

### Public opinion – a stumbling block to enlargement? An analysis of the relation between costs and benefits of eastern enlargement and their perception in current EU member-states

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**PUBLIC OPINION – A STUMBLING BLOCK TO ENLARGEMENT?**  
**An analysis of the relation between costs and benefits of eastern enlargement**  
**and their perception in current EU member-states**

Dóra Husz

**March, 2003**

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## INTRODUCTION

The present paper investigates how one factor, the public perception of costs and benefits of enlargement in the current EU member-states might play a role in influencing the form and the content of eastern enlargement. The core of the analysis is focused on the demonstration and explanation of discrepancies between the costs and benefits of eastern enlargement for the EU and their public perception in the current member-states.

For a long time questions investigating the role of public opinion in the course of integration have not figured prominently on the research agenda. The most influential theories of integration have ignored public opinion and concentrated on intergovernmental bargaining, elites and interest groups. Haas argued that it is “as impracticable as it is unnecessary to have recourse to general public opinion surveys, or even to surveys of specifically interested groups. (...) It suffices to single out and define the political elites in the participating countries, to study their reactions to integration and to assess changes in attitude on their part” (1958: 17). Later, in its revisionist phase, however, neofunctionalism started to recognise the role that public opinion can play in constraining or facilitating integration (Dalton-Eichenberg: 1998). Nye conceived of ‘attitudinal integration’ as an important element of political integration (1971). The more recent history of the EU – the failure of the first Danish referendum on the Maastricht treaty and later on EMU, the tight margin of the French referendum on Maastricht or the first Irish ‘no’ to the Nice treaty – has dramatically proven the importance of public support for integration. By now few would disagree with the claim that “mass attitudes, through their influence on political behaviour, play an important – sometimes crucial – role in determining the content and scope of integration. Through channels of mass influence – for example, referenda, representative institutions and protest – citizens affect EU policy-making and the success of integrative reforms” (Gabel: 1998: 109).

Despite the recognition of the influence of public opinion on integration the role of Western perceptions in the ongoing process of enlargement has not been rigorously investigated. Although no referendum will be held on the question of enlargement in current member-states, public opinion seems to play an important role in influencing the process. Securing the support of West European societies to the accession new countries will be necessary to ensure a smooth ratification of accession treaties by the national parliaments of current member states. If publics are sceptical, or even hostile towards the idea of enlarging the EU to the East, elected politicians may become reluctant to promote an unpopular cause. But public support is not only important in the last phase of enlargement. The experiences of the accession negotiations show that public fears can influence national positions on certain sensitive issues and indirectly the EU common position and even the outcome of negotiations. By having an impact on the conditions of enlargement public opinion inevitably influences the political and social dynamics of a future enlarged Union.

The present paper aims to take a step towards filling this gap by bringing real costs and benefits of enlargement and the public perception of these costs and benefits into the same framework, by pointing out and trying to find explanations for the discrepancies between the two, and thereby emphasising the importance of the impact that public opinion may have on the form and content of EU-enlargement.

Section I aims to present a broad categorisation of the aggregate costs and benefits of enlargement for the EU. The analysis will differ from several earlier impact studies in two crucial aspects. First, in order to get a complete picture, not only the easily quantifiable impacts, but also the intangible implications and the costs of non-enlargement must be taken into account. Given the unquantifiable nature of important benefits, qualitative arguments about the magnitude of these impacts offer the most appropriate method of analysis, despite the inevitable subjective element involved (Weimer-Vining: 1992). Second, the timeframe of the analysis must be extended to include all costs and benefits associated with enlargement. Thus I will consider as benefits the gains, including the ones already realised that would be reversed if the enlargement project failed, and count as costs those losses that accrue to the EU as a result of enlargement, excluding those that would have to be faced even without enlargement. I am aware of the possible criticism that can be voiced against calling any sort of cost-benefit calculation ‘real’ or ‘objective.’ My analysis is built on several sources projecting the expected impacts of enlargement. All exercises of analysing costs and benefits may, however, be influenced by the ideological orientation and the political goals of the experts conducting them. At the same time, since prior to the full realisation of the enlargement project we can have no fully objective sources for measuring its ‘real’ costs and benefits, a critical reliance on existing sources is inevitable if one tries to take a position on the net cost-benefit balance of enlargement in order to compare and contrast it with the public perception of costs and benefits.

Section II will present and analyse the public perception of the costs and benefits of enlargement in the current member-states. Attempt is made to fit survey data in the categories set out in Section I to ensure maximum comparability. Since the questions of the surveys are predetermined and open-ended questions (where respondents can freely express their opinion) are rare, the percentage distribution of answers presented in Section II shows how widespread perceptions concerning enlargement are, but not the intensity of these beliefs or the salience of the different issues. Thus the importance of specific hopes and fears in defining people’s overall stance on the question of enlargement has to be inferred from speculative analysis of the results. The source of the data presented in this section is the Standard (and Special) Eurobarometer survey series, which are conducted in member-states at least half-yearly on behalf of the European Commission. These surveys are based on face-to-face interviews and use approximately 1000-people multi-stage random (probability) samples representing the population aged 15 years and over in each member-state<sup>1</sup>. In addition, in November

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<sup>1</sup> The sample size is different in Germany (2000), Luxemburg (600), and United Kingdom (1300, including 300 in Northern Ireland).

2002 an ad hoc thematic survey based on telephone interviews has also been carried out in the topic of enlargement (Flash Eurobarometer). The result of this survey is referred to in the text, but direct comparison with the results of the Standard Eurobarometer survey is avoided given the differences in methodology. The timing of the surveys presented on the graphs and in the text refers to the timing of data collection (and not the timing of the publication of the results).<sup>2</sup>

Section III demonstrates and explains the contrast between the real and perceived cost-benefit balance of enlargement. The discrepancy between real and perceived benefits is demonstrated in two ways: firstly, by contrasting variation of net (political and economic) benefits from enlargement with variation of public support to enlargement in the current member-states; and secondly, by presenting an aggregate ‘qualitative balance sheet’ of real and perceived impacts of enlargement for the EU, constructed on the basis of conclusions from Sections I and II. Four different types of explanation of the discrepancies between the real and perceived cost-benefit balance will, in turn, be presented. The Conclusion summarises the main findings of the analysis and emphasises the dangers that the interconnectedness of lack of public support for enlargement with interest group action and lack of political commitment may pose on the process of enlargement.

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<sup>2</sup> The abbreviation used in the charts to denote current member-states are based on the name of the country in its own language following the convention used by Eurobarometer reports: A-Austria, B-Belgium, D-Germany, DK-Denmark, E-Spain, F-France, FIN-Finland, GR-Greece, I-Italy, IRL-Ireland, L-Luxemburg, NL-Netherlands, P-Portugal, S-Sweden, UK-United Kingdom.

# I. COSTS AND BENEFITS OF EASTERN ENLARGEMENT

## 1. BENEFITS

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### *1.1. POLITICAL BENEFITS*

Arguably the most important (and also unquantifiable) benefits of enlargement for the EU are the (geo)political impacts of the membership of CEECs. “Politics is the driving force behind Eastern nations’ desire to join and incumbents’ desire to have them. These considerations – political anchorage and security guarantees – are intrinsically vague, since they are based on fears of future developments.” (Baldwin: 1994: 97)

EU-membership of CEECs is expected to serve as a **security guarantee** in the broad sense (including political, economic, social and environmental stability). By offering a framework for cooperation the EU internalises security threats making it easier to solve them (Mayhew: 1998). For incumbent member-states this security guarantee is essential, since instability in CEECs would have significant spillover effects on the West.

The EU serves as a **‘modernisation anchor’** (Inotai: 1997) and the prospect of membership as a **‘commitment device’** for CEECs. The tasks to be fulfilled for entry have tied the hands of CEE governments, keeping them on the path of democratic and market reforms. The promise of eventual accession helped to secure social acceptance of painful reforms and to safeguard them from the influence of vested interests by increasing the costs of deviating from the reform path (Baldwin: 1994). Thus integration aids the processes of democratisation and modernisation bringing about economic and political predictability and stability in the region benefiting not only CEECs, but the EU as well (Bertelsmann: 1998).

Admitting the ten CEECs will – in the long run – considerably **raise the power and prestige of the EU** in the world.

These (geo)political and security benefits are unquantifiable but arguably at least as important as the economic benefits. The political benefits are inextricably linked to the high costs of non-enlargement, that Baldwin termed ‘fears of future development’ (see Section 3 on the costs of non-enlargement).

### *1.2. ECONOMIC BENEFITS*

Several influential studies claim that the economic benefits of eastern enlargement to the EU are small, whereas those to CEECs are big (e.g. Baldwin: 1997, Bofinger: 1995). Although the asymmetry in terms of economic weight between CEECs and the EU is evident – the CEECs would only add 7% to the EU’s GDP (Grabbe: 2001) – the importance of economic gains to the EU is often underestimated. The main reason for this is that **gains from trade liberalisation** resulting from Europe Agreements (EA) are often considered to be independent of the enlargement process, and are not taken into account in the cost-benefit balance. These gains can only be made irreversible through

enlargement, thus the timeframe of our analysis must be extended to the whole pre-accession period (Bertelsmann 1998).

The EU has significantly improved its trade balance with CEECs during the 1990s despite the asymmetric nature of liberalisation favouring the applicants. This was a result of the limitations on trade liberalisation in some 'sensitive sectors' in which CEECs had comparative advantage. The possibility of recourse to contingent protection, anti-dumping and safeguard measures also had a restrictive impact on CEE exports (Faini-Portes: 1995). The much higher trade gains to the EU are clearly shown by the development of the EU trade balance with CEECs: In 1989 the EU had a small trade deficit with CEECs. Between 1992-1997 the EU realised a surplus of ECU64 billion, which, although exports to CEECs only made up less than 10% in the EU's total exports, accounted for 83% of the EU's total trade surplus (Inotai: 1998). Taking into account the development of EU exports to CEECs and their share in the EU-GDP, it is estimated that approximately 0.27% point of the EU's yearly growth can be attributed to growth of CEE markets (Inotai: 1999).

Despite the fact that significant gains from trade have already been realised, **further trade benefits** will accrue to the EU **from the extension of the Single Market**. Most of the gains that have been realised so far resulted from allocation effects, whereas significant accumulation effects are still to be expected (Baldwin: 1997). There are several reasons for concluding that the trade potential of CEECs has by far not been exhausted yet. The growth in foreign direct investment (FDI) resulting from the decline in risk premia will increase CEE growth, which will stimulate demand for imports from the EU, especially demand for capital goods and services in which CEECs are relatively underdeveloped (Mayhew: 1998). Economic modernisation in CEECs, increase in consumers' purchasing power due to revaluation of national currencies and growth in real wages will further enhance demand for imports (Bertelsmann: 1998). Larger EU-transfers to CEECs after accession will also increase CEE demand for EU imports both directly, through the 'leakage effect' estimated by the Commission to be around 25-35% (EC: 1996), and indirectly, through generating long-term growth leading, in turn, to growing import demand. Opening up so far restricted trade (e.g. in agriculture) will bring both static and dynamic benefits. A Bertelsmann study (1998), based upon calculations using a gravity model, estimates the total untapped trade potential of CEECs around 20-50%, contributing to 0.1-0.5% of additional yearly growth in the EU.

Enlargement brings **new investment opportunities and production locations**. With the certainty of enlargement and the micro- and macroeconomic consolidation it requires, CEECs are increasingly becoming safe places to invest. As a result, the risk premium is declining, generating new investment opportunities, and making investment projects more profitable (Baldwin: 1997). CEECs have offered attractive production locations for EU-businesses due to their cheap but relatively qualified labour force. Outsourcing labour-intensive production to CEECs provides efficiency gains and increased opportunities for intra-industrial division of labour increasing the comparative advantage of the EU (Bertelsmann: 1998). Also with the development of the skill and



technology levels of candidate countries investments based on high value added production can be attracted to the new CEE member-states.

The enlarged Single Market, the complete liberalisation of trade and the extension of investment opportunities all contribute to the **increased competitiveness of the EU**. Higher competition, growing scale economies, enhanced specialisation, increased flexibility and productivity through restructuring not only strengthen the EU's competitiveness in the world, but also bring – through wider choice and lower prices – important **benefits to consumers**.

The most widely accepted calculation of economic benefits of eastern enlargement estimated the gains from reduction of trading costs around ECU9.8-11.1 billion (0.2% of the GDP) for the EU (Baldwin: 1997).<sup>3</sup> This model, however, has not taken into account gains from trade already realised and only included seven CEECs in the calculation.

## **2. COSTS**

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### *2.1. POLITICAL COSTS*

Three main types of political concerns have been voiced about eastern enlargement. The first is related to **costs of reforming** EU institutions (partially completed by the Nice European Council) and redistribution mechanisms. Linked to the issue of reforms, the fear of mainly small countries of the **changing balance of power within the EU** is not an aggregate cost, since it is a benefit for bigger countries that in the past have been proportionately strongly underrepresented in the decision-making process.

The second type of political fears are **foreign policy concerns**: It is often claimed that by admitting CEECs the EU would isolate Russia and the other 'outs' increasing instability at its new Eastern borders. This worry is inextricably linked to questions about possible mechanisms for stabilising the rest of the continent in the absence of credible commitment to granting membership. Thirdly, there are worries that broadening the EU might **prevent further deepening** by reinforcing a multi-tier EU and potentially leading to a dilution of the community.

These three arguments are much less about real costs of enlargement than about potential risk factors that become costs only if enlargement is not handled properly. If they are taken into consideration and an appropriate enlargement strategy is developed, they are more likely to be benefits. Enlargement, by increasing the urgency of reforms, may act as a catalyst inducing desired policy changes. Enlargement further increases the need to shift from unanimity to qualified majority voting. This will undoubtedly make decision-making more efficient, although it must be recognised that on some views of legitimacy the loss of veto power of member-states may be perceived as a cost. Enlargement can also further the goal of enhancing Europe-wide stability and improved

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<sup>3</sup> Based on an estimated 10% reduction in trading costs and 15% reduction in the risk premium. The margin of error of this and other projections is necessarily substantial.

bilateral relations between EU-members and their neighbours, if a more clear foreign policy is developed for handling relations with countries remaining temporarily or permanently outside EU-borders. New member states may play an important and constructive role in defining this new neighbourhood policy of the EU. As previous rounds of accessions have proved, widening can often contribute to further deepening (e.g. link between enlargements and setting up and enhancing redistribution as a main pillar of integration). Thus, although these arguments present important dangers that in certain circumstances may increase the costs of enlargement, for the purposes of the present analysis they are classified as risk factors and not as real costs necessarily associated with enlargement.

## *2.2. ECONOMIC COSTS*

### **2.2.1. Budgetary costs**

Earlier analyses of the implications of enlargement (and the recent political and public debate) have tended to concentrate predominantly on the **budgetary costs for the EU**. Retrospectively it seems clear that most of these calculations overestimated the budgetary costs of extending the CAP and the Structural Funds to CEECs (e.g. Anderson-Tyers: 1993, Courchene: 1993, Baldwin: 1994, Dresdner Bank: 2001). Baldwin (1994) for example calculated the budgetary costs of a hypothetical 1999 Visegrád<sup>4</sup> enlargement to 74% of the EU's budget. There are two main reasons for the overly high estimations of costs: Firstly, most early (and even some relatively recent) calculations were based on the assumption that the present rules of redistribution will be extended to CEECs. Secondly, estimates were calculated with the level of development of CEECs registered in the early 1990s, not taking into account the substantial growth they have and are likely to experience prior to accession.

The EU faced three clear-cut alternatives of financing enlargement: Increasing the EU-budget substantially to include new members under current rules would have been supported by both current net-beneficiaries and CEECs, but it was opposed by net-payer countries. Redistributing transfers from current recipients to accession countries would have gained the support of net-payers and CEECs, but it was opposed by current beneficiaries. Finally, keeping the current system for the incumbents, while excluding CEECs from (most) transfers is the alternative that would not hurt the interests of present net-payers and net-recipients, but was highly undesirable for CEECs. Out of the three actors it is only the CEECs that had no formal voting power on the outcome. It is thus not surprising that the final budgetary deal agreed in Copenhagen (as well as the earlier Agenda 2000 proposal, the 1999 Berlin decision based upon it, and the January 2002 proposal of the Commission on the common financial framework of enlargement) is in many ways closest to the third alternative.

The budgetary conditions of enlargement – agreed in Copenhagen on 13 December 2002 – clearly undermined the direct validity of earlier cost estimations. The total

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<sup>4</sup> Czech Republic, Hungary, Slovakia, Poland.

financial commitments allocated for the 10 new member-states between 2004-2006 are Euro 40.8 billion (European Commission: 30 December 2002a). This is Euro 1.8 million below the ceiling agreed for enlargement (originally planned for six countries) at the Berlin European Council in 1999. EU-support allocated to the new member-states over the first three years will be on average a yearly Euro 58.5 per capita in the ten new countries, with averages ranging from a high of Euro 129 per capita for Lithuania to a low of Euro 25 per capita for the Czech Republic (calculated from Bruxinfo: 19 December 2002). These per capita yearly transfers are far less than the amounts allocated for the current cohesion countries. In 2000 Greece received Euro 437 per capita, Ireland Euro 418 per capita, Spain Euro 216 per capita and Portugal Euro 211 per capita (Grabbe: December 2002).

The total net budgetary costs for the EU in the first three years, however, are much lower, since new joiners also have to pay a contribution to the EU-budget. This payment in the 2004-06 period will be around Euro 15 billion. Additionally – given existing experiences in current member-states with structural funds, the requirement of co-financing and the deficiencies in institutional preparation for the use of funds – the candidates may well be unable to use all transfers allocated to them from the budget. As a result, the net cost of enlargement is estimated by the Commission to be around Euro 10.3 billion between 2004-2006, amounting to less than one-thousandth of EU-GDP (Grabbe: December 2002). Even including the Phare-aid allocated to CEECs up to 2000 (a total of Euro 10 billion for 13 countries) and the yearly Euro 3.1 billion pre-accession aid (from Phare, ISPA and SAPARD) allocated for the 10 CEEC from the year 2000 would not increase substantially the total budgetary costs of enlargement for the EU (European Commission: 11 February 2003).

Concerning the Structural Funds, an earlier reform ensuring the longer term limitation of transfers to future member-states was the introduction of the absorption capacity criteria (EC: 1997). Limiting the receipts of less developed countries to 4% of their GDP helps to solve absorption issues and increases the efficiency of transfers, but contradicts the goal of decreasing disparities by giving richer cohesion countries more transfers than their poorer counterparts (Grabbe-Hughes: 1998b). Despite the fact that almost the entire area of CEECs would qualify for Objective 1 and that after the 1999 reform of Structural Funds 69.7% of total allocation goes to this objective, CEECs were allocated to receive around 19% of the total funds committed for Structural Actions between 2004-2006 (calculated from European Commission: 11 February 2003). This largely reflects the January 2002 proposal of the European Commission on the Common Financial Framework of Enlargement, which suggested a three-year transition period in the extension of EU regional policy to CEECs under which transfers could gradually increase (European Commission: 30 January 2002).

Transfers to CEECs are usually considered to be pure costs to net-payers and pure benefits to recipients. “Participation in the Union’s distributional schemes is a clear case of a zero-sum game. The incumbents lose what the new members gain.” (Bofinger: 1995: 10) – Arguments such as this ignore the previous experiences of the Structural

Funds. Upward convergence enhances EU-wide economic growth, thus indirectly benefiting net-payer countries as well. Transfers, through the already mentioned leakage effect, give a direct boost to the economy of net-payer countries. Without the boost from economic growth from transfers the CEECs may not be able to maintain the level of imports from the EU15, which has led to a significant trade surplus benefiting the EU.

Concerning the CAP, the Copenhagen deal (again closely in line with the January 2002 Commission proposal) left CEECs even worse off in comparison with incumbent member-states. The new countries will receive 25% of the direct payments going to EU-farmers in 2004, and yearly payments reach the level offered to existing member-states only after a transition period of 10 years. Despite the fact that CEECs taken together are four times as agricultural as the EU15 if we consider the share of the sector in the GDP (6.8%), and even more so if we consider the share of the agricultural workers in the total workforce (21.2%, EC, 1998), the total agricultural commitment (including both CAP and rural development) allocated for the 10 new countries between 2004-2006 constitutes only 7% of the total agricultural budget for the enlarged EU during this period (calculated from European Commission: 11 February 2003).

Given the above numbers the critical evaluation of the Copenhagen budgetary deal even by experts and officials from the EU is not surprising. Grabbe from the Centre for European Reforms described the Copenhagen deal as reflecting the “EU’s lack of generosity [which] will make the deal harder to sell in the 2003 referendum campaigns in Central and Eastern Europe” (Grabbe: December 2002: 1). Even Eneko Landaburu, the European Commission’s director general for enlargement admitted that “more generosity on the part of current members would have better served the smooth integration of candidate countries and would have better enabled them to meet their future obligations” (quoted in Bruxinfo: 23 December 2002).

### **2.2.2. Non-budgetary costs**

Some specific fears concerning the accession of CEECs occupy at least as important a place in the enlargement debate as the budgetary costs. At closer analysis most of these fears – although seemingly motivated by economic considerations –turn out to be politically highly sensitive issues with little economic rationale.

The question of free movement of labour occupied a central place in the enlargement debate until 2001. There are strong fears (especially in Germany and Austria) that **mass migration of workers from CEECs** to current member-states would follow enlargement. Numerous studies and forecasting models have been all suggesting a low immediate flow after accession (estimates vary between 70,000 and 240,000, see summary of several calculations in European Commission, 2001) and a low long-run migration potential of CEECs (around 1%, *ibid*). Data on migration flows following the accession of Spain and Portugal, where similar fears of migration justified a seven-year transition period imposed on the movement of labour, demonstrated that these two countries experienced net immigration, as a result of return migration of their nationals

prompted by the improvement of economic prospects due to membership (European Commission, 2001). The limited net migration following enlargement would actually provide a partial solution to the serious social problems resulting from the aging of the societies of incumbent member-states and the resulting crisis in the functioning of their pension system. Studies prove that the net migration that would be needed in order to keep working age population in the EU at a stable level is significantly higher than the migration flows that could be expected from CEECs after enlargement (UN Study quoted in European Commission, 2001).

Arguments about **growing unemployment** due to **relocation of industries** and concerns about **CEE (wage) competition** also seem unfounded. New investments are likely to be prompted by the additional demand of new markets. CEE production locations are usually not alternatives to keeping production in the EU, but to locating it in other low-cost regions (Mayhew: 1998). Liberalisation, trade growth, increasing specialisation and the labour cost advantages of CEECs – through increasing the global competitiveness of the EU – are more likely to create jobs in the EU (Inotai: 1999). Contrary to existing fears, Austrian and German calculations show that the opening towards the east has increased net employment in these countries (WIFO: 1997; German Institute for Economic Research: 1997). A calculation of the Centre for European Reform (2001) estimates that enlargement will create 300,000 jobs in current member-states. Part of the reason behind fears of competition is the significant wage difference between CEECs and the EU-average, particularly Austria and Germany. A big portion of this 1:10 wage gap, however, is due to productivity differentials and exchange rates (Grabbe: 2001). Also existing substantial wage differentials between EU-countries (1:5 between Portugal and Denmark) have failed to result in significant wage competition through labour migration in current member-states.

Other fears sometimes associated with enlargement include the worry about increasing **environmental pollution** and **growing organised crime**. These dangers are independent of enlargement and are much easier to fight in the framework of an enlarged EU.

### **3. COSTS OF NON-ENLARGEMENT**

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The scale of political and economic benefits only become clear if the costs of non-enlargement are recognised. If enlargement was seriously delayed or did not take place, not only potential future benefits would be unrealised and budgetary costs saved, but also benefits secured in the past would be reversed and new serious security costs may emerge.

Guggenbuhl (1995) argued that the motivation of the EU to enlarge is “essentially political and aimed at eliminating negative externalities.” Whereas the previous discussion aimed to demonstrate that the union has important economic gains to from enlargement at low budgetary costs, it can be argued that the most significant benefit of enlargement is the realisation of political benefits by avoiding the potential costs associated with non-enlargement. If the EU failed to enlarge or indefinitely delayed

enlargement, the commitment device function of the prospect of accession would be lost, decreasing the incentive of CEECs to reform, and increasing chances of domestic opposition to socially painful measures of transformation. This could increase populism in CEECs and might lead to political and economic destabilisation, slow-down or reversal of democratisation, increasing ethnic tensions, or even political and military upheaval (Baldwin: 1997). Destabilisation would have significant negative spillover effects on the EU. Resulting political costs to the EU would include loss of credibility, loss of foreign policy influence and weakening security due to fragile neighbours. These would in turn lead to significant economic costs in the form of growing expenditure on reinforced border controls, stabilisation measures, foreign aid and potential military intervention.

The economic costs of losing the already secured but reversible benefits of enlargement would be significant: loss of investment opportunities, profitable production locations, trade, markets, employment opportunities, all resulting in loss of global competitiveness (Bertelsmann: 1998). The most important economic fear concerning enlargement, the fear of mass migration, would be much more likely to realise if the vanishing prospect of accession increased uncertainty and worsened economic prospects in CEECs (Grabbe: 2001).

#### **4. NET COST-BENEFIT BALANCE**

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The above discussion of costs and benefits boils down to the following rudimentary cost-benefit balance:<sup>5</sup> In view of the high costs of non-enlargement, the political benefits of enlargement – peace and security in Europe, irreversible democratic and market reforms in CEECs – are substantial. The economic gains – taking into account the already realised gains from trade liberalisation and the long-run beneficial effect of CEE growth on the EU's economy and competitiveness – are certainly not negligible and significantly greater than assumed by short-term cost-benefit calculations. There are no major political costs that could be avoided by non-enlargement. The net budgetary costs between 2004-2006 amount to Euro 10.3 billion. Pre-accession aid from 1989 up to 2003 constitutes an approximate Euro 22 billion of additional budgetary costs (including also countries that will not join the EU in 2004). Most non-budgetary economic fears are either unfounded (e.g. migration) or related to global processes, not to enlargement (e.g. higher competition).

Thus the net balance can be derived by comparing political and economic benefits with budgetary costs. As we have seen above, the total budgetary cost of enlargement including both pre-accession aid up to 2003 and the net costs expected between 2004 and 2006 (a total of Euro 32.3 billion) is about the half of trade surplus already realised by the EU between 1992-97 (ECU64 billion), even if we do not consider the equally

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<sup>5</sup> Here my attempt is aimed at drawing a crude aggregate net cost-benefit balance. The crucial question of the distribution of costs and benefits and the role of particularistic as opposed to aggregate impacts will be addressed in Section III.2.3.

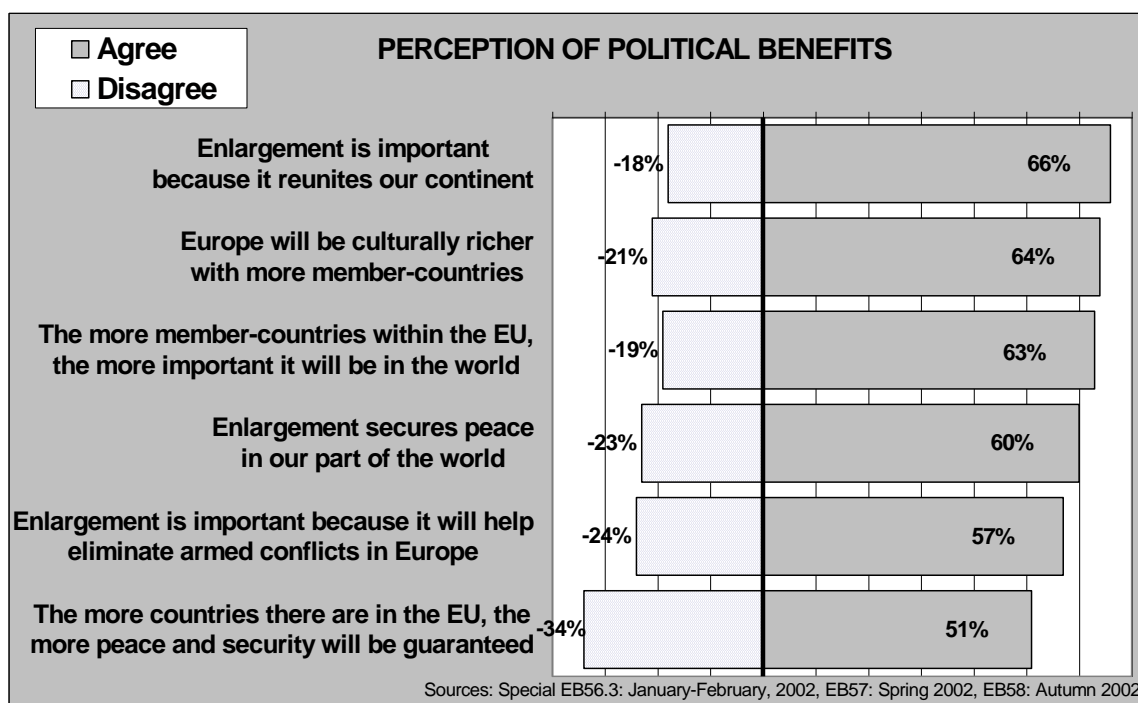
positive trade balance for the EU after 1997. The estimated net economic benefits for the EU of a CEEC7 accession (ECU9.8-11 billion, Baldwin: 1997) further increases the positive economic gains for the EU. One possible approach to quantifying the hardly monetisable value of peace is to measure it in terms of 'willingness to pay' (Boardman: 1996), considering the Cold War defence spending of the Western block as the price attached to peace (Grabbe: 2001). Using this measure clearly turns the overall balance into large net positive gains for the EU.

## II. PUBLIC PERCEPTION OF COSTS AND BENEFITS

### 1. BENEFITS

#### 1.1. POLITICAL BENEFITS

Most people see the primary political benefit of enlargement in the **reunification of Europe**. The historic and moral rationale motivating the enlargement project thus seems to be widely accepted not only among some high level political advocates of enlargement, but also among the European public at large. As revealed by a recent telephone survey, two thirds of the EU-public agrees with the statement that “we have a moral duty to re-unite Europe after the divisions of the Cold War,” and the same number of people also share the opinion that “new countries joining the European Union is historically and geographically natural and therefore justified” (Flash Eurobarometer 132/2: November 2002). Both of these opinions, interestingly, are most likely to be shared by the societies of the less developed member-states (Spain, Ireland, Portugal, Greece and also Italy), who themselves have benefited from their countries’ EU-membership. Societies of the richer – and therefore net-payer member-states – are least likely to agree with statements concerning the EU’s moral duty to enlarge or the historic justification of enlargement.



The majority of EU-societies also recognise several of the more ‘selfish’ political motivations behind enlargement. 64% are of the view that enlargement enhances **the cultural richness** of the EU and 63% agrees that enlargement leads to **increasing political importance of the EU in the world**. Somewhat less people, although still clear majorities are aware of the **security guarantee** aspect of enlargement: people

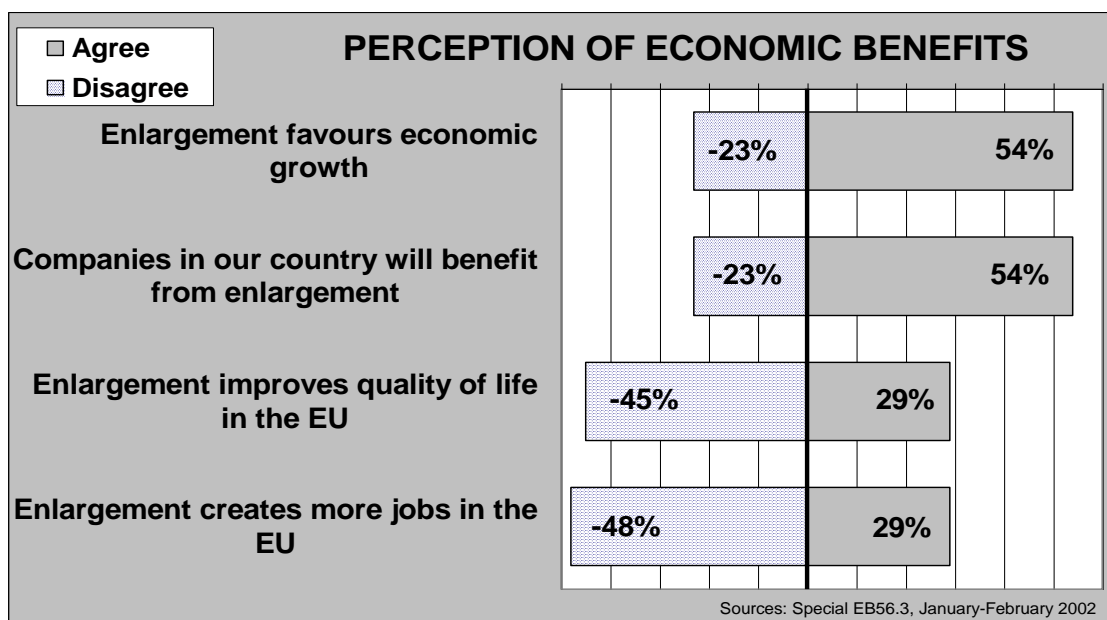


believe that it will help to secure peace (60%) and to eliminate armed conflict (57%) in Europe. 51% also agree that the more countries enter the EU, the more peace and security will be guaranteed.

### 1.2. ECONOMIC BENEFITS

The favourable impact of enlargement on **economic growth** and the **benefits to West European enterprises** are the only major economic benefits recognised by the majority of the EU-public. The small group expecting personal benefits from enlargement (10% of the population, see section 3 below) base their evaluation primarily on the expected better economic prospects in an **enlarged Single Market** (Special EB55.0: Spring 2001).

The EU-public is unaware or unconvinced about other economic benefits of enlargement. Despite the benefits to consumers spelled out in Section I.1.2, the relative majority does not expect improvement in the quality of life of people. Equally, the relative majority expects no positive impacts on employment in the EU as a result of enlargement.

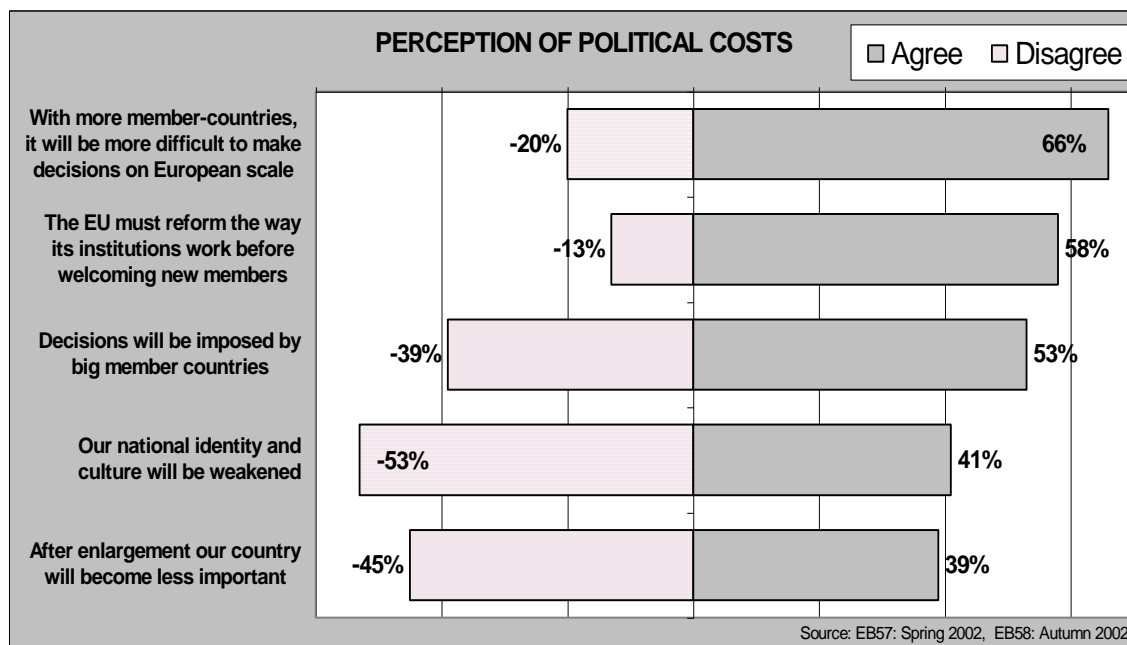


## 2. COSTS

### 2.1. POLITICAL COSTS

Most expectations concerning the political costs of enlargement concern **the increasingly slow decision-making and growing bureaucracy** (66%), and the resulting **need for reform** (58%), due to the increasing number of member-states. Related fears (mainly among the societies of relatively small countries) concern the **changing balance of power** (53%), i.e. the growing influence of big member-states at the expense of smaller ones.

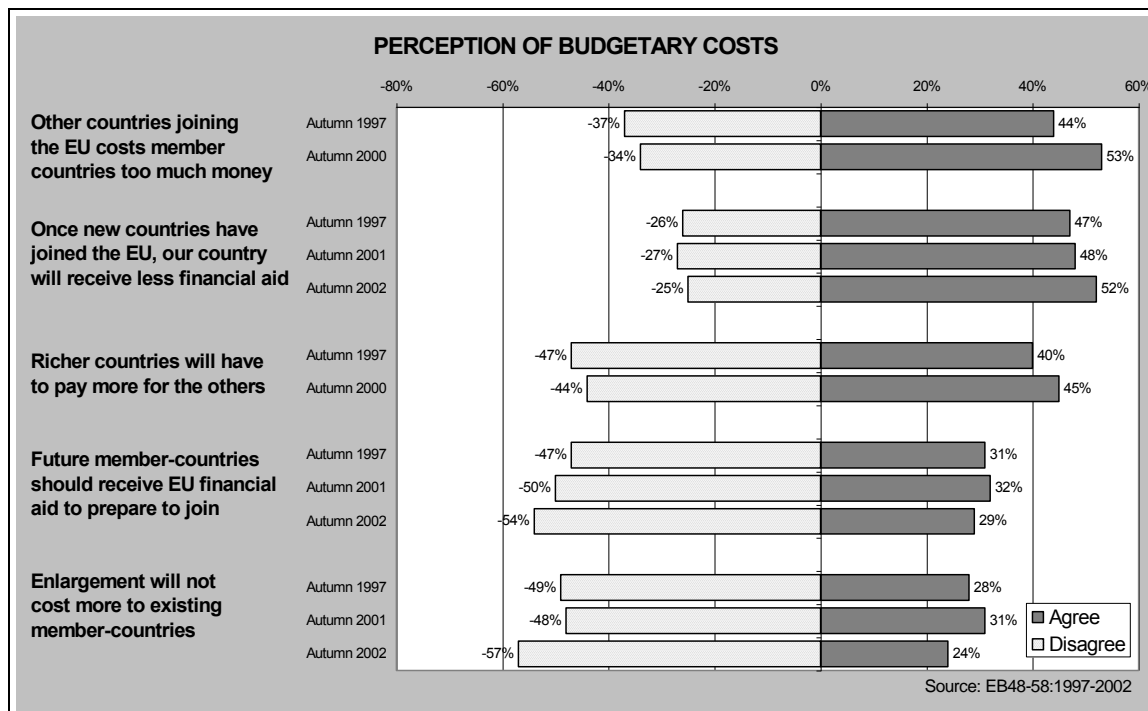
Cultural and national interest based fears are relatively weak. More people disagree than agree with statements concerning the loss of national identity and culture or the decreasing importance of their own country as a result of further integration.



## 2.2. ECONOMIC COSTS

### 2.2.1. Budgetary costs

Fears concerning budgetary implications of enlargement are widespread among EU-publics and vary depending on whether the country in question is net-payer or net-beneficiary of the EU-budget. An absolute majority of EU-societies fear that **enlargement will cost too much to existing member-states** (53%). Another expression of the same fear is the worry of more than half of the EU's population (including around two thirds of the population of net-receiver countries, such as Ireland or Portugal) that enlargement will entail **loss of EU-transfers**. The other side of the coin is the fear of the other almost half of the population, that in the future **rich countries have to pay more** for the others. Understandably especially the population of richer and net-contributor countries (Germany, France, Luxemburg and the Netherlands) worry about the costs of enlargement and the growing burden of rich countries.



Given these worries of the citizens in both relatively poor and rich member-states, it is not surprising that the majority does not approve of financial aid to help CEECs prepare for accession, and disagrees with the statement that enlargement will not put additional budgetary costs on their country.

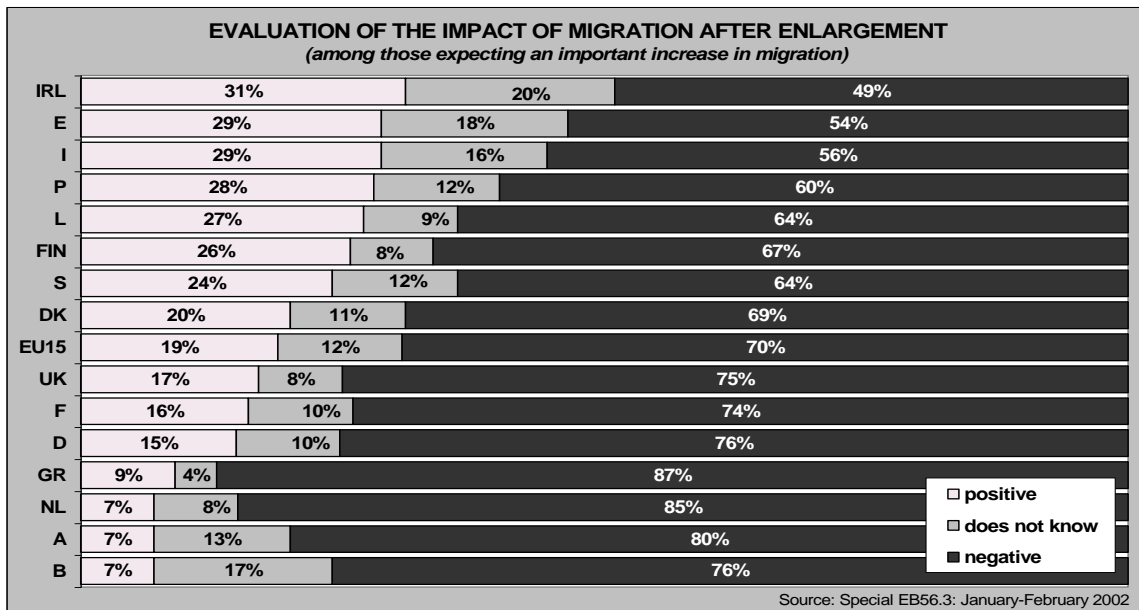
Most public fears concerning the budgetary costs of enlargement have grown stronger over time, despite the series of decisions of the EU and the outcome of accession negotiations demonstrating both the unwillingness of the EU to extend the same rules of redistribution to new countries after their accession and the resulting low budgetary expenditures appropriated for financing enlargement. As recently as November 2002, 65% of EU-societies held the view that enlargement would be very expensive for their countries, and only 28% had no such fears (Flash Eurobarometer 132/2).

The extreme importance attached to the question of financing enlargement is also shown by public attitudes concerning various criteria that candidate countries should meet in order to be allowed to join the EU. An overwhelming majority (84%) of the EU-public agrees with the statement that in order for a new country to be allowed to enter the EU “its joining should not be costly for existing member-states” (Special EB56.3: January-February 2002). Similarly, 85% hold the view that new countries have to be able to pay their share of the EU-budget (EB56: autumn 2001).

### 2.2.2. Non-budgetary costs: Migration and unemployment

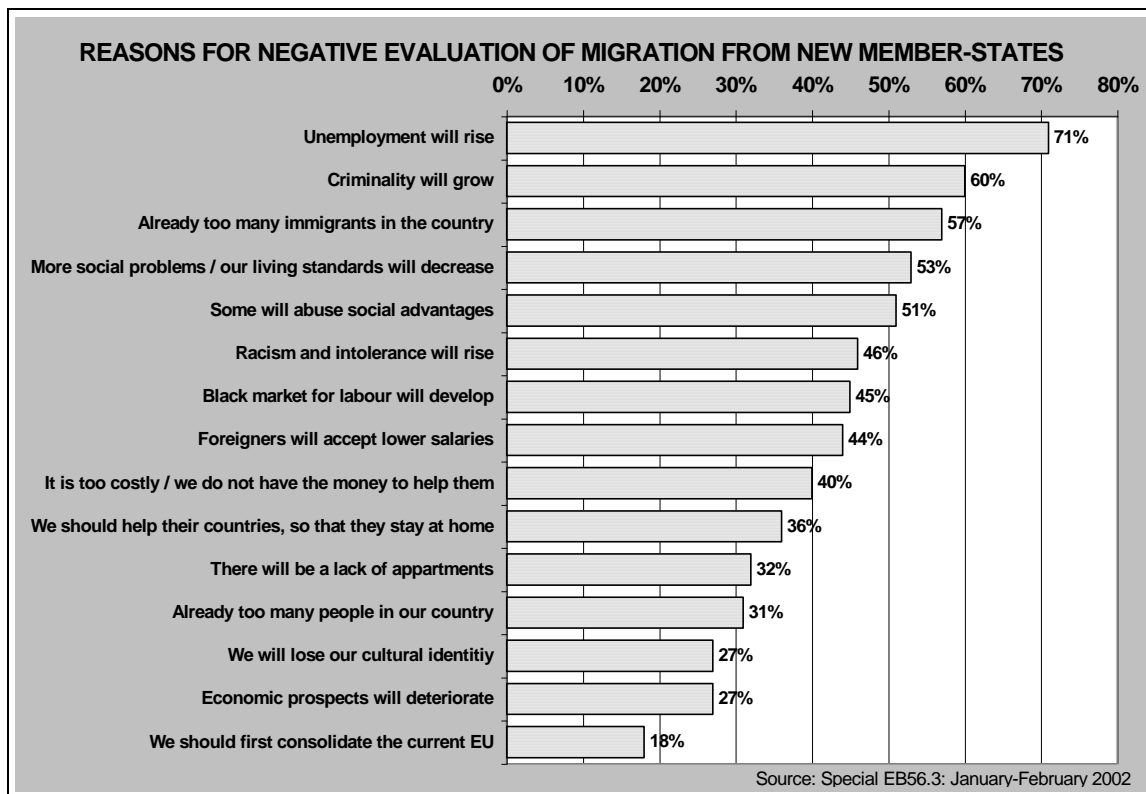
Probably the most important group of fears are the ones related to migration from CEECs to the incumbent member-states after enlargement. A very high proportion (78%) expects the **growth of migration flows** after the accession of the candidate countries, 48% projecting significant, 30% limited increase in the number of migrants.

Especially people in Germany and Greece expect significant growth in immigration (Special EB56.3: January-February 2002). An overwhelming majority (70%) of those expecting an important growth of migration find it a **negative phenomenon**, including more than four fifth of Austrian, Dutch and Greek respondents. The fact that the percentage of uncertain answers to this question is clearly lower (12% on average) than to most other questions related to enlargement (20-25%) shows the extreme emotional importance of the question of migration in the overall evaluation of enlargement and the firmly rooted beliefs of Europeans on this issue.



Societies with the most positive (or rather the least negative) evaluation of migration from the new member-states are to be found in Ireland, Spain, Italy and Portugal – all of them are sending rather than receiving countries of migrant workers.

Analysing reasons cited by the respondents who claimed to see migration to their country as a negative phenomenon reinforces the conclusion about the high importance of the question of migration in public perceptions of enlargement. More than seven out of ten people backed up their negative stance by arguing that migration will result in **increased unemployment**. Six out of ten expects the **rise of criminality** as a result of the growing number of migrants, and 57% are of the view that there are **already too many immigrants** in their country (a further 31% mentions in general that there are too many people). Other widespread fears concern **growing social problems** and a parallel **decrease in living standards**, growing racism and intolerance, the development of a black market for labour and decreasing wage levels as a result of the presence of foreigners willing to accept lower wages (Special EB56.3: January-February 2002).

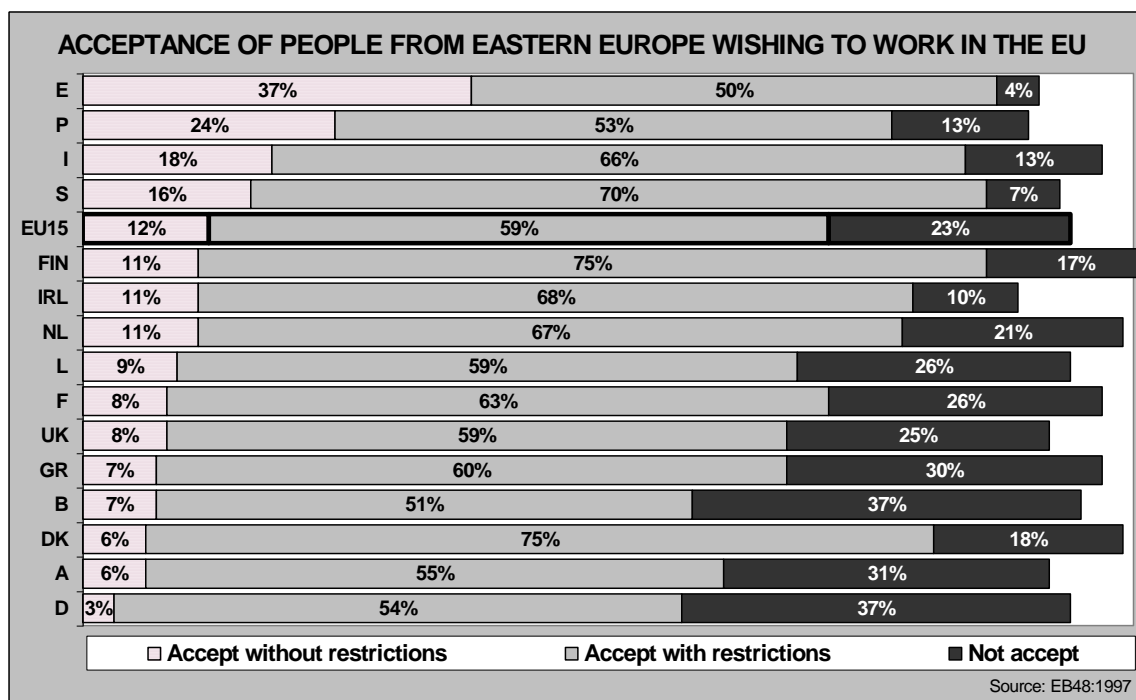


These fears are widespread among the whole EU-public, not only among those considering migration a negative phenomenon: 65% of EU-societies fears the growth of drug trafficking and organized crime, another 65% is afraid of the growth of unemployment and 55% worries about the loss of social benefits. Societies of potential receiving countries are especially worried about the growth of unemployment and the loss of social benefits. Fears about growing unemployment are highest in Germany, Greece and France, while worries about decreasing social benefits are most widespread in Germany, France and Austria (EB57: Spring 2002).

While those thinking negatively about migration and by implication about enlargement base their evaluation on down-to-earth economic considerations, citing perceived impacts of immediate relevance to the life of the individual, the minority thinking positively about migration are much more likely to argue for their position on the basis of moral and cultural considerations: 43% mention the need to offer equal opportunities for all and 37% the culturally enriching experience of the presence of immigrant communities. 40% of them recognises, however, the favourable economic impact that the migrant workers may have on the economy of the receiving country (Special EB56.3: January-February 2002).

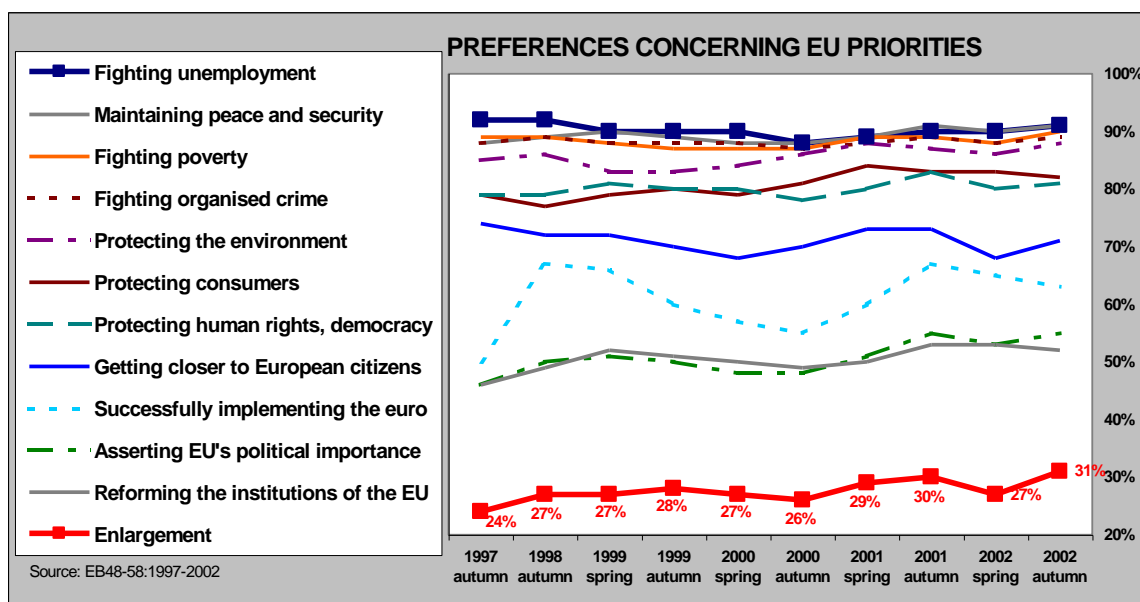
Given the strongly negative attitude to migration, the views concerning possible restrictions on allowing people from CEECs to work in the EU are not surprising. The absolute majority of EU-societies favour restrictions, and the number of people who prefer not allowing Eastern Europeans to enter EU labour markets at all is twice as high as the number of those who would allow them to work without restrictions. The link

between the stance on the question concerning migrant workers and the overall evaluation of enlargement is clear: Societies that are less supportive of allowing Eastern Europeans to work in the EU are often those that are also less likely to favour enlargement (e.g. Germany, Austria, France or the UK), whereas several societies with above average tolerance towards Eastern European workers also most positive about enlargement (e.g. Spain, Portugal, Sweden or Italy, see country by country data on support to enlargement in Section III.1.1 below).



The question of unemployment, one of the most important concerns of EU-societies, seems to be strongly linked to enlargement through another fear. Besides the prospect of growing competition for jobs with CEE migrants in their own country, a large majority of EU-citizens also worry about the **transfer of jobs to countries with lower production costs**. Since 1997 the number of those fearing such transfer of jobs grew from 51% to around 59-61% (EB47-55: 1997-2001). Understandably especially the societies of more developed member-states with relatively higher wage levels (Germany, Austria, Belgium, Denmark, France, Netherlands) worry about the competition from alternative cheaper production locations.

The importance of attached to unemployment and the connected lack of support for enlargement is well illustrated by answers to survey questions concerning potential priority areas for EU-action. Out of twelve issues on the EU-agenda (ranging from the maintenance of peace, the fight against organised crime, through the protection of human and consumer rights to the introduction of the Euro, or institutional reform) respondents have consistently ranked enlargement as by far the least important. On the other hand, the overwhelming majority of EU citizens are of the opinion that fighting unemployment should be the most important priority for the EU.



Societies attaching utmost importance to unemployment are often among those least likely to consider enlargement to be a priority (e.g. France: unemployment: 95%, enlargement: 20%), while those attaching relatively low importance to unemployment are the ones most likely to be of the view that enlargement should be treated as priority (e.g. Denmark: unemployment: 81%, enlargement: 72%, EB58: Autumn 2002). As apparent from the above analysis the first ranking of the fight against unemployment and the last ranking of enlargement are related.

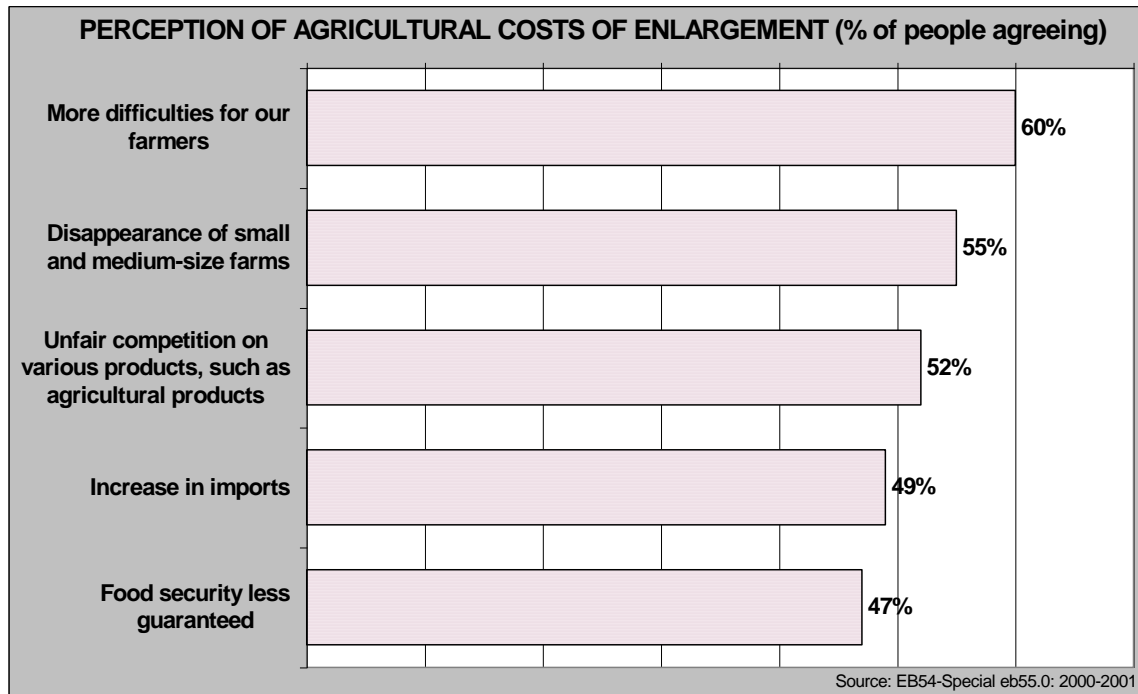
Among the possible EU-priorities listed, besides enlargement, people consider least important the reform of EU institutions and asserting the political and diplomatic importance of the EU around the world (46-55%, EB48-58: 1997-2002). Until the year 2000 introducing the euro was also among the issues least likely to be considered as a priority by the EU-public. From these data we can conclude that besides the more macro-level actions people are in general also less likely to consider as priority issues that involve considerable changes from the status quo.

### 2.2.3. Agricultural costs

Worries about potential **losses for the agricultural sector** are also widespread. When asked to speculate about the impact of enlargement on various sectors, EU-societies tend to project more positive than negative changes for sectors such as tourism, trade, finance, industry and transport. In the agricultural sector, however, the circle of those expecting negative changes as a result of enlargement is more than twice as large (35%), as the number of those projecting benefits (17%). 33% expects no significant change in European agriculture as a result of the accession of new countries (Special EB56.3: January-February 2002).

The absolute majority of EU-societies expect more difficulties for farmers, the disappearance of small and medium-size farms and the growth of unfair competition in agricultural products. Almost half of the population also worries about the increase in

imports and the resulting decline in food security. Most agricultural fears are especially intense in France.



### 3. NET COST-BENEFIT BALANCE

The fact that enlargement consistently ranks lowest on the public's 'priority list' for the EU shows the lack of support. The unusually high number of people with no opinion on most enlargement related questions is indicative of both the volatility of attitudes concerning enlargement and the general lack of knowledge on candidate countries, but the opposition to enlargement – motivated by fears of growing migration and unemployment – seems deeply rooted.

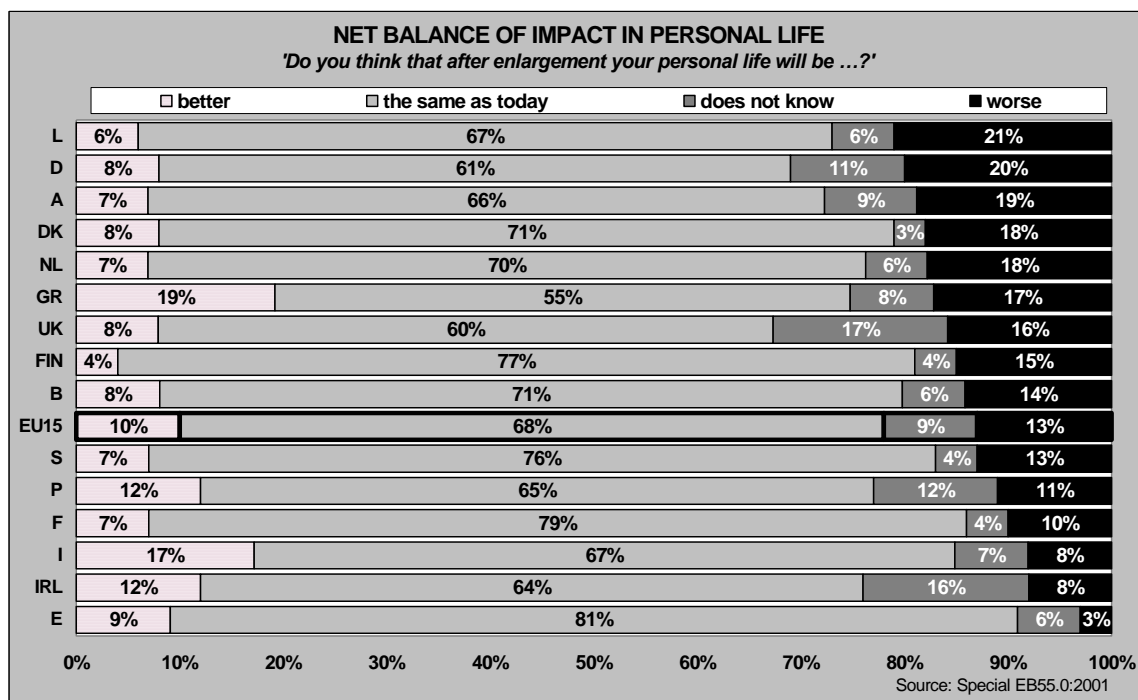
When asked whether they are in general in favour or against the idea that the EU should enlarge to include new countries, 52% of the population supports the idea and 30% expresses opposition (EB58, Autumn 2002). This is a strong improvement since early 2001, when support remained at a low 43% and opposition was 35%. The more favourable recent trends in attitudes may represent temporary shifts (e.g. due to increased importance attached to the maintenance of peace in the aftermath of September 11) or may be the result of growing level of information, slightly growing awareness of the important benefits and the limited costs of enlargement.

Support of the general idea of enlargement, however, cannot be directly translated into full support to the accession of CEECs. Only 20% of EU-societies would like to see all candidates join the EU, while almost the same number of people (19%) would deny membership to any new country, and the relative majority (46%) would only grant membership to some of the applicants. EU-societies would be most happy to see the accession of rich (currently non-applicant) countries such as Switzerland and Norway



(75-75%), whose accession would not be overshadowed by fears of migration and increasing budgetary costs. Among all ten CEE candidates there is only one country, Hungary whose accession is supported by the majority of the EU-public (52%). We find further six CEE candidates (Poland, Czech Republic, Estonia, Latvia, Slovakia, Lithuania) whose accession somewhat more people support than oppose (with 40-48% in favour of them joining the EU and 33-37% against). The accession of the remaining CEE-candidates (and Turkey) generates higher opposition than support among the EU-public (EB58: Autumn 2002).

As the analysis of questions concerning migration, unemployment and transfer of jobs have demonstrated, if a choice has to be made by EU-citizens on enlargement it is likely to be most influenced by expectations concerning the influence of enlargement on their personal economic prospects. More than two thirds of the EU-public expects no change in his/her own life as a result of enlargement, but the percentage of those expecting disadvantages is slightly higher (13%) than of those hoping for improvements (10%), tilting the personal cost-benefit balance to the negative. In Germany, Austria, UK, Luxemburg, Finland and Denmark the number of people expecting the deterioration of their personal life is more than double of those expecting improvement. The two most important reasons mentioned by those fearing negative change are more immigrants looking for work in their country (55%) and increasing unemployment (53%) (Special EB55.0: Spring 2001).



Considering all of the four different measures of support (enlargement as a priority, favour or oppose the inclusion of new countries, expectation of impact on personal life and average of the support for the accession of each of the candidate countries) countries with societies that are most favourable to enlargement include the four

cohesion countries (Spain, Portugal, Ireland and Greece), Italy and Sweden. People in Germany, Austria and France on the other hand consistently showed low public support for enlargement. (The question of variation of public support to enlargement in member states will be taken up by Section III.1 below.)

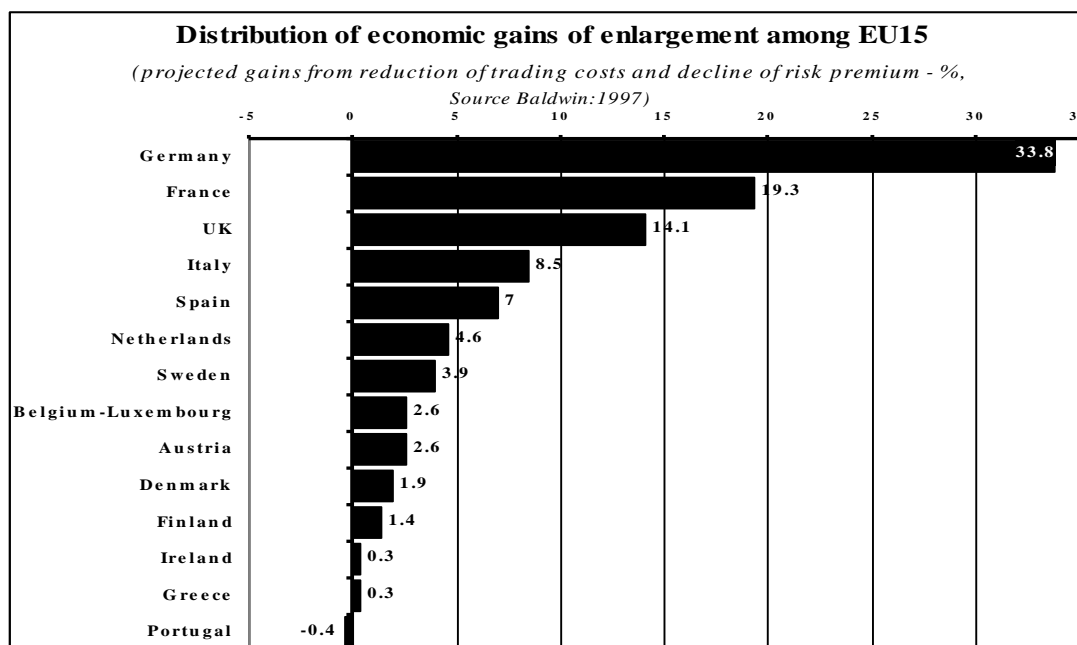
### III. COSTS AND BENEFITS AND THEIR PERCEPTION: WHY SO DIFFERENT?

This part of the paper aims to demonstrate and explain the discrepancy between the real and the perceived cost- benefit balance of enlargement. In Section 1 the contrast between real and perceived costs and benefits will be examined in two ways: First, by comparing the variation of public support to enlargement with the distribution of (political and economic) gains projected to be realised in incumbent member-states. Second, by building an aggregate ‘qualitative balance sheet’ of enlargement comparing and contrasting real and perceived costs and benefits, summarising the conclusions from Sections I and II. In Section 2, I will offer four possible explanations of the contrast.

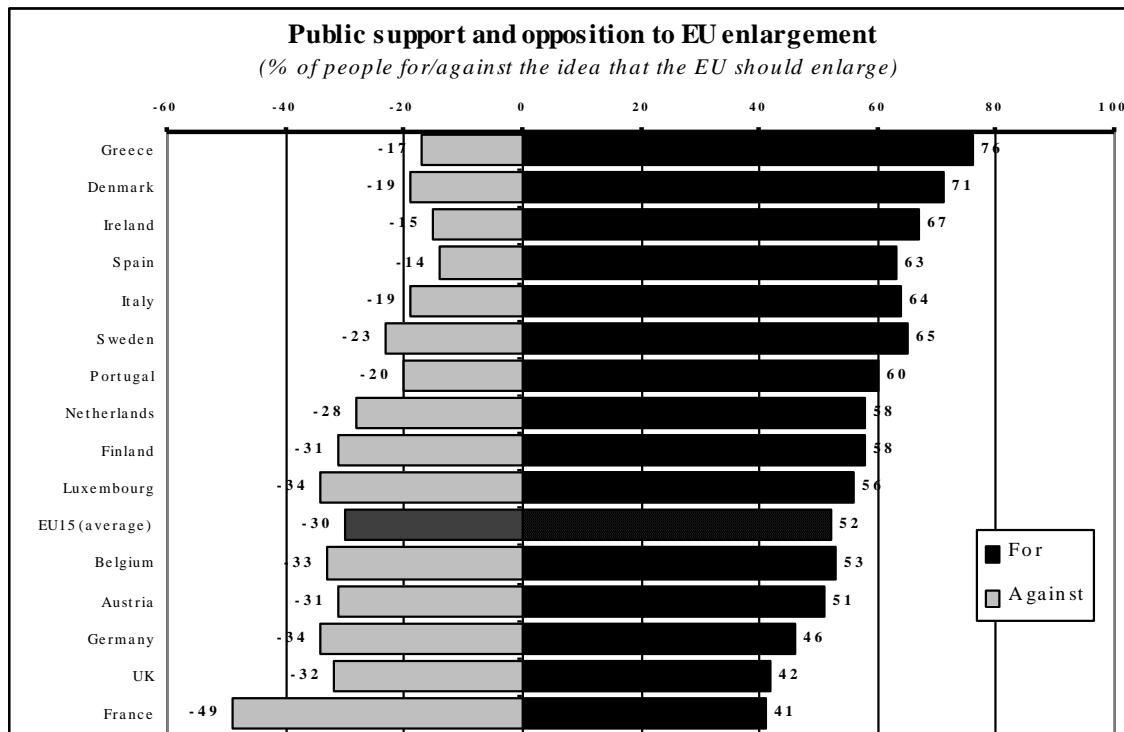
#### 1. CONTRASTING REAL AND PERCEIVED COSTS AND BENEFITS

##### 1.1. VARIATION BY MEMBER-STATES

The discrepancy between the variation of public support to enlargement in the current member states and the distribution of economic as well as geopolitical benefits to be expected from enlargement is striking. Economic gains from enlargement are projected to be greatest relative to the size of their economy in Germany and Austria, and in absolute terms in Germany, France and the UK (Baldwin et al.: 1997). Gains from increased political stability will be primarily enjoyed by countries in close proximity to CEECs: Germany, Austria, Sweden, Finland and Italy (Sedelmeier: 2001). Cohesion countries are less likely to gain much from enlargement in economic terms, and – with the exception of Greece – they will also be influenced to a lesser extent by the security benefits.



On the basis of such distribution of economic and geopolitical benefits it may seem reasonable to expect that public support to enlargement is highest in countries that stand to gain most both economically and politically from enlargement. As we saw in Section II, however, survey data concerning support to enlargement reveals the contrary. Public support to enlargement is the lowest in the countries such as Germany, Austria, France and the UK that are expected to profit most from enlargement in economic and/or political terms, and it is among the highest in cohesion countries (Greece, Ireland, Spain and Portugal) that are unlikely to benefit considerably from enlargement.



Ranking presented by the order of net support (% of those supporting - % of those opposing)

Source: Eurobarometer 58, Autumn 2002

Why is public support lowest in countries expected to gain most from enlargement? Why is it highest in others, which are not expected to gain or lose substantially from it? Section 2 will aim to answer these and other questions about the apparent discrepancy between the cost and benefits of enlargement and the public perception of these costs and benefits.

### 1.2. QUALITATIVE BALANCE SHEET OF ENLARGEMENT

The table below summarises and contrasts the findings of Section I and II in the form of a qualitative balance sheet. The discrepancy between the real and the perceived cost-benefit balance is substantial. The real cost-benefit balance is dominated by the security benefits closely connected to the irreversibility of CEE democratic and market reforms, but previously realised and future gains from trade liberalisation and the expansion of the Single Market leading to increased EU growth and competitiveness also figure prominently. While political risks (of the failure of institutional and decision-making reforms, of the worsening of relations with those left out or of the dilution of

integration) are undeniably increased by eastern enlargement, if these dangers are taken seriously and addressed appropriately than enlargement, by increasing the urgency of reforms, may even induce important policy benefits in these areas. Budgetary costs, in view of the Copenhagen deal, have been demonstrated to be minuscule and the most important non-budgetary concerns (of mass migration and growth of unemployment) are based on unfounded fears concerning politically highly sensitive issues with little economic rationale.

In the perceived cost-benefit balance fears of unemployment due to immigration and transfer of jobs and concerns about budgetary burdens and agricultural losses associated with enlargement overshadow the recognised, but not highly valued benefits of growing political importance of the EU, increased peace and security and economic growth. Political fears (of increased bureaucracy and complexity of decision making and growing power of big member states) are also present, but are less likely to influence the overall stance on enlargement than the beliefs about perceived negative changes in social and living standards.

As discussed in Sections I-II, the net balance of real costs and benefits is clearly positive, while the net balance of perceived costs and benefits is tilting towards the negative. The rest of the section will aim to provide alternative explanations for these discrepancies.

**THE REAL AND PERCEIVED QUALITATIVE BALANCE SHEET OF ENLARGEMENT**

<b>BENEFITS</b>		<b>COSTS</b>	
<b>Political benefits</b>		<b>Political costs</b>	
<b>Real</b>	<b>Perceived</b>	<b>Real</b>	<b>Perceived</b>
<b>PEACE AND SECURITY</b>  <b>CEE DEMOCRACY &amp; MARKET REFORMS</b>  Increased EU-prestige and power	<b>Reunification of Europe</b> Increased political power and cultural richness Increased peace and security	NO REAL POLITICAL COSTS THAT WOULD NOT ARISE WITHOUT ENLARGEMENT	Increased complexity and difficulty of decision-making  COSTS OF REFORMS  INCREASED POWER OF BIG MEMBER-STATES
<b>Economic benefits</b>		<b>Economic costs</b>	
<b>Real</b>	<b>Perceived</b>	<b>Real</b>	<b>Perceived</b>
<b>Trade gains – bigger Single Market</b>  Investment opportunities, production locations CHEAP, EDUCATED LABOUR ↓ <b>Increased competitiveness</b> <b>Increased economic growth</b> INCREASED EMPLOYMENT	Economic growth  BENEFITS FOR COMPANIES	Small budgetary costs  NO REAL NON-BUDGETARY ECONOMIC COSTS THAT WOULD NOT ARISE WITHOUT ENLARGEMENT	<b>LARGE BUDGETARY COSTS</b> (higher burden for the rich, loss of transfers for the poor) <b>MIGRATION</b> ↓ <b>TRANSFER OF JOBS</b> ↓ <b>INCREASED UNEMPLOYMENT</b> <b>INCREASED COMPETITION</b> ↓ <b>Increased crime</b> <b>Social problems</b> <b>Increased drug trafficking</b> <b>Decreasing living standards</b> Agricultural costs

**BALANCE OF REAL COSTS AND BENEFITS: CLEARLY POSITIVE**

**BALANCE OF PERCEIVED COSTS AND BENEFITS:  
UNCERTAIN, TILTING TOWARDS THE NEGATIVE**

## 2. EXPLAINING THE CONTRAST

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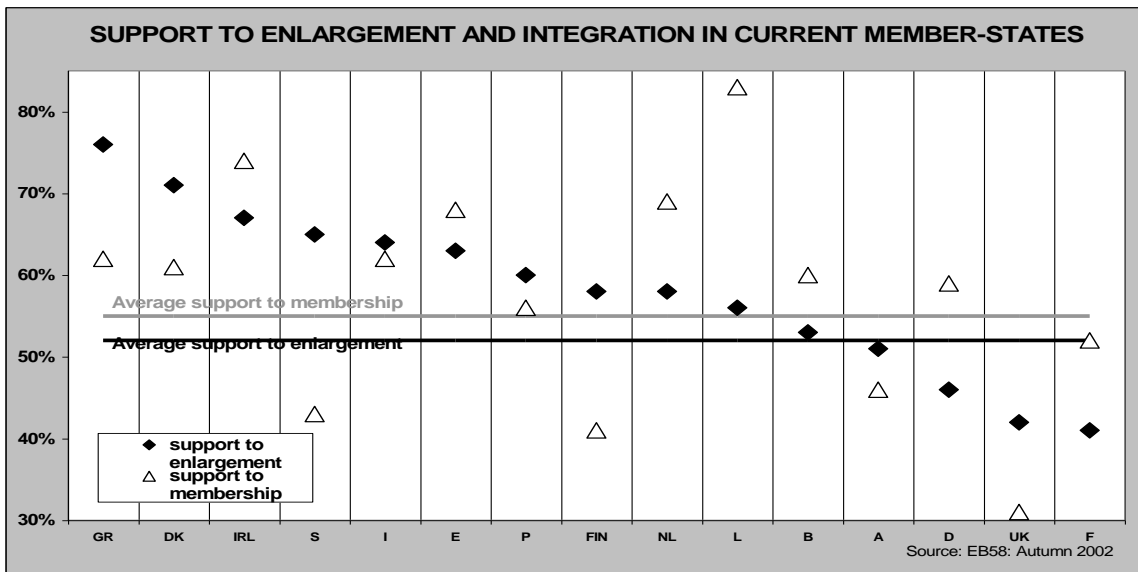
### 2.1. GLOBAL PRESSURES

Some pressures (e.g. the need to reform the Common Agricultural Policy) arising from globalisation are further exacerbated by eastern enlargement. Several fears of the EU-public are, however, rooted in global challenges independent of enlargement. Although a real danger, increased competition for EU-labour and agricultural and other producers is not a Central European but a global challenge, which cannot be decreased by delaying or vetoing enlargement (Grabbe: 2001). Unemployment (with the possible exception of some sectors where CEECs have comparative advantage) has nothing to do with enlargement. The EU trade surplus has even contributed to the creation of employment within the EU (Inotai: 1999), and enlargement is projected to create further jobs (Grabbe, 2001). Measures such as the transition period on labour movements are unlikely to provide solutions to the unemployment problems of the EU. The current economic downturn, the fiscal stringency required by EMU and the ageing of the EU-population contribute to the financing problems of EU welfare systems (Inotai: 1997, Mayhew: 1998). These problems result in fear of change, uncertainty about the future and increased nationalism in EU-societies (Mayhew: 1998), which, in turn, increase opposition to enlargement.

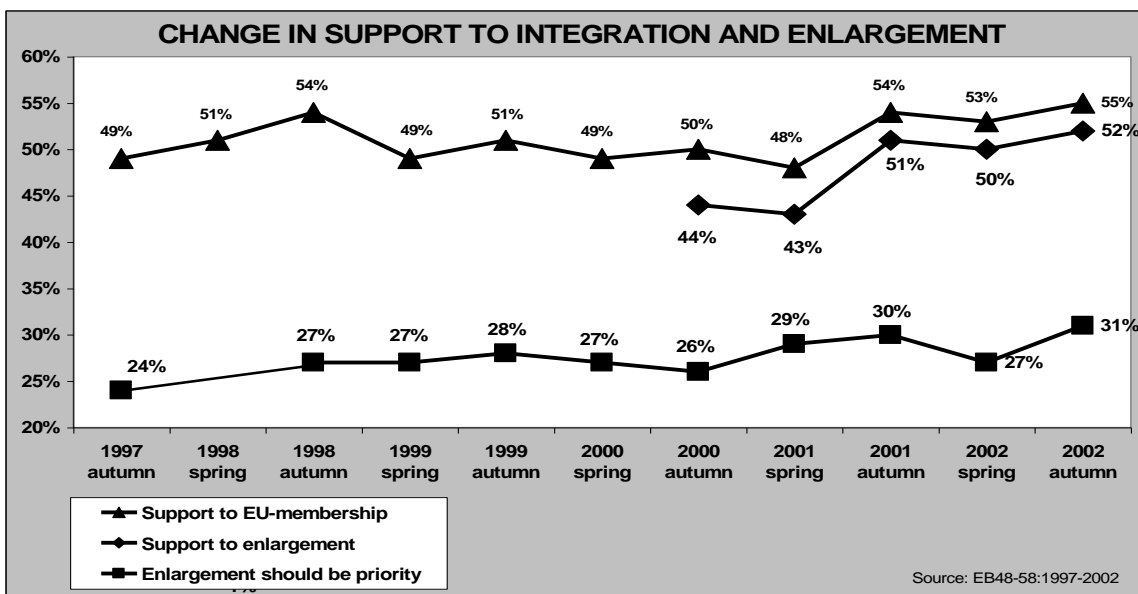
### 2.2. GENERAL ATTITUDES TOWARDS INTEGRATION

Enlargement – except from some specific aspects eliciting intense emotion – is an issue of relatively low salience for the EU-public. The fact that an overwhelming majority of EU-societies expect no change in their own life as a result of enlargement (68%, Special EB55.0: Spring 2001), and even higher numbers admit not being informed (77%, EB58: Autumn 2002) about enlargement proves the point. As a result enlargement is considered a part of the general integration process, a macro-level, foreign policy issue. Thus attitudes to enlargement are at least partly influenced by general attitudes towards integration. In general (with some notable exceptions) societies expecting benefits from their countries' membership are more supportive of enlargement (e.g. Greece, Ireland, Spain, Italy, etc.) too, while more Eurosceptic societies (mainly the UK, Austria and France) are less likely to favour enlargement as well.

On the whole 69% of people supporting their own countries EU-membership are in favour of enlargement, while only 24% of those considering their country's membership as a 'bad thing' think favourable of enlargement (EB58: Autumn 2002).



The long-term decline (experienced since the early 1990s) of public support for integration is a sign of the growing democratic deficit of the EU, widely discussed by academic literature elsewhere. Although given the higher level of information, knowledge and interest in EU-integration in general, perceptions on integration have a stronger impact on perceptions on enlargement than vice versa; the influence appears to be a two-way relationship. Support for integration was at an all-time high in 1991 (72%), which was partly connected to the collapse of Communism in CEECs and the initial enthusiasm concerning the prospects for reunifying Europe. Support for both integration and enlargement has declined significantly since then. After a temporary rise around the start of accession negotiations in 1998 with the first countries (and the NATO-accession of the first three CEECs), support for both integration and enlargement experienced a further decline as the budgetary and financial implications of enlargement took the place of the initial geopolitical and security considerations.





After the terrorist attacks of September 11, 2001, support to integration increased again considerably, and once more in parallel with support to enlargement. In times of crisis, belonging to a community of European countries gains importance in the eyes of the public. The function of enlargement as a security guarantee in Europe may explain the link between rising support to integration and to enlargement in the aftermath of September 11. The existence of this link seems to be supported by the finding (see chart on “Preferences concerning EU-priorities in Section II.2.2.2.) that importance attributed to maintaining peace and security in Europe (usually rated second most important after the task of fighting unemployment) took priority in the autumn of 2001. Since the autumn of 2001, again we see a slight drop in support to EU-membership, as well as support to enlargement.

### *2.3. NATURE OF BENEFITS AND COSTS*

The nature of costs and benefits associated with enlargement has a strong influence on public perceptions as some types of impacts tend to be more emphasised, while others are more likely to be neglected. The three dimensions of the costs and benefits of enlargement that seem to influence most their perception are the timing, distribution and tangibility of these impacts. In addition to the importance of the nature of real costs and benefits in determining their public perception, it should also be recognised that some of the most characteristic public expectations associated with enlargement (e.g. the fears of mass migration) are based on unfounded fears, unrelated to the real cost-benefit balance.

#### **2.3.1. Short-term costs versus long-term benefits**

The timeframe of costs and benefits is crucial in two respects: Firstly, the importance of significant long-term benefits of enlargement (e.g. increased peace, increased economic growth and competitiveness) that can be secured as a result of short-term costs (e.g. pre-accession aid, or transfers to CEECs from the Structural Funds) tend to be underestimated or ignored. This is so partly because the public may simply fail to make the link between the long-run impacts and enlargement, partly because long-term impacts necessarily involve higher uncertainty, thus risk-averse societies will often attach greater weight to short-term implications. This tendency is further reinforced by the unwillingness of politicians with short time horizons to publicly commit to short-term sacrifices leading to long-term benefits. The ‘political discount rate’ (Bronk, July 2002) attached to long-term benefits tends to be much higher than the discount rate applied by economists. If politicians perceive that the public does not see the link between enlargement and its long-term benefits, or fears the uncertainty associated with them, they are less likely to make a firm commitment. As Anderson and Kaltenthaler argued “no elite decision-maker is going to push integration if it means a domestic backlash that could push them from office” (1996: 178). This lack of commitment, in turn, influences public opinion. The result is a vicious circle producing a distorted and negative evaluation of the cost-benefit balance focusing on short-term budgetary expenditures and neglecting more long-term benefits.

Secondly, some important and arguably reversible benefits that had already been realised due to the prospect of accession (e.g. liberalised trade, decreased risk premium, increased predictability of CEE markets), similarly to the benefits only to be realised in the long-run, are often not linked to enlargement, and therefore are not taken into account in the public's cost-benefit balance. Thus, the short-term budgetary costs of enlargement receive far more public attention than some of the much more important benefits which have already been secured or which will only be realised in the long run. It is not enough to ensure that the EU-societies are aware of certain benefits; the link between these gains and enlargement also must be recognized (Bosch-Newton: 1995).

### **2.3.2. Dispersed benefits versus concentrated costs**

#### *2.3.2.1. Distribution of impacts across countries*

As projected by economic models, the net economic benefits of enlargement relative to the size of their economies will be greatest in Germany and Austria, but France and the UK will also incur substantial gains in absolute terms. Cohesion countries are unlikely to gain much in economic terms, even a slight economic loss was projected for Portugal (Baldwin: 1997). Why is it then that societies in Germany, Austria and France are among the most sceptical of enlargement, whereas people in cohesion countries are among the most supportive? (See charts in Section 1.1) The relatively low Austrian, German and French support for integration in general only partly explains the lack of support for enlargement of these societies (see Section 2.2). Due to their closer proximity, Austrian and German publics are the ones most strongly characterized by the fears of increased migration, crime, competition and loss of jobs due to relocation of industries. France is mainly concerned by the impact of the pending CAP-reform on its farmers. All three countries (especially Germany) are worried about and resist to increasing their contribution to the budget to finance enlargement.

People in more distant cohesion countries (Greece is a partial exception) are less fearful of negative changes in their own life. At the same time Spanish, Portuguese, Irish and Greek societies – due to their own experience – are most aware of the role of EU-accession as an anchor of democracy (Niedermayer: 1995). Unfortunately even public support for enlargement in the cohesion countries has started to erode as budgetary implications of enlargement have moved more and more to the centre of discussions. The vocal resistance of the governments of cohesion countries to giving up some of their transfers in the future is likely to have exerted a negative influence on their societies' attitudes to enlargement as well.

In some small countries with strongly pro-integrationist societies (e.g. Belgium, Luxemburg) that are not likely to be significantly influenced by enlargement the worries that enlargement may prevent further deepening of integration have a negative impact on public perceptions. Especially before the Nice summit, these and other small countries were also concerned by losing influence as a result of institutional reforms necessitated by enlargement. Thus, we see, despite the demonstrated aggregate net benefits of enlargement, practically all societies feel concerned by one or more of the

real or perceived problems of enlargement. All in all, public support is lowest in countries where we find sectors or social groups which perceive to realise concentrated losses as a result of enlargement, even if these countries on the whole may expect to realise most aggregate net benefits of enlargement.

### *2.3.2.2. Distribution of impacts across groups*

In order to understand the discrepancy between the real and perceived cost-benefit balance of enlargement it is crucial to make the distinction between aggregate costs and benefits and particularistic costs and benefits realised by particular groups. Often the latter receive more attention and influence to a larger extent the political dynamics, and therefore the very conditions of enlargement. As a result, the importance of widely dispersed benefits resulting from accession are underestimated, even if in aggregate terms they are much larger than the concentrated costs that might have to be faced by certain much narrower social or economic groups.

The influence of organised interests on politicians is one of the most important forces affecting the conditions of enlargement. Through their influence on public opinion, interest groups further enhance their influence on enlargement policy. Enlargement brings widely dispersed benefits to important sections of society. Consumers on the whole gain significantly from wider choice and lower prices resulting from greater competition and growing scale economies associated with the expanding Single Market. Consumers constitute so-called 'latent' groups. These groups with potentially large aggregate, but small individual gains cannot act collectively. Active support from these beneficiaries is prevented by the relatively high costs of political action in comparison with the small individual gains, the lack of selective incentives and the large numbers and heterogeneity of the people making up the group (Olson: 1965). Also, the fact that many of the benefits of enlargement are considered to be the result of natural developments and are not linked to enlargement directly further decreases the chances of active popular support.

The perceived costs, however, are concentrated and linked to enlargement. The groups that feel directly threatened by enlargement are relatively small, homogeneous and perceive to realise large individual losses with enlargement. They therefore have more incentive to act than the beneficiaries. The collective action problem that this combination of perceived costs and benefits leads to is well described by Weimer and Vining (1992: 121):

If we believe that most people are economically rational, then the greater the expected net benefits one expects to reap from some political activity, the more likely that one will undertake the activity. Policies that would spread large aggregate benefits widely and uniformly among the electorate may not elicit active political support, because, for any individual, the costs of political activity exceed the benefits (...). Similarly no individuals may find it in their own self-interests to protest policies that spread costs widely. In contrast, at least some people will likely find it in their self-interest to become politically active when policies involve concentrated costs or benefits. Assuming that representatives respond at least somewhat to political activity, the consequence of individual rationality will be collective choices biased towards policies with concentrated benefits and away from policies with concentrated costs. This bias opens the door for the adoption of policies for which total costs exceed total benefits.

As the quote concludes inaction on the part of large beneficiary groups and successful action on the part of organised interests are likely to lead to losses in aggregate net benefits. Interest group action is aimed at the reallocation of existing resources without producing new resources (Levine-Caporaso: 1992). Turning resources away from more productive uses reduces economic growth (Olson: 1982).

There are several reasons to expect that interest group action aiming at delaying or modifying the conditions of enlargement has been successful in influencing both public opinion and decision-makers. The majority of the society is 'rationally ignorant' (Olson: 1982) concerning the implications of enlargement. Lack of knowledge is 'rational' given the relatively high costs of obtaining information and low chances of influencing the enlargement process. The accession of CEECs will be ratified by parliaments without (in most cases) putting the question to publics in referenda. Since large beneficiary groups are unaware of the benefits, or do not link them to enlargement, elected politicians have less incentive to act in their interest and more incentive to increase the chances of their re-election by favouring politically more active and affluent interest groups.

Since individuals gather the little information they have on enlargement from readily available 'cheap' sources (including interest groups, politicians and media – see Section 2.4), interest groups influence politicians not only directly through lobbying, but also indirectly, through influencing public opinion (Gabel: 1998). Thus, we can conclude that the declining public support for enlargement over time and the growing fears concerning migration and agriculture are clearly connected to the increasing activity of interest groups.

The two interest groups having most influence on the public concerning enlargement are farmers and organised labour. Farmers have long been the social group most directly benefiting from EU-membership. While the benefits of CAP have been primarily concentrated to big farmers, its costs have not only been widely distributed (among consumers and taxpayers), but were also concealed (the link between high food prices/taxes and subsidies to farmers is not clear for most citizens), preventing opposition to bearing the costs. Variation in farmers' support for integration is closely related to the changes in CAP: Farmers, who were best-off under the original price-support mechanism of CAP had been significantly more supportive of their countries' membership until the early 1980s. From 1986 (when significant CAP reform was planned in connection with the Single Market Programme) farmers became increasingly less supportive. The trend continued during the period of shifting from price to income support (Bosch-Newton: 1995). The prospect of transfers to CEECs as well as of future CAP reform (often considered to be a precondition or a necessary consequence of eastern enlargement) has prompted active interest group action aiming to protect the status quo. COPA-COGECA, the biggest farmer organisation in the EU already warned that "farmers in the EU must not be expected to shoulder the costs of enlargement" ([www.euractiv.com](http://www.euractiv.com), 20 February 2002). The staunch resistance of the French government to table the debate on the reform of the CAP before 2006 illustrates the

domestic influence of the farmer lobby. The final outcome of accession negotiations in agriculture (offering CEE farmers only one fourth of the transfers going to incumbent member-states in the first year and imposing a transition period of ten years before transfers reach the level offered to farmers from existing member states) also demonstrate the success of the farmer lobby in opposing both CAP reform and giving up their transfers in favour of the farmers of less developed and more agricultural CEECs.

The other effective interest group concerning enlargement is organised labour. The widespread fears of migration and loss of jobs among the public at large provided valuable arguments for organised labour successfully lobbying for imposing a transitional period on labour movement from CEECs after their accession. Public fears of unemployment and migration have been widespread in Western Europe, and the prospect of eastern enlargement seems to increase such worries. Both populist politicians and trade unions can easily rely on and manipulate these fears in order to support their anti-enlargement stances. Messages concerning the threat of massive job losses – given the uncertainty of the identity of losers – are much more effective than more realistic arguments about wider product choice, lower prices or employment created through long-run structural change.

Other interest groups that oppose enlargement include industries in low value-added sectors, such as textile or chemicals, and other import competing businesses fearing increased competition from CEE producers (Mayhew: 1998). They are, however, much less likely to exert a strong influence given their divided interests (some of them expect benefits from relocation etc.) and the resulting organisational weaknesses.

Some of the most important and influential pro-enlargement interest groups (business lobbies, MNCs, employers' associations) also seem to exercise an ambiguous impact on the enlargement policy. On the one hand, they expect to realise large concentrated economic gains from enlargement, therefore they are likely to be strong supporters of speedy accession of CEECs. On the other hand, these forces are primarily motivated by the maximisation of tangible particularistic business gains, therefore their influence on public perceptions and on the terms of enlargement is not necessarily purely beneficial for CEECs. For example their strong focus on the (for them largely beneficial) economic impacts of enlargement may be partly responsible for the spread of material cost-benefit mentality in the public debate on enlargement, which further contributes to the growing neglect of important intangible political and security benefits.

### **2.3.3. Intangible benefits versus tangible costs**

The tangibility of impacts also influences their perception. Tangible and quantifiable costs and benefits usually receive far more attention than intangible implications. Many of the political gains of enlargement are intangible and based on negative arguments, which are usually less convincing than positive arguments. The important security benefits of enlargement and high costs of non-enlargement only become visible if enlargement does not take place (Bertelsman: 1998). Most economic benefits are macro

level gains (e.g. economic growth, increased trade etc.), which – even when quantifiable and recognised by the public – are not likely to generate widespread support among societies more concerned with short-term life prospects.

The perceived costs are typically readily identifiable, quantifiable and of immediate relevance to the life of the individual (potential mass migration from CEECs leading to unemployment or decreasing wages in Western Europe, budgetary transfers to new countries). Even though most of these costs are not real or would affect only very small segments of EU-societies, they substantially contribute to opposition to enlargement given the uncertainty of predominantly risk-averse societies about the identity of losers.

The influence of budgetary considerations on the overall position on enlargement is well illustrated by comparing attitudes to the 1995 enlargement (when net-payer countries joined the EU) with the evaluation of eastern enlargement. In the year when Austria, Sweden and Finland joined the EU 64% of EU-societies expected benefits from enlargement for the EU, and five times more people (29%) projected positive than negative change in their own life (6%, EB43: 1995), whereas now – despite the much larger growth of the Single Market and the greater long-term impact on stability in Europe – only 40% expect the EU to realise benefits and the number of people fearing personal losses (13%) is higher than those hoping for gains as a result of enlargement (10%, EB55: 2001).

#### **2.3.4. Perceived versus real costs**

Some of the most important fears concerning enlargement are unfounded. As discussed in Section I, the expectations of the growth of migration from CEECs are greatly exaggerated and the limited migration that enlargement is likely to lead to is beneficial for EU-societies. As Inglehart argued, however, the influence of public concerns on elite action depends on the intensity of the belief, on the degree to which deep-seated emotions are attached to it (1977). EU-societies consider the fight against unemployment to be the main priority, thus it is not surprising that the fear of increased inflow of migrant workers dominates attitudes to enlargement and led to a lengthy transition period on the free movement of labour after accession.

Other (real) costs that are frequently associated with enlargement would also arise without enlargement. The reform of the CAP, the Structural Funds, and the institutional system of the EU (as argued in Section I) would be necessary even without enlargement, even though enlargement increases the urgency of reforms.

#### *2.4. PUBLIC DEBATE*

Besides interest groups, it is politicians and – above all – the media that shape public debate and therefore public opinion on enlargement. The dual cause-and-effect relationship between the lack of commitment of elected politicians (fearing loss of support as a result of upholding an unpopular cause) and lack of support of the general public (whose primary information sources on enlargement include politicians) has been pointed out in Section 2.3.1. The strong correlation between elite and mass views

on integration (Wessels: 1995) appears to be true for opinions concerning enlargement as well. Besides politicians in power, those in opposition can also influence public opinion. Szczerbiak and Taggart (2000) found that parties in opposition aiming to collect protest votes are often strongly anti-European. Once in government these parties shift from hard to soft Euroscepticism. The case of the Austrian Freedom Party illustrates that vocal anti-enlargement position goes along with hard-line Euroscepticism while populist parties are in opposition, and shift to a softer version of criticism once in government. The high opposition registered among Austrians also shows that if enlargement related issues become part of party competition, public opinion on enlargement is likely to become more divided.

EU-leaders' discourse on enlargement has undergone a considerable change since the beginning of the 1990s, which has undoubtedly also influenced the public debate and public perceptions. In the early 1990s EU discourse was heavily infused with references to liberal norms and values, and centred on the core concept of EU's responsibility, moral commitment and historic duty towards CEECs (Sedelmeier, 2001). The presidency conclusions of the Strasbourg summit claimed that "all must, more than ever, demonstrate their sense of responsibility. (...) The Community and its Member States are fully conscious of the common responsibility which devolves on them in this decisive phase in the history of Europe" (European Council, December 1989). Leon Brittan, the commissioner for external economic affairs argued that the "courage of our Eastern neighbours must be matched by the generosity and imagination of our own response to the new world they are opening up. It is an awesome but exciting responsibility for us all" (Brittan, 19 January 1990). Among future benefits arising for the EU from building closer ties with CEECs primarily political considerations of stability and security were emphasised, but possible economic benefits were also mentioned. Strengthening cooperation with CEECs was described as "a historical opportunity to turn fragmentation and the threat of armed conflict into a broad process of European integration" (Andriessen, 9 April 1990). The Commission argued that early association "conforms with the Community's own interests" as it "will contribute to political stability, encourage the development of new instruments for cooperation and strengthen confidence on the part of economic operators" (European Commission, 1 February 1990).

In complete contrast to the high political rhetoric of the early years of the enlargement process, the enlargement discourse during the last phase of accession negotiations strongly reflected a short-term material cost-benefit mentality. References to liberal values of democracy, pluralism, rule of law, as well as to the concept of responsibility that the early discourse was so heavily infused with, were rarely made in the more recent debate, in which concepts of 'constraints,' 'compromise' and 'balance' took the central place. As a result, enlargement often appears as a zero-sum game. Even pro-enlargement discourse is infused with a strong materialist cost-benefit mentality: The Commission proposal for financing enlargement, largely realised by the Copenhagen summit, was described as a "great value for money for a unified Europe" (Schreyer,

quoted in Commission, 30 January 2002). The president of the Commission aimed to rally support for enlargement by arguing that it is “a positive-sum game where we all win, (...) we should regard expenditure on enlargement as an investment rather than as a cost” (Prodi, 28 January 2002). Given the predominance of materialist considerations even among the main promoters of enlargement, the overwhelming presence of budgetary and economic fears in public perceptions may not be so surprising.

Interestingly, EU-leaders’ enlargement discourse seems to have shifted once more after the completion of accession negotiations in December 2002. The speeches made by Commission president Romano Prodi and enlargement commissioner Günter Verheugen in recent weeks demonstrate clear signs of this shift. References to the “end to the division of Europe” (Prodi, 14 December 2002), the importance of “shared values [of] democracy, the rule of the law, freedom, respect for minority rights, solidarity,” to “lasting stability throughout the continent” being the most important benefit of enlargement (Prodi, 27 February, 2003) – which were so familiar in the early discourse but were completely missing from the discourse accompanying the accession negotiations – are back in place. “European divisions and uncertainty will be replaced by stability and security. (...) What we can be assured of is that with this enlargement we have taken a giant step forward in bridging the artificial divide from 1945. We are on track for creating a Europe that is free, democratic and dynamic. A Europe in peace and not least a Europe that is whole” (Verheugen, 4 March 2003). The question remains, however, whether this welcome return to emphasising nonmaterial benefits of enlargement has not come too late to have a real impact in the public debate on enlargement and to positively influence the cautious perceptions of national politicians and publics in the run-up to the accession of ten new member-states.

Besides European and national politicians, media coverage of enlargement also influences public perceptions. Media analyses found that until around 1997 media coverage of enlargement tended to be fragmented and superficial. Reporting on integration was preoccupied with issues such as EMU or institutional reform. From the publication of Agenda2000, and even more so from the opening of negotiations, media attention has increased, but the focus increasingly shifted from the initial declarative enthusiasm about extending peace and prosperity and democracy to the financial costs of enlargement (European Journalism Centre: 1999). Media, just like politicians, have tended to concentrate on the short-term cost-benefit balance, ignoring both long-term and already realised but reversible benefits and failing to differentiate between impacts of enlargement and the negative implications of globalisation (Inotai: 1999).

The failure to generate a public debate engaging and informing EU-publics on enlargement is evident from the results of public opinion surveys: Only 2% of EU-public feel very well, and 20% rather well informed about enlargement, while 50% feels rather uninformed and 27% completely uninformed. A mere 3% feel very much, and a further 18% somewhat involved in the public debate on enlargement, while 33% feels very little and 41% not at all involved (EB58: Autumn 2002).



## CONCLUSION

The aim of this paper has been threefold: First, to build up a broad real cost-benefit balance of eastern enlargement including not only quantifiable and short-term gains and losses, but also intangible long-term consequences, as well as impacts realised already during the pre-accession phase. Second, to determine the public perception of the cost-benefit balance in the current member-states. Third, to point out and offer possible explanations for the discrepancies between expert projections and public perceptions of costs and benefits.

The analysis found that although enlargement is a clear ‘positive-sum game,’ bringing important security and economic benefits for the EU at the price of low budgetary costs, public perceptions are dominated by deeply rooted – and mostly unfounded – economic fears of growing migration, unemployment, difficulties for the agriculture and by widespread worries of increasing financial burdens and decreasing transfers for incumbent member-states.

Four main types of explanation have been presented for this discrepancy between positive net gains and negative perceptions. First, some of the fears wrongly associated with enlargement are rooted in global challenges that are independent of enlargement. Second, EU-publics with little interest and knowledge on enlargement tend to form their opinion in line with their general feelings concerning European integration. Thus the sizeable Euroscepticism of Western societies has a negative influence on attitudes to enlargement, considered another step in integration. The third group of arguments relate to the nature of costs and benefits. This part of the analysis demonstrated why public opinion in particular and the political process in general “often gives more weight to impacts that are concentrated, tangible, certain and immediate than to impacts that are diffuse, intangible, uncertain and delayed” (Weimer-Vining: 1992: 224). Finally, the importance of the public debate (media, politicians and interest groups) in forming public opinion has been pointed out.

The discrepancy between the real and perceived cost-benefit balance is significant, because it seems to exert an influence on the very conditions of enlargement. As a result, public perceptions of enlargement may also influence the political dynamics and the public legitimacy of an enlarged EU. This realisation underlines the responsibility of interest groups manipulating public fears, as well as the responsibility of politicians motivated by short-term considerations, and giving in to interest group pressures instead of committing to a form of enlargement that may increase the net benefits for the EU as well.

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