the idea that all candidate countries should join the EU while 47 percent (2001: 44 percent) prefer to make a selection. The Germans clearly preferred the “regatta approach” whereas their leaders decided in favor of a “big bang.” When asked which candidate countries they would choose, eastern and western Germans showed somewhat different preferences.

**Figure 15: Preferred Candidate Countries (Germany 2001)<sup>46</sup>**



Hungary was the most popular candidate in both parts of Germany, especially in eastern Germany. It even exceeds the preferences for Norway and Switzerland. However, eastern and western Germans disagree on the ranking of the runner-ups. Western Germans preferred Norway, Poland, and Switzerland while eastern Germans chose the Czech Republic, Poland, and Norway. The rankings most likely reflect the different personal ties that eastern and western Germans have to these countries. They also explain why the western Germans were more ready than the eastern Germans to accept the membership of Turkey, because of their experience with the significant Turkish minority living in western Germany.

### Costs, benefits, and concerns

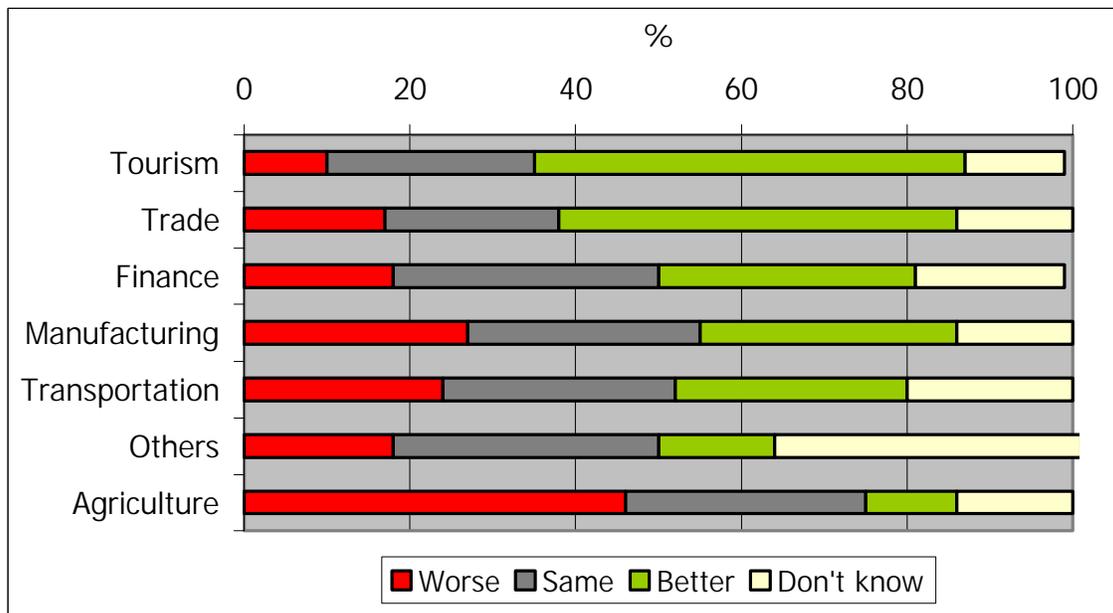
The Germans agreed with their fellow Europeans that their country will benefit most from enlargement. 14 percent (2001: 14 percent) of the Germans and 18 percent (2001: 15 percent) of all Europeans thought Germany would benefit the most. However, in 2002 54 percent (2001: 61 percent) of Germans did not anticipate any major personal payoffs. Only 10 percent (2001: 8 percent) expected some improvement, while 20 percent (2001: 20 percent) foresaw a deterioration of their personal situation.<sup>47</sup> The eastern Germans were even more pessimistic than the western Germans given that they will be more exposed to enlargement effects. Twenty-four percent anticipated a deterioration, while only 19 percent of the western Germans thought their personal situation would change for the worse.

<sup>46</sup> Holst, C. (2001). *The Euro and Beyond: Germans on the Euro, Enlargement, and the Dialog on Europe's Future*. Brussels, European Opinion Research Group. Survey carried out for the European Commission's Representation in Germany. Comparable data for 2002 are not available.

<sup>47</sup> The data presented by Ibid, Holst, C. (2002). *Eurobarometre 2002 - 'Special Bureaux' (2002)*. Survey carried out for the European Commission's Representation in Germany. Brussels, European Opinion Research Group, deviate significantly from the *Eurobarometer* data of Figure 3.

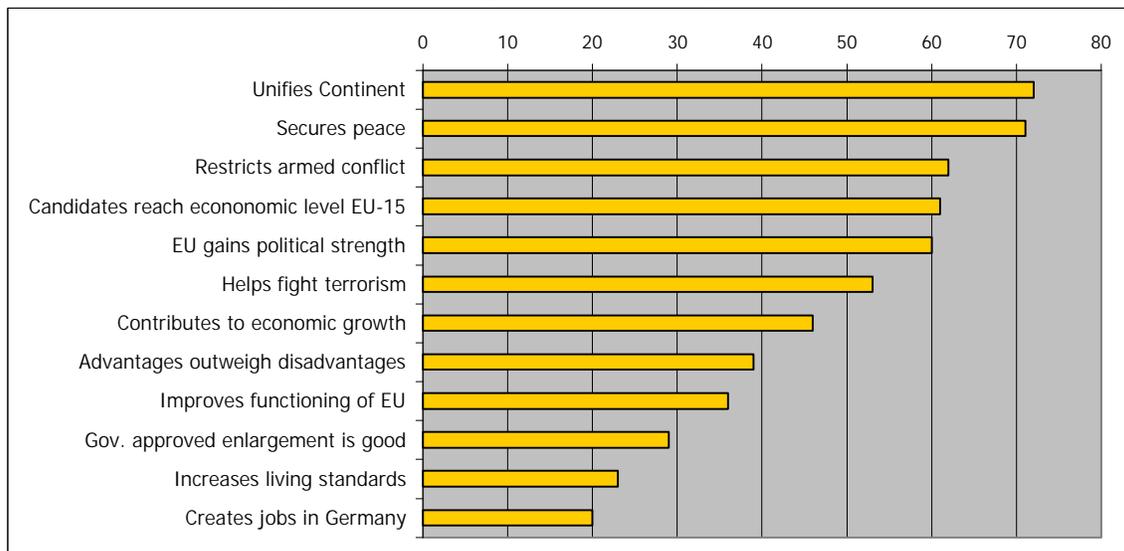
Those who expected enlargement to worsen their individual situation based their fears primarily on economic reasons. Seventy-two percent worried that enlargement would increase unemployment, and 64 percent thought immigrants would compete for their jobs. Sixty-one percent believed enlargement could lead to higher taxes and 58 percent said they expected inflation. Fifty-three percent thought the Euro will lose its value; 52 percent were afraid that illegal immigration might grow, and 51 percent were worried about an increase in drug trafficking. On most concerns, the Germans outnumber the average EU-15 figures. It is obvious that the Germans feel more uncomfortable about the negative consequences of enlargement because they will be more exposed to them. Here too, one can find some interesting differences between eastern and western Germans. Western Germans were more concerned about migrant workers and illegal immigration while eastern Germans worried more about drug trafficking, crime, and inflation.

**Figure 16: Expected Change by Industrial Sector (2002)**



Germans also anticipated that enlargement will affect economic sectors differently. Majorities expected the tourist industry (52 percent) and trade (48 percent) to benefit the most and agriculture (46 percent) was expected to be negatively affected.

**Figure 17: Consequences of Enlargement (2002)**



The survey also asked Germans to agree or disagree on several propositions about the consequences of enlargement. They agreed to most of the political statements such as enlargement unifying the European continent (72 percent), securing peace (71 percent), or contributing to a limitation of armed conflict (62 percent). However, the Germans were less optimistic about enlargement's economic consequences. Only 20 percent believed it will create jobs in Germany or that it will improve living standards (23 percent). The decision-makers and elites who argue that Germany will reap the most of the economic benefits of enlargement in terms of more jobs, economic growth, lower inflation, and improved living standards the public have clearly failed to plant the message in the minds of the German population.

In addition, the Germans remain particularly worried about the consequences of migration after enlargement. Seventy-six percent of those who expected considerable immigration perceive it in negative terms. In eastern Germany the number even jumps to 81 percent. Eighty-five percent of these pessimists anticipated that unemployment would grow, and 73 percent expected an increase in crime. Another 70 percent believe that enlargement will fuel the black labor market and 65 percent believe that some citizens will exploit the social security system. The concern about immigration has to be viewed against the fact that 59 percent believe that too many foreigners already live in Germany, and another 63 percent expect that foreigners will work for lower wages. These numbers show that Germans are extremely concerned about the economic and social consequences of enlargement, and particularly to the high levels of immigration to which they will be exposed. Workers from the East who expected to be hired and plan to commute across the border every day pose another concern. Fifty-five percent (65 percent in eastern Germany) believe the number of commuters will be considerable. This is the main reason why 79 percent fear that the number of jobs for Germans will decrease. In addition, 73 percent worry that commuting workers will reduce wage levels. Taken together, the survey provides strong evidence of the economic fears that Germans associate with enlargement. The more specific the questions, the more people voice their concerns. The government's message that enlargement will generate economic benefits that will trickle down to the public has not yet arrived, or it has been rejected. Instead, public opinion voiced strong concerns about its economic and social consequences. The government would be well advised to view these concerns as important signposts for the negotiations.

In conclusion, EU enlargement has not been a high priority for the German public. The surveys suggest that people do not support it in high numbers. Yet, they also do not see any reason to vigorously oppose it. Many believe it will not affect them personally. As in the rest of the EU, public opinion in Germany provides for a permissive but skeptical political environment. Germans believe the arguments of their government and the EU that enlargement will bring political advantages such as unifying the continent, reducing armed conflict, and ensuring peace. However, they are less convinced about the economic benefits. This is most striking because most experts argued that Germany will benefit the most from enlargement. But the German public has not been persuaded. It remains apprehensive about enlargement's economic and social consequences. Most importantly, the Germans feel particularly exposed to waves of migration, which may lead to other economic and social problems such as unemployment, lower wages, increased crime, and drug trafficking. The Germans expect their government and the EU to address these concerns seriously and offer some reassurance. They are opposed to a "big bang" enlargement and want governments to make a selection among the candidate countries that is based on their performance in meeting the Copenhagen criteria and their readiness for EU membership.

It is unlikely that more information can change this cautious public attitude and lead to substantially more support for enlargement. A public relations campaign will hardly make the issue a higher priority or persuade the Germans that enlargement is in their economic interest. Moreover, such a campaign is unlikely to alleviate the skepticism and concerns about the economic and social consequences of enlargement. However, people need to be reassured that their governments will address these concerns in the enlargement negotiations. Eventually, Germans will assess the advantages and disadvantages of accession after the new countries have joined. Only then, if their concerns prove to be unfounded, will they will move from pessimism to optimism.

## POLITICAL ELITES AND GOVERNMENT

In democracies, public opinion is not translated into policy without major modifications. It serves mainly as a constraint on decision-makers and offers important signposts. The literature on relations between state and society has dealt with the question of how public demands are translated into policy.<sup>48</sup> A number of important so-called linkage institutions are key in understanding how societal demands are translated into policies. These institutions include political parties and interest groups. In the case of Germany, one might also include state governments, whose role is particularly important on EU issues.<sup>49</sup> Linkage institutions assume roles as agenda setters, consensus builders, problem solvers, and legitimacy providers. They inform and consult with governmental institutions of the legislative and executive branches that hold formal veto powers.<sup>50</sup>

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<sup>48</sup> A good overview of the research and comparative studies on West European democracies is Fuchs, D. and H.-D. Klingemann, Eds. (1995). *Citizens and the State*. Oxford, UK/ New York, NY, Oxford University Press. See particularly Fuchs, D. and H.-D. Klingemann (1995). *Citizens and the State: A Changing Relationship? Citizens and the State*. H.-D. Klingemann and D. Fuchs. Oxford, UK/ New York, NY, Oxford University Press: 1-23.

<sup>49</sup> Tuschhoff, C. (1999). "Centralization and Asymmetry. The Impact of European Integration on German Federalism," Tuschhoff, C. (1999). "The Compounding Effect: The Impact of Federalism on the Concept of Representation." *West European Politics* 22, April 2: 16-33.

<sup>50</sup> Tsebelis, G. (1995). "Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multiparty system." *British Journal of Political Science* 25, 3: 289-325,

### **Consensus: no reasonable alternative to enlargement**

The public's lack of interest and enthusiasm for enlargement has not carried over to the interest groups and political parties.<sup>51</sup> A general agreement exists between leaders of parties, interest groups, state and federal governments, and parliamentary oppositions that enlargement is a political priority of EU policymaking and that it serves German interests. This position conflicts with public opinion, which does not perceive enlargement as a political priority. Also, German leaders perceive enlargement as beneficial in both political and economic terms.<sup>52</sup> If there are concerns, they are confined to particular aspects of enlargement but do not amount to general opposition.

The German Chancellor, Gerhard Schröder, and Foreign Minister, Joschka Fischer, also emphasize that enlargement has helped the EU respond to the challenges of economic and political globalization by improving its economic competitiveness and enhancing its role as a global player. These broad statements resonated with public opinion as the *Eurobarometer* surveys have shown (see Public Opinion in Germany). Given the elites' assessment that enlargement is in its economic and political interest, Germany has become the driving force of the project among the current member states.

German political parties, interest groups, and government leaders represent the public's position that candidate countries should meet the established membership criteria and be judged individually, not allowing for enlargement automatism. However, the elites' position has been far less in favor of selecting only the most advanced candidates than the general public has been. When it became increasingly clear that the negotiations with Poland did not keep up with the pace of other candidates, the German government stated its hope that the principle of judging each candidate notwithstanding, Poland would be among the first wave of accession states. While the public prefers a "regatta approach," the government increasingly favors a "big bang."

Clearly, the political elite in Germany is more optimistic about enlargement than the general public. It has assumed a leadership role and put enlargement on top of its European policy agenda. It believes that Europe, and particularly Germany, have a lot to gain from the project both in political and economic terms. Politically, it expects stability and peaceful cooperation with the neighboring countries in the East. Also, it hopes that enlargement will enable the EU to assume a bigger role in the world. A larger Europe, they believe, could better withstand the pressures of globalization, maintain its own identity, and shape the world rather than being shaped by it. The public and the leaders in Germany share this political vision of a powerful Europe in the future. The shared political vision has provided the mandate for pursuing the enlargement project. The elite also believe that this mandate is strong enough to support the elite assuming a leadership role by making enlargement a priority even though, according to public

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Tsebelis, G. and J. Money (1997). *Bicameralism*. Cambridge, UK New York, NY Melbourne, Cambridge University Press.

<sup>51</sup> Unless specifically indicated, I mainly rely on Institut für Europäische Politik and Trans European Policy Studies Association (TEPSA) (2000). *Enlargement/Agenda 2000-Watch*. Berlin, Institut für Europäische Politik, Institut für Europäische Politik and Trans European Policy Studies Association (TEPSA) (2002). *Enlargement/Agenda 2000-Watch*. Berlin, Institut für Europäische Politik for the following analysis.

<sup>52</sup> See for example Staatsministerium Baden-Württemberg (2001). *Wege zur Osterweiterung der Europäischen Union*. Positionspapier. Stuttgart, Staatsministerium. A public information brochure published by the Foreign Office and the Representation of the European Commission in Germany portrayed enlargement as economically very beneficial to Germany. It also stated that the candidate countries will carry the main burden of reforms. Kühnhardt, L. (o.J.). *Die Europäische Union - Fragen zur Erweiterung*. Berlin, Auswärtiges Amt, *Vertretung der Europäischen Kommission in Deutschland*. The brochure is overly optimistic in its outlook and clearly is not based on an honest cost-benefit analysis.

opinion, enlargement should not be placed so high on the government's agenda. But German leaders have concluded correctly that a less than supportive public would not oppose enlargement if certain conditions were met. This assumption has allowed the political elite to move enlargement from the "if" to the "how" stage. The proper conditions of successful enlargement are also very important, because the elite was initially much more optimistic than the public about its economic and social impact.

### **Conditions for enlargement**

Germany's political elite set conditions for enlargement for two reasons. First, it wanted to ensure that the accession countries stayed on an irreversible course of transition to democracy and a market economy and were able to enforce all EU rules and regulations. Second, several conditions were set to dispel the remaining opposition of the public or special interest groups who fear the economic and social impacts of enlargement. These conditions were designed to allow the public to gradually adjust to the enlarged EU and to provide for the necessary legitimacy of the project. However, the government sought to limit the conditions both in time and scope.

Early on, full implementation of the *acquis communautaire* became an important demand of German interest groups. On this point, the elites were in sync with the general public. The accession countries are to adopt all internal market regulations without derogations that would negatively affect its functioning because businesses were afraid of unfair competition from the new member states.

The *Länder*, responsible for security and important issues of home affairs insisted in particular on the full adoption of the Schengen agreement. By insisting on a strong negotiation position on the chapters on immigration, justice, and home affairs, the *Länder* assumed the role of representing the public's concern that enlargement may affect Germany's security.

Real conflict among interest groups developed only on a few issues. One concerned the free movement of persons, particularly labor.<sup>53</sup> The interest of trade unions in job security, high wages, social security regulations, and comfortable working conditions for their members clashed with the interests of employers associations and business to gain flexibility and increase competitiveness through deregulation and wage reductions. Therefore, the trade unions insisted on long transition periods for free movement of persons and labor, in particular. In addition, they asked for linking transition arrangements to specific economic criteria and conditions to avoid wage and social dumping and to secure their wage settlements with employers. In essence, they asked for the equal treatment of the legal workforce in all EU member states. They also argued that a restriction on the free movement of persons would make enlargement more politically acceptable to the skeptical public. The *IG Bau* trade union became the most explicit representative of restricting the free movement of persons for an extended period of time because the sectors it represented – construction, commercial cleaning services, waste management, agriculture, horticulture, and forestry - will be most exposed to the enlargement challenge, particularly in eastern Germany, where the workforces of these industries have already shrunk. The *IG Bau* asked for a ten-year transition period. It achieved agreement among all key leaders

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<sup>53</sup> A number of studies tried to predict the impact of enlargement on migration flows. Striking about these studies is the different numbers of migrants they predict. They confirm that a great deal of uncertainty surrounds the issue. For an overview with detailed references see Dresdner Bank (2001), *Herausforderung EU-Erweiterung. Wachstumschancen nutzen - Reformen vorantreiben*. Frankfurt a.M., Dresdner Bank.

across the spectrum of parties and interest groups that the German border *Länder* exposed to enlargement should receive special treatment and support – so-called flanking measures.<sup>54</sup>

The employers' association, supported by the farmers association, the CDU, and the FDP, rejected the demands for such long transitions of free movement of persons, opposing even a seven-year period. The trade sector association supported a seven-year transition period but suggested the inclusion of a review mechanism. The German industry association took the toughest stance against transition periods. If they were considered inevitable, the association stated, arrangements should be confined to single issues and limited in time as much as possible. In the end, a five-year transition period was agreed to by the EU and the candidate countries. During the transition each member state is permitted to apply national measures to control the flow of migrant labor. It was further agreed that after two years, the arrangements must be reviewed and may be shortened.

The discussion on freedom of persons in the context of EU enlargement also led to a broader and more intense debate on immigration in Germany. The German industry association and the trade sector pointed out that Germany is bound to open its borders to immigrants in order to respond to the demographic challenges of declining birth rates and an aging society, challenges that are undermining social security contracts. Immigration, these interest groups argued, must be viewed not only as a means of recruiting qualified workers but also as a way to stabilize the German social security system.

However, as recent election results and the aforementioned public opinion polls have shown, immigration is a very sensitive issue in Germany and in Europe at large. It seems that governments have underestimated the impact of immigration in general, particularly in the context of EU enlargement. The public has become very concerned about the problem, and governments have responded by trying to control the flow of immigration rather than by developing programs dealing with its social consequences and the difficulties of integration. In the context of enlargement, it will be difficult to control immigration beyond the duration of the agreed transition arrangements. It will then become necessary to deal with the social consequences of intra-EU migration by developing programs that facilitate the social integration of minorities. It is symptomatic that the political elites failed to anticipate these problems and certainly did not include the costs of such programs in their initial analyses of the costs and benefits of enlargement.

Another contested issue concerns agriculture. The conflict developed not between interest groups but between the government, concerned about spending, and the farmers association.<sup>55</sup> On the question of the costs of enlargement, the government stated early that the ceiling of resources agreed in the agenda 2000 – i.e. the national contributions to the EU budget – should also be maintained at 1.27 percent of GDP after the current financial program expires in 2006. It favored an approach of “stabilizing the EU expenditures” by limiting CAP spending. The CDU/CSU warned early on that funds earmarked for CAP may prove to be insufficient and suggested negotiating a national co-financing scheme to CAP. Alternatively, the government aired the idea of phasing out the direct payments to the EU-15 farmers, making the accession countries ineligible for direct payments because the same rules would eventually apply to

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<sup>54</sup> For a detailed analysis see Hofhansel, C. (n.y [2001]). *Germany, Multilateralism, and the Eastern Enlargement of the EU*. Cambridge, Minda de Gunzburg Center for European Studies, Harvard University.

<sup>55</sup> However, it should be noted that the European business association recently demanded that CAP be reformed before enlargement can take place. UNICE (May 2002). Ensuring EU Enlargement is a Success. Position Paper, Brussels, UNICE.

farmers in both the new and old member states. But the German farmers association lobbied to include the accession countries into the direct payment scheme in order to maintain direct payments for their members as well. They demanded transitional arrangements with regard to the common market price system and national production quotas to maintain their competitive edge. The German government disagreed and stated that the new members should be fully integrated into these arrangements immediately following accession.

The government cautioned that the CAP beneficiaries – particularly France – will most likely oppose alterations to the direct payment scheme and hoped that pressure from international trade negotiations for reform of CAP will increase. Thus, it opted for waiting for such windows of opportunities to open rather than challenging its partner France head-on on the sensitive issue of reforming CAP.<sup>56</sup>

Originally, the German government stated that enlargement must not be linked to successful CAP reforms, though it became increasingly clear that Germany could not make an open ended commitment to financing enlargement. At the very minimum, costs would have to be predictable. However, a reasonable prediction of enlargement expenses depended very much on the arrangements after the mid-term review of CAP scheduled for summer 2002. As long as this review did not produce satisfactory results, Germany opposed the inclusion of accession states into the direct payment scheme.<sup>57</sup> The pending issue of CAP reform and enlargement entails the possibility that Germany will be out-bargained and will have to revise its rosy economic cost-benefit analysis.

When trying to promote enlargement in Germany, the federal and state governments based their positions on political arguments and gave special attention to supportive arguments from the German business community. Businesses and employers associations argued that enlargement would be extremely beneficial for the German economy. The trade unions supported the general direction of enlargement but cautioned that certain conditions need to be set in order to make enlargement acceptable to their members. Based on such broad support from business, labor, the main political parties, and the state governments, the federal government promoted enlargement in an EU-wide campaign. In order to cope with public and trade union concerns about the economic and social consequences of enlargement, the government took a position between the trade unions and business interests. The resulting compromise solution dealing with immigration concerns was acceptable to both business and labor representatives.

At the moment, it looks as if the agricultural interest groups will not be as successful as business and labor. Their position that CAP should be extended to the candidate countries without major reform has fallen on deaf ears. The German government considered the interests of the larger number of taxpayers and consumers as far more important than those of the small agricultural community. German farmers will have to seek support from other national governments in the EU and from their peers in other countries to keep from becoming the victims of enlargement. However, in the past, European farmers have proven highly effective in defending their stakes in the European Union. It should be expected that the issues of agricultural reform and financing enlargement can be resolved by some sort of compromise, particularly if this question remains the only issue on the enlargement negotiation agenda. After coming such a

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<sup>56</sup> Unfortunately, such a window never opened. If anything, the adoption of the new farm bill by the U.S. Congress and the President made such an opening even less likely.

<sup>57</sup> Schröder, G. “Die Erweiterung muss bezahlbar sein.” *Frankfurter Allgemeine Sonntagszeitung* (June 16, 2002). See also the Commission’s response to the chancellor’s statement, Schreyer, M. “Vereinigung Europas nicht an Schafsprämien koppeln.” *Frankfurter Allgemeine Zeitung* (June 17, 2002): 12.

long way, it is unlikely that anyone will block a final settlement. They will most likely find some compromise on CAP reform and financing enlargement even if it means that the assessment of costs and benefits of enlargement as less favorable.

### **Political headwind: the Benes decrees**

The more unpredictable and intractable problems of enlargement surfaced recently on some unexpected political fronts and hit the German political elite by surprise, contributing to a growing irritation. Heading into a campaign for national elections in summer 2002, Czech leaders publicly voiced support for the continuing maintenance of the so-called Benes decrees. These decrees justified the violent expulsion of ethnic Germans from Czechoslovakia after World War II and stripped them of important citizenship and property rights. The conflict has overshadowed German-Czech relations since World War II. As with other bilateral relations, this debate over history, justice, and discrimination proved to be the most difficult problem to solve.<sup>58</sup> The Czech side perceived the Benes decrees as justified because German occupation during the Nazi regime resulted in severe discrimination and repression. For the Czechs, the Benes decrees compensated them for their material and emotional losses. The German perception of the issue has been largely influenced by refugee groups, particularly the *Sudetendeutsche Landsmannschaft*, whose member had suffered expulsion and discrimination. It portrayed the Benes decrees and the subsequent expulsion and discrimination as an act of ethnic cleansing incompatible with European principles and laws. The *Sudetendeutsche* demanded the revocation of the Benes decrees and some form of restitution.

The political elites on both sides engaged in a dialogue based on a balanced German-Czech declaration of both sides, hoping this would put the conflict to rest and help heal the wounds.<sup>59</sup> Most importantly, the leaders on both sides sought to insulate the conflict from the enlargement process. However, this attempt failed when Czech high officials, such as the former Prime Minister, Milos Zeman and his successor, Vladimir Spidla, publicly justified the Benes decrees. They said the decrees would remain in force and rejected any restitution claims.<sup>60</sup> These statements generated a wave of national support among the Czech population across party lines.<sup>61</sup>

The German side, facing elections in fall 2002, had no choice but to respond to the Czech statements. Chancellor Schröder cancelled his scheduled visit to Prague. Inspired by German representatives, the European Parliament issued several legal opinions assessing whether or not

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<sup>58</sup> Gardner-Feldman, L. (1999). "The principle and Practice of 'Reconciliation' in German Foreign Policy. Relations with France, Israel, Poland and the Czech Republic." *International Affairs* 75, 2 (April): 333-356.

<sup>59</sup> Deutsch-Tschechische Erklärung über die gegenseitigen Beziehungen und deren künftige Entwicklung vom 21. Januar 1997, Bulletin des Presse- und Informationsamtes der Bundesregierung, January 24, 1997, Nr. 7.

<sup>60</sup> Anderson, R. "Czechs reject compensation for Sudeten Germans." *Financial Times* (April 9, 2002); Brössler, D. "Deutsch-tschechischer Graben." *Süddeutsche Zeitung* (May 21, 2002); Brössler, D. and H. Krebs. "Der Abschied war eine Quelle des Friedens. Der sozialdemokratische Parteichef verteidigt die Vertreibung der Sudetendeutschen und kritisiert Unions-Kanzlerkandidat Stoiber. SZ-Interview mit Tschechiens Vize-Ministerpräsidenten Vladimir Spidla." *Süddeutsche Zeitung* (May 18, 2002); Ko. "Zugespitzter Disput um die Benes-Dekrete: Wachsende Spannungen zwischen Berlin und Prag." *Neue Zürcher Zeitung* (May 22, 2002); Krebs, H. "'Wir haben sie heim ins Reich geschickt.' Bei der traditionellen Gedenkfeier in Theresienstadt verteidigt Tschechiens Regierungschef Milos Zeman erneut die Vertreibung der Sudetendeutschen." *Süddeutsche Zeitung* (May 21, 2002); Schwarz, K.-P. "Prag verteidigt die Nachkriegsordnung. Im tschechischen Wahlkampf herrscht über ein Thema Einigkeit." *Frankfurter Allgemeine Zeitung* (June 13, 2002): 7.

<sup>61</sup> Schwarz, K.-P. "Immer mehr Tschechen halten Vertreibung für 'gerecht.' Zemans Kurs in Umfragen bestätigt." (May 18, 2002): 4.

the Benes decrees were compatible with European law.<sup>62</sup> The German side became even more irritated when newspaper articles reported that the Czech courts still enforced the Benes decrees.<sup>63</sup> The conflict also became an issue in the German election campaign. Edmund Stoiber, the challenger of Chancellor Schröder, accused the Czech government of ignoring European law and questioned whether the Czech Republic is a sufficiently mature to join the European club of democracies. He accused the German government of ignoring the conflict and promised to support the *Sudentendeutsche* cause should he be elected chancellor. However, he stopped short of an explicit linkage between a revocation of the Benes decrees and Czech membership in the EU.<sup>64</sup> He reiterated his opposition to ignoring the injustice of historical expulsion and extended his support for other refugee groups as well.<sup>65</sup> The government, represented by the Minister of the Interior, Otto Schily, was more explicit in its demand that the Czech Republic should eliminate the Benes decrees and put the conflict to rest.<sup>66</sup> This demand was a striking deviation from the government's previous policy of downplaying the issue and facilitating an elite dialogue to reconcile contradictory positions.

The renewal of the controversy over European history, justice, and discrimination demonstrated the disruptive potential of the past. Unresolved issues and strong emotions can become conflicts that jeopardize the progress and successful conclusion of reconciliation projects such as EU enlargement. They threaten to destroy the consensus in Germany on the political benefits of enlargement—a consensus based on the assumption that the candidate countries will become mature democracies that observe principles of non-discrimination against minorities. If the consensus on the political benefits of enlargement is severely shaken, the elite based belief of economic advantages may come under severe pressure from public opinion from a population that is more apprehensive about enlargement's social and economic impacts.

## CONCLUSION

This study has shown that the enlargement of the European Union is based on a broad consensus between governments, political parties, interest groups and the public of the current member states. Agreement exists that enlargement will achieve the goals of overcoming the division of the European continent, reducing the likelihood of armed conflict, and stabilizing the democracies and market economies of eastern Europe. These overwhelming political objectives provide sustained legitimacy and a political mandate.

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<sup>62</sup> Hausmann, H. "Demnächst drei Gutachten. Irritationen über Benes-Dekrete." *Das Parlament* (March 22, 2002); "Irritation im EU-Parlament um die Benes-Dekrete. Zeman dementiert Äusserung Verheugens." *Neue Zürcher Zeitung* (March 14, 2002):

<sup>63</sup> "Prag wendet Benes-Dekret an. 'In Restitutionsfaellen moeglich' - Entscheidung des Innenministers." *Frankfurter Allgemeine Zeitung* (June 14, 2002): 6. Schwarz, K.-P. "Bis heute wurden sie nicht aufgehoben, also sind sie gültig. Die Benes-Dekrete und die Slowakei." *Frankfurter Allgemeine Zeitung* (April 18, 2002): 3.

<sup>64</sup> May 19, 2002 speech by Bavarian State Minister Edmund Stoiber on the *Sudetendeutschen Tag* (Day of the Sudeten Germans) in Nürnberg.

<sup>65</sup> Speech by Edmund Stoiber at the *Deutschlandtag der Ostpreussen* (Germany Day of East Prussia) on June 23, 2002 in Leipzig. Some of the demands by refugee groups may already be obsolete as a recent press report on archival research in the Polish Parliament showed: Ludwig, M. "Überraschung aus dem Sejm-Archiv. Vertreibungsdekrete schon aufgehoben." *Frankfurter Allgemeine Zeitung* (June 26, 2002): 3.

<sup>66</sup> Speech by Minister of the Interior Otto Schily at a meeting of the *Sudetendeutschen Landsmannschaft* on May 18, 2002 in Nürnberg. Brössler, D. "Europa hat ein anderes Friedensverständnis.' Auf dem Sudetendeutschen Tag kritisiert Kanzlerkandidat Stoiber jüngste Äußerungen aus Prag zum Thema Vertreibung." *Süddeutsche Zeitung* (May 21, 2002).

However, enlargement has also been promoted for economic reasons even though the rosy costs-benefit assessments provided by governments may not turn out to be true. Governments have promised that enlargement will significantly contribute to economic growth, prosperity, and job creation in the current member states. But studies by economic experts have shown that the next step of enlargement - membership and integration into the single market – will not again lead to considerable economic gains for the current member states. In addition, the extension of common market policies may turn out to be rather expensive depending on the final settlement of the enlargement negotiations. Also, the distribution of the economic gains of enlargement across member states will be highly uneven, as Figure 1 has shown. Whereas the border states such as Austria, Germany, and Italy can expect modest growth rates resulting from enlargement, Sweden, Denmark, Spain, and Portugal are likely to suffer some losses over the medium and long-term.

In addition, the financial costs of enlargement will be spread unevenly across the current member states. At this time, a final compromise has yet to be reached, but the evidence points in the direction of the net contributing countries to the budget as identified in Table 2. Germany, the UK, Belgium, the Netherlands, and Sweden will have to pick up the enlargement bill.

Given the only modest economic gains that the current member states can expect to derive from enlargement and the extremely uneven distribution of costs and benefits, the lack of significant opposition to enlargement that has surfaced is remarkable. This study confirms the earlier proposition by Frank Schimmelfennig that enlargement cannot be explained by rational choice theories.<sup>67</sup> Even more surprising is that no alternatives to enlargement that would lead to more favorable cost-benefit balances and a more even distribution of costs and benefits across member states have been proposed. Such alternatives could have used free trade arrangements and cooperation agreements similar to the Europe agreements but stopping short of membership. These potential alternatives have never been seriously discussed or offered as solutions to assuage public apprehension about the social and economic consequences of enlargement.

The European public has shown little interest in the enlargement project and very few people have engaged in a debate about it. Public opinion has created a permissive policy environment that has encouraged the political elite to assume a leadership role on the matter. Public opinion has largely followed the belief of the elite that enlargement will generate positive political results; however, it fell short of believing the proposition that enlargement is economically beneficial because it will generate economic growth, prosperity and jobs. In addition, the public has been apprehensive with regard to the social consequences of enlargement, particularly immigration and its impact on unemployment, wage levels, social security, crime, and drug trafficking. This study has shown that public support for enlargement is very strong in the southern and Scandinavian member states where the social consequences of enlargement will be less pronounced, although its economic consequences are likely to be negative in Sweden, Denmark, Spain, and Portugal. Public support is weaker in member states such as Austria and Germany, states that will derive a greater share of the economic gains but are also more likely to face the social consequences.

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<sup>67</sup> Schimmelfennig, F. (2001). "The Community Trap. Liberal Norms, Rhetorical Action, and Eastern Enlargement of the European Union." *International Organization* 55, 1 (Winter): 47-80. As a more powerful explanation for enlargement Schimmelfennig suggested a new concept of "rhetorical action" that is a variant of constructivism. Schimmelfennig, F. (1997). "Rhetorisches Handeln in der internationalen Politik." *Zeitschrift für Internationale Beziehungen* 4, 2 (December 1997): 219-254.

The German government has taken the lead promoting the enlargement project in the EU. It has based its position on the permissive public environment and a strong consensus within the political elite that enlargement is in Germany's interest and should be made a political priority. While supporting the political reasons of enlargement, the trade unions in Germany have warned about its economic and social consequences but have not opposed it. Rather, they suggested specific policies dealing with the impact of migration. The business community and employers association did not favor these policies but eventually agreed to them in order to not jeopardize enlargement altogether. Thus, the German government was able to find a compromise that allowed both business and labor interest groups to support EU enlargement. It also hoped that the transitional arrangements designed to spread immigration over several years could dispel public concerns. However, it appears to have underestimated the seriousness of this matter and particularly the problems of social integration of minorities, which typically occur at the local level. So far it has failed to deal effectively with the issue, as its policies have attempted to control the flow of immigration but have failed to provide programs that positively facilitate the integration of minorities into local communities.

Moreover, the German government has opposed the demands of agricultural interest groups to extend CAP to the accession states without reform. Instead, it recently proposed to either reform CAP and divert the resulting savings to the agricultural sector in the new member states, or to suspend the direct payments scheme after accession in these countries. This pro-active approach occurred after Germany had waited in vain for international pressure to open a window of opportunity for a CAP reform. The recent American farm bill legislation has locked this window for good. The German proposal pitched the beneficiaries of CAP – particularly France – against the accession countries. However, they will certainly wait until after the German elections in September 2002 to reach a compromise. It is highly unlikely that Germany, along with the other net contributors to the EU budget, and the Commission can extract significant concessions on CAP from France and/or the candidate countries. Germany has already lost two tactical battles. By the time the issue will be discussed, a threat of enlargement failure will have no credibility. In the end, Germany will have to adjust its optimistic cost-benefit assessment of enlargement.

The recent progress of the enlargement negotiations allows for the optimistic prediction that a final settlement can be reached by the end of 2002 and the new members will be able to join soon enough to participate in the next elections to the European Parliament in 2004. The remaining uncertainty of the road map rests with the ratification procedures and the pending second public referendum on the Nice Treaty in Ireland. A disruption of ratification of the accession treaty in Germany is unlikely, though the potential political conflict about the unfinished past of the German occupation of eastern Europe and the subsequent expulsion of Germans after World War II may lead to unpredictable developments. The political elite certainly would prefer to deal with these complicated and intractable issues after enlargement but may not have the luxury of doing so.

These and other issues associated with enlargement raise the question of how the European Union will look in the future. While this issue is currently debated in the constitutional convention, it can be safely predicted that enlargement will further diversify the Union. I agree with Klaus Hänsch, the former President of the European Parliament, that the EU can no longer attempt to harmonize norms and rules across member states and will have to abandon the

Monnet method.<sup>68</sup> A new, enlarged, and more diverse European Union must be based on principles of mutual recognition, tolerance, respect, and devolution. However, as the goals and methods of European integration are revised, one has to wonder whether the EU can achieve the political goals of enlargement by building a bulwark against the pressures of globalization and playing a larger role in the world.

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<sup>68</sup> Hänsch, K. "Die Methode Monnet allein reicht nicht." *Frankfurter Allgemeine Zeitung* (June 6, 2002): 8. Scheerer, S. "Hänsch: Gleichmacherei kann Europas Probleme nicht lösen." *FAZNET Online* (May 1, 2002):