The Financial and Budgetary Impact of Enlargement and Accession

Prof Alan Mayhew
Sussex European Institute
a.mayhew@sussex.ac.uk

SEI Working Paper No 65

.

The **Sussex European Institute** publishes Working Papers (ISSN 1350-4649) to make research results, accounts of work-in-progress and background information available to those concerned with contemporary European issues. The Institute does not express opinions of its own; the views expressed in this publication are the responsibility of the author.

The **Sussex European Institute**, founded in Autumn 1992, is a research and graduate teaching centre of the University of Sussex, specialising in studies of contemporary Europe, particularly in the social sciences and contemporary history. The **SEI** has a developing research programme which defines Europe broadly and seeks to draw on the contributions of a range of disciplines to the understanding of contemporary Europe. The **SEI** draws on the expertise of many faculty members from the University, as well as on those of its own staff and visiting fellows. In addition, the **SEI** provides one year MA courses in Contemporary European Studies and in the Anthropology of Europe and opportunities for MPhil and DPhil research degrees.

First published in May 2003
by the **Sussex European Institute**
University of Sussex, Arts A Building
Falmer, Brighton BN1 9SH
Tel: 01273 678578
Fax: 01273 678571
E-mail: sei@sussex.ac.uk

Ordering Details

The price of this Working Paper is £5.00 plus postage and packing. Orders should be sent to the Sussex European Institute, University of Sussex, Falmer, Brighton BN1 9SH. Cheques should be made payable to the University of Sussex. Please add £1.00 postage per copy in Europe and £2.00 per copy elsewhere. See page 35 for a list of other working papers published by Sussex European Institute. Alternatively, **SEI** Working Papers are available from our website at: www.sei.ac.uk.

Abstract

The financial arrangements for the accession of ten new member states made at the Copenhagen European Council in December 2002 and confirmed in the Accession Treaty signed in Athens in April 2003 will pose significant financial problems for these countries in the short-term. These result from the cumulation of contributions to own resources, pre- and co-financing of EU programmes and the implementation of the acquis communautaire as well as the slow absorption capacity of these countries. In the longer term they will help to underpin more rapid growth through the support that they will provide to infra-structure development. Long term positive effects will only be realised however if domestic policy in these countries adapts to the receipt of large unrequited transfers.

The European Union objective of keeping tight control of financial transfers was achieved through a refusal to negotiate reductions in contributions to own resources on the one hand and adherence to the Berlin Financial Framework on the other. The candidate countries were unable to break down this defence, partly because of their unwillingness to cooperate in the negotiations. However the difficult fiscal situation of several EU Member States with respect to the Maastricht EMU conditions was a strong constraint on generosity.

The Financial and Budgetary Impact of Enlargement and Accession

At the end of every European Union accession negotiation, there is a fight about finance. Yet finance is by no means the most important element of the negotiations. Matters affecting the vital interests of new and old members like the free movement of labour or the representation of the new member state in the institutions of the Union are usually far more important in the longer term. But it is easier for politicians to talk to voters about money than about policy.

The budgetary negotiations in this first enlargement to the countries of central and eastern Europe were perhaps more important in that these are relatively poor countries compared to the Union average per capita gross domestic product. They all will have to invest heavily in transport and environmental infrastructure in the coming decades in order to catch up with the standards of the EU-15 and support higher economic growth and development. Assuming responsible macro-economic policy in the new member states, EU budgetary transfers can speed up this investment process considerably, allowing these countries to catch up with the old member states in terms of per capita income more quickly.

Higher transfers to the new member states means of course larger net budgetary contributions for the old member states (EU-15). This comes at a time when budget deficits are high and rising throughout the EURO-zone and when member states are making politically controversial cuts in social spending. The fiscal discipline involved in membership of the monetary union and implementation of the Broad Economic Policy Guidelines therefore means that the existing member states of the Union are not keen to see their net budgetary position with Brussels deteriorate or even their gross contributions to the budget rise.

This paper investigates the background to the budget negotiations and the political economy behind them.

1. The Budgetary Process in the Union

There are two main parts to the EU's budgetary process; the annual budget and the medium-term financial framework. The former is determined by the European Community Treaty, the latter by the Inter-Institutional Agreement.

The financial framework is not simply a forecast of medium term finance required in the different areas of Union activity. It is a unanimously agreed legal limit on spending. Expenditure is divided into several categories listed separately; agriculture, structural policies, internal policies, external action, administration, reserves and pre-accession aid (in the 2000-2006 financial framework). Certain parts of the financial framework are restricted by other agreements, such as the agricultural guideline.

To make substantial changes to the financial framework after it has been decided, requires the whole process of agreement, with unanimity in the Council of Ministers and majority in the Parliament, to be repeated. This is why the Union was so insistent on not changing the Berlin Financial Framework for 2000-2006 during the enlargement negotiations.

The Union operates however on the basis of the annual budget of the Union, the framework of which is established in the EC Treaty, articles 268 to 280. The draft consolidated budget is drawn up by the Commission and presented to the Council. There are normally two readings in the Council and two in the European Parliament, although in theory if the two branches of the budgetary authority agree, there need only be one reading in each institution.

As far as non-obligatory expenditure is concerned, it is the European Parliament which has the last word, although even here it has to remain within limits established by the Commission on the basis of the EC Treaty.

The overall maximum level of budget expenditure is decided upon by unanimity in the Council and stands at present at 1.27% of Union GDP (payments appropriations).

The annual budget contains commitment appropriations and payments appropriations. Commitments are like a promise to pay if implementation of a programme or project actually takes place. Payments from one commitment may stretch over several years. Payments appropriations however refer to payments to be made in the budget year. The distinction is especially important in areas like the structural funds, where the implementation of programmes may lead to a slow build-up of payments over time, so that a chronic imbalance between commitments and payments may occur. Where commitments are not converted into payments, the commitments may be deleted according to the budgetary rules.

A consideration of the difference between commitments and payments appropriations leads on to one of the crucial variables in the debate about the financial settlement in the negotiations – *the absorption rate of EU funds*. Drawing down available commitments is not easy, especially for a new member state. Meeting the rules for the adoption of structural fund programmes is an extremely complex task, involving a mobilisation of central and regional administrations within the country and extensive negotiations and coordination with the European Commission. The old member states still find it difficult to absorb the funds available to them quickly and this is often remarked upon by the European Parliament. How much more difficult it will be for the new member states to draw down structural fund commitments in the first few years of membership. This explains the large difference between commitments and payments in the current financial framework for enlargement.

Most of the financial transfers from the Union require some amount of *national co-financing* to be provided. While in the Cohesion Fund this may be as little as 15% of the total project cost, in the structural funds the level of national co-financing may rise far higher and is likely to average in the case of the new member states to between 30% and 40% of the whole programme. This will be a significant burden for the state budgets of the new member states and in certain cases could lead to a country refusing the transfer of funds to avoid having to provide the national co-financing.

2. The ‘cost’ of enlargement

In discussing the cost of enlargement, it is important to distinguish between budgetary costs and economic costs (and benefits). These are often confused.

By the budgetary cost of enlargement, we simply refer to the net additional sums in the annual budget or the financial framework required to meet the budgetary requirements of the new member states. Note that it is a net cost, because in this enlargement the new member states will be contributing in full to own resources from the first day of accession. The cost to the old member states is obviously net of this contribution.

The economic costs and benefits of an enlargement include these budgetary costs but go far wider to include the static and dynamic benefits of a larger internal market. Economic benefits for the new member states will include lower specific country risk and better ratings leading to cheaper borrowings. For the old member states the larger internal market will be a benefit in terms of the size of the market and perhaps in increasing the competitiveness of certain enterprises. But there will also be significant costs in terms of new investments required to meet higher standards in areas like the environment and in the development of new administrations. Obviously the budgetary costs and benefits are taken into consideration in the assessment of overall economic impacts, but they are only part of these costs and benefits.

Early estimates of the cost to the EU budget of enlargement to the countries of central and eastern Europe suggested that it would be considerable. Estimates of the increase in the annual cost (payments) of the Common Agricultural Policy alone led to estimates in the first half of the 1990s of over ECU40 billion.[1] Baldwin in the first serious economic study of eastern enlargement estimated the total annual net cost to the EU at EUR58.1 billion.[2] The European Commission’s own estimate of this cost presented to the Madrid European Council in 1995 was ECU 12 billion annually.[3]

The estimates of the overall budgetary cost of enlargement declined over the years up to the Copenhagen European Council for two reasons. The first is that some Union policies were modified and this led to overall reductions in financial allocations. The reform of the Common Agricultural Policy in the early nineteen-nineties and the application of the Agricultural Guideline led to a slowing of expenditure on agriculture. Structural Fund spending was also reigned in over the period 2000-2006 as some regions were ‘graduated out’ and the funds were concentrated on the more needy regions.

The second reason was that the Union decided not to treat the new member states as budgetary equals until well after accession. While the EU member states insisted on receiving full contributions from the new member states from the first day of

[1] Andersen K. and Tyers, R. (1995) Implications of the EC expansion for European agricultural policies, trade and welfare. In R. Baldwin, Expanding membership of the EU (CUP)
[2] Baldwin R.E. (1994) Towards an Integrated Europe, CEPR, London, page170
[3] European Commission (1995) ‘Fischler Report’ to the Madrid European Council

accession, they introduced transition periods for payments to the new members, lasting up to 2013 in agriculture for instance, and capped certain other expenditure, notably the structural funds.

The crucial decisions affecting the budgetary cost of accession followed the publication in 1997 of the Commission's proposals in Agenda 2000, agreed to in a slightly modified form by the Berlin European Council in March 1999.

3. Agenda 2000 and the Berlin Financial Framework

The European Commission had been asked by the Madrid European Council to report on the impact of enlargement with specific reference to the structural funds and agriculture as well as to give its opinions on the applications for membership of the candidate countries. It was also invited to report on the next financial framework for the period 2000-2006. It reported on all these issues in mid-1997, in a series of documents collectively called Agenda 2000.

The Commission proposal was determined by financial prudence and an intention to demonstrate to the existing member states that the budgetary cost of enlargement would not be as high as most of them would expect. Budgetary prudence was necessary as most member states were preparing to enter the third stage of monetary union. The attempt to demonstrate that the cost of enlargement would not be exorbitant reflected perhaps the Commission's desire to push ahead quickly with enlargement. It was however also its first proposal for the negotiating position vis-à-vis the candidate countries.

Agenda 2000 assumed that 6 countries (the 'Luxembourg Group' consisting of the Czech Republic, Cyprus, Estonia, Hungary, Poland and Slovenia) would join the Union in 2002.

In policy terms, the Commission proposed significant reforms to both main areas of budgetary expenditure, the Common Agricultural Policy and the Structural Funds.

In agriculture, Agenda 2000 proposed reforms to policy in several product areas and in the organisation of rural development support. These proposals were intended to take forward the reforms begun in the early nineteen-nineties, in response to the needs of the WTO Uruguay Round. Price reductions in the cereals and beef sectors and to a lesser degree in milk, were to be compensated by increasing direct income subsidies to the farmers affected in the move from price subsidies to income subsidies.

In Agenda 2000 the Commission took a decision with respect to enlargement which was to plague relations and the accession negotiations up to the very end. It was proposed not to pay these direct income subsidies to farmers in the new member states in the 2000-2006 financial framework. The Commission thus proposed a competitive distortion in the internal market, when normally as guardian of the treaties it is supposed to work towards the elimination of such distortions. With direct income subsidies becoming the predominant form of subsidy in the CAP, this allowed a major saving in the resources required for enlargement.[4]

It is true that the Commission proposed some additional funds for rural development in the new member states, but this brought expenditure on the CAP in the new member states to only just under EUR 2 billion in 2002 rising to almost EUR 4 billion in 2006 compared to annual expenditure in the old member states of above EUR 40 billion.

The Commission also proposed a reform of the structural funds (including the Cohesion Fund) with a concentration of the available resources on the most needy areas and a graduating out of areas which had per capita GDP above 75% of that in the Union. It further proposed a maximum level of transfers from the structural funds to member states of 4% of national GDP. It thus maintained a level of expenditure over the whole period of below 0.46% of the EU's GDP.

The limitation on the level of transfers looked reasonable, partly because a transfer of more than 4% of GDP had never been exceeded in the history of the funds and partly because very large transfers are difficult to manage in the context of a stability-oriented macro-economic policy. But of course the new member states would be relatively far poorer than even Greece and Ireland when they joined the Union and with massive investment deficits in transport and environmental infra-structure. 4% of a very low GDP is also a fairly limited resource for major developments. While there is certainly no danger in the short-run that the new member states will be capable of using more than this, in the longer run there may be a case for making this limit flexible under certain circumstances.

The Commission therefore proposed structural funds financing for the period 2000-2006 for the old member states which in real terms would decline over the period as regions were progressively excluded from financing. Financing of the new member states was expected to grow steadily to 2006, at which point it would amount to around a third of the total structural fund spending.

To prepare the candidate countries for accession, Agenda 2000 proposed a doubling of pre-accession aid. This additional financing (EUR 1.5 billion annually) would be spent through a pre-accession structural fund (ISPA) and an agricultural structural improvement fund (SAPARD).

On the own resources side of the budget, the Commission assumed that the new member states would contribute fully to own resources from the first day of their accession. This became an essential part of the Union's negotiating tactics. By refusing any concession on the own resources side of the budget, the candidate countries were constrained to negotiate only on the expenditure side and therefore within the limits of the Berlin Financial Framework

[4] The proposal not to pay these subsidies was supported by a series of arguments, which did not stand up to even preliminary analysis. It was difficult to explain why such subsidies were good for agriculture in the old member states but not in the new. If the intention was to reduce and eventually eliminate direct subsidies in the Union as a whole, the position could have been rationalised, but no such intention apparently existed.

The Berlin European Council meeting in March 1999 modified the Commission's proposals but maintained the main elements with respect to the financing of enlargement (Table 1). Although the economic situation was only just beginning to turn down, the third stage of monetary union had introduced a new discipline and an increased reluctance to see growth in spending through the EU budget.

Maintaining the same assumptions about the date of accession and the number of countries involved, the Berlin European Council reduced the overall level of budgetary financing for the enlarged Union. This was the result of delaying some of the agricultural reforms proposed by the Commission and marginally reducing the available finance to the structural funds.

The Berlin Council reaffirmed that direct income subsidies would not be paid to farmers in the new member states and that structural funds transfers to all member states would be limited to 4% of the recipient country's GDP. It also accepted the Commission's proposals on pre-accession aid. All expenditure on accession (excluding pre-accession aid) was 'ringfenced' in the Berlin financial framework. This implied that expenditure on accession could not be increased by transferring funds from other headings and that any surplus funds from enlargement could not be used for other purposes. It reaffirmed that the new member states would be expected to contribute fully to own resources from the first day of accession.

The result was that in terms of appropriations for payments the financial framework would remain well below the own resources ceiling of 1.27% of GDP throughout the whole period. Indeed the maximum level of planned spending fell from 1.13% of GNP in 2000 to 1.09% in 2006. Expenditure on enlargement in 2006 was planned to rise to 13.7% of total EU payments.

The agreed financial framework was good news for the old member states. Enlargement could proceed while at the same time expenditure would remain well under control. The margin below the own resources ceiling remained so large that it could absorb any likely shock such as slower economic growth or unexpected additional expenditure.

The financial framework was inserted in the Inter-Institutional Agreement 2000-2006 agreed between the Council, the European Parliament and the Commission.[5] As a legally binding agreement, the financial framework can not be fundamentally changed without the approval of all parties to the Inter-Institutional Agreement, although small adjustments and changes made for technical reasons are allowed All sides feared the reopening of the Berlin agreement because of the unlikely chance of obtaining the agreement of all parties to a significant change. It became therefore the unbreachable framework within which the enlargement was to take place. By the end even the candidate countries realised that there was no hope of changing the financial framework and they concentrated instead on ensuring that the resources it contained for enlargement were utilised fully.

[5] EU (2000) Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure (1999/C 172/01)

In the end technical adjustments had to be made to correct the assumptions on which Berlin was based: ten countries will join in May 2004 rather than six in 2002. But the overall financial framework remained unchallenged until the end of the negotiations.

4. The accession negotiations

Finance and budget settlements are always the last steps in any enlargement negotiation. This enlargement was no exception to this rule. This meant that neither the member states of the EU nor its institutions concentrated on the financial aspects of enlargement until towards the end of the negotiations.

However negotiations on some chapters of the acquis had clear financial implications. This was particularly the case in the agricultural chapter. Negotiations were opened in June 2000 but the EU common position on the financial questions related to agriculture was not finally decided until after the Brussels European Council in October 2002. This delay meant that negotiations on non-financial questions in agriculture also progressed more slowly. Pressure on the Union member states from the candidate countries increased as frustration began to build. Finally the Commission produced the first official paper on financial matters since the agreement on the Berlin financial framework at the end of January 2002.[6]

[6] European Commission (January 30. 2002) Information Note: Common Financial Framework 2004-2006 for the Accession Negotiations, Brussels SEC(2002) 102

Table 1: FINANCIAL FRAMEWORK EU-21

EUR million - 1999 prices - Appropriations for commitments	2000	2001	2002	2003	2004	2005	2006
1. AGRICULTURE	**40920**	**42800**	**43900**	**43770**	**42760**	**41930**	**41660**
CAP expenditure (excluding rural development)	36620	38480	39570	39430	38410	37570	37290
Rural development and accompanying measures	4300	4320	4330	4340	4350	4360	4370
2. STRUCTURAL OPERATIONS	**32045**	**31455**	**30865**	**30285**	**29595**	**29595**	**29170**
Structural Funds	29430	28840	28250	27670	27080	27080	26660
Cohesion Fund	2615	2615	2615	2615	2515	2515	2510
3. INTERNAL POLICIES	**5900**	**5950**	**6000**	**6050**	**6100**	**6150**	**6200**
4. EXTERNAL ACTION	**4550**	**4560**	**4570**	**4580**	**4590**	**4600**	**4610**
5. ADMINISTRATION	**4560**	**4600**	**4700**	**4800**	**4900**	**5000**	**5100**
6. RESERVES	**900**	**900**	**650**	**400**	**400**	**400**	**400**
Monetary reserve	500	500	250	0	0	0	0
Emergency aid reserve	200	200	200	200	200	200	200
Guarantee reserve	200	200	200	200	200	200	200
7. PRE-ACCESSION AID	**3.120**	**3.120**	**3.120**	**3.120**	**3.120**	**3.120**	**3.120**
Agriculture	520	520	520	520	520	520	520
Pre-accession structural instrument	1.040	1.040	1.040	1.040	1.040	1.040	1.040
PHARE (applicant countries)	1.560	1.560	1.560	1.560	1.560	1.560	1.560
8. ENLARGEMENT			**6.450**	**9.030**	**11.610**	**14.200**	**16.780**
Agriculture			1.600	2.030	2.450	2.930	3.400
Structural operations			3.750	5.830	7.920	10.000	12.080
Internal policies			730	760	790	820	850
Administration			370	410	450	450	450
TOTAL APPROPRIATIONS FOR COMMITMENTS	**91995**	**93385**	**100255**	**102035**	**103075**	**104995**	**107040**
TOTAL APPROPRIATIONS FOR PAYMENTS	**89590**	**91070**	**98270**	**101450**	**100610**	**101350**	**103530**
of which: enlargement			***4.140***	***6.710***	***8.890***	***11.440***	***14.210***
Appropriations for payments as % of GNP	1,13%	1,12%	1,14%	1,15%	1,11%	1,09%	1,09%
Margin	0,14%	0,15%	0,13%	0,12%	0,16%	0,18%	0,18%
Own resources ceiling	**1,27%**	**1,27%**	**1,27%**	**1,27%**	**1,27%**	**1,27%**	**1,27%**

Source: EU Interinstitutional Agreement, May 1999

4.1 The Commission's information note

The Commission's information note made a first attempt to present a realistic adjustment to the Berlin Financial Framework, using the assumption of the accession of ten countries on January 1st 2004. Here the Commission tried to steer a course between a hard line (consisting of saying that one should assume for 2004-2006 the same figures found in Berlin for 2002-2004, adjusted for ten rather than six countries) and a soft line (assuming that the 2004-2006 Berlin figures should be retained and adjusted upwards for the larger number of countries), at the risk of pleasing no one.

The Commission's information note proposed significant changes in the negotiating position of the Union, without however breaching the Berlin financial framework.

The Commission went some way towards helping the candidate countries. Perhaps the most prominent policy change was the proposal to pay farmers in central and eastern Europe direct income subsidies. The Commission suggested that subsidies should be paid on a sliding scale starting with 25% of the level in the old member states in 2004 and rising in steps to reach parity in 2013.

The policy arguments on the EU side which had been used previously were apparently now no longer valid and the matter became a simple battle over the level of finance. Payment of 25% of the EU-15 level of subsidy was estimated to cost an additional EUR1.2 billion. The reimbursement would only occur first in 2005 as payments are made in the year following the budget year in which the subsidies are allocated.

This proposal opened up the discussion about what level of subsidy was appropriate; at the same time it did nothing to defuse the argument about competitive distortions between the old and new members.

The Commission also sought to be helpful to the new member states with improved proposals on finance for rural development. This included a higher rate of Community cofinancing, the extension of the use of differentiated appropriations allowing for slower absorption in the new member states, a higher proportion of Cohesion Fund spending in total structural fund allocations and measures to help with the restructuring of semi-subsistence farms.

The proposal to increase the size of Cohesion Fund spending to a third of total structural spending had the advantage of simplifying the procedure for using the funds and reducing slightly the proportion of national cofinancing. These changes would not impact on the global financing of accession in the first years of membership up to 2006, though they would increase actual payments made in this period; - but these are unlikely to reach the budgeted payments level.

The Commission also proposed specific financial transfers to cofinance the closure of the Ignalina nuclear power plant in Lithuania, the decommissioning of the Bohunice plant in the Slovak Republic and to finance development in the northern part of Cyprus.

A further significant concession was that the Commission proposed that no new member state should be worse off in the first year of accession than in the last year of pre-accession. The early calculations of several of the candidate countries had suggested that they might indeed be net contributors to the EU budget in the first years of membership. The insistence of the Union on the payment of full contributions to own resources from the first day of accession combined with the expected slow absorption of structural funds and the refusal of the Union to pay direct income subsidies to farmers meant that in some cases the net contribution of the new member states would have been very significant. This would have been indeed a very strange result for countries which on average have only around 40% of the per capita GDP (at PPS) of the Union.

The Commission proposed that there should be a reserve created in the amended financial framework for 2004-2006, which could be used for granting lump-sum budgetary transfers to countries which were threatened with becoming net contributors. It suggested that this reserve should remain within the overall margin of the Berlin framework and could amount to around EUR 800 million annually.

The new member states had requested reductions to their own resources contributions in line with the expected slow build-up in the receipt of EU transfers. The Commission and the Member States, on the other hand, were adamant that any compensation given to the new member states should be on the expenditure side of the budget rather than the own resources side. This reflected worries about opening a major discussion on the British budget rebate and on the Commission's preference to have a system which would be clear and limited in time; the arrangements agreed for Spain and Portugal had led to progressively smaller adjustments in the budget stretching over many years and were a budgetary nuisance. The idea to grant lump sum compensatory payments was to play an important role in the preparation of the final negotiation on the financial package.

4.2 The methodology of calculating net budgetary balances

The proposal of the Commission to ensure that no new member state should become a net contributor to the EU budget in its first year of membership required a methodology to calculate expected net balances (payments appropriations). This was provided by the Commission in a note passed originally to the candidate countries in May 2002.

The Commission decided to propose an approximation to individual new member state budgetary balances on the basis of this methodology and to base lump sum compensatory payments on these estimates without any ex-post rectification. It became important therefore for the candidate countries to ensure that the estimates of receipts from the EU budget were as low as possible, in order to increase the size of the lump sum transfers.

The methodology proposed by the Commission on the expenditure side of the budget consisted of a set of assumptions concerning the absorption rate of both the remaining pre-accession funds and the agricultural, structural and other payments to which the new member states would have access after accession. These assumptions were obviously contestable. Estimates of gross contributions to own resources were somewhat easier and less contestable, though still approximate.

The resulting preliminary calculations made by the Commission suggested that indeed the Czech Republic, Cyprus, Malta and Slovenia might be net contributors to the budget in 2004, while in addition Hungary might be worse off in 2004 than in 2003. Cyprus, Malta and Slovenia were calculated as being net contributors throughout the whole period 2004-2006, while the Czech Republic was expected to still be worse off in 2005 than in 2003.

However the calculated amounts needed to ensure that all new member states would be as well off in 2004 than in 2003 by no means exhausted the EUR 800 million suggested in the Commission's January 2002 paper. Hence both commitment and payment appropriations might be reduced even below the January figure.

4.3 The Brussels European Council and the EU Common Position on Financial and Budgetary Provisions

The proposals of the Commission remained simply proposals until the European Council meeting in Brussels on 24-25. October 2002. Several of the member states had indicated that they could not agree to paying any level of direct income subsidy to farmers in the new member states as this had been excluded in the agreement on the Berlin Financial Framework in 1999.

The debate went beyond the question of enlargement to that of the future of the Common Agricultural Policy (see below), with the net contributors to the EU budget on one side, against the countries which receive large agricultural subsidies from Brussels, notably France and Ireland. In the perverse way in which negotiations sometimes move, the countries most in favour of enlargement, Germany, Sweden, the Netherlands and the UK were against paying direct income subsidies to the new member states because this would slow down the reform of the whole CAP, while countries traditionally less positive about enlargement, France and Ireland, were in favour of paying some level of subsidy as a guarantee that subsidies would continue in the longer term.

The Brussels European Council agreed to the Commission's January proposal on direct income subsidies, while at the same time agreeing that budgetary expenditure on market support and direct income subsidies in the period 2007-2013 could not rise by more than 1% per year in nominal terms over the level reached in 2006.

On the other hand the Council cut the proposed commitment appropriations for structural funds reserved for enlargement over the period 2004-2006 from EUR 25.5 billion proposed by the Commission in its January note to EUR 23 billion. This was generally thought to be a tactical move to make room for concessions later in the negotiations.

This position was then confirmed in the EU Common Position on financial and budgetary provisions, agreed on November 8th 2002, which also approved the Commission's, slightly modified, methodology for calculating budgetary balances.

The candidate countries were then left with just one month in which to negotiate both the financial chapter and to finish the agricultural chapter.

4.4 The negotiations at the Copenhagen European Council, December 2002.

Negotiations after the adoption of the EU Common Position moved into a hectic phase, with a considerable amount of 'back-of-the-envelope' adjustments. Pressure on all sides was intense. As the economic downturn intensified, the Member States were under considerable pressure to restrict the 'cost' of the enlargement to a minimum. Yet they were also under pressure to help the new member states, where even some of the toughest Member State negotiators realised that there was both a risk of serious budgetary crisis after accession and even possibly a refusal by the people to vote for accession in the referenda. The candidate countries' political leaders had by this time also realised that they faced a political crisis if the financial terms of accession were not improved and this situation even led at last to some coordination of positions between the candidate countries.

To break through the mounting confusion, the Danish Presidency of the Union proposed its own financial package, including detailed proposals for each candidate country. These packages were discussed in COREPER for the first time on November 25th. only two weeks before the Copenhagen European Council.

The key new elements with respect to the EU Common Position were:

- Accession would now not take place in January 2004 but in May 2004. This would change very little in terms of receipts from the EU but would save the new member states four months of contributions to own resources and therefore remove any remaining doubts about the budgetary balance being positive in the first year of membership.
- The possibility of 'topping up' direct income subsidies using funds reserved for rural development. The maximum level of subsidy in 2004, including this topping up, would be to 40% of the level in the EU-15.
- The introduction of a 'Schengen facility' to finance the strengthening of the new external border of the Union
- A decision on the size of lump sum budgetary compensation for individual candidate countries
- It conceded certain specific national requests, such as reduced VAT rates on existing housing until 2007 in Poland and the hunting of Lynx in Latvia as well as the major transfers for nuclear decommissioning in Lithuania and Slovakia.

However the package only marginally increased the reference levels for certain agricultural products, which were a main area of disaccord between the negotiating parties.

The overall impact of the Danish proposals was to increase the level of commitments above the agreement in Brussels but the level in each of the three years 2004-2006 remained below that suggested by the Commission in its January note and therefore below the Commission's interpretation of the Berlin Financial Framework. In payments the Danish proposal was well below the January package in all three years. The main reasons for this was the reduction at the Brussels Council of structural funds commitments by EUR 2.5 billion and the technical adjustments to the Commission's methodology for calculating budget balances, which reduced projected EU transfers in the first year of membership especially, thereby leaving more room for lump sum budgetary grants to be paid. The Danish proposal also raised considerably the payments for decommissioning nuclear facilities, both with respect to the January paper and the General Affairs Council proposals attached to the Presidency Conclusions at the Brussels European Council.

The potential budgetary problems faced by the new member states in the first years of membership were by now understood by the Commission and many of the member states. The Danish Presidency left open the question of lump sum payments to the new member states in the first year of membership, although these were already more or less agreed in principle. The Schengen facility was also a direct subsidy to the budgets of the candidates, as this represented expenditure which would otherwise have to be met by the national budgets.

The negotiations at the Copenhagen European Council on December 13-14th 2002 concluded the financial negotiations, although leaving certain points unclear.[7]

Overall the Copenhagen financial package was modest; modest in relation to expectations several years earlier; modest in relation to the Berlin Financial Framework; even modest in relation to the Commission's proposal in January 2002.

Table2: Commitments and payments appropriations for enlargement, 2004-2006

2004-2006	Berlin FF	Commission Jan 2002	Copenhagen
Commitments	42590	40160*	40952**
Payments	34550	28019*	27875**

* not including lump sum compensation payments
** including EUR 3.285 billion lump sum payments

However significant changes were made within the overall package, which made it more acceptable to the candidate countries.

- Except in Cyprus and Slovenia, the possibility of topping up direct income payments from both rural development allocations and from national tax sources up to a maximum total level of 55% in 2004, rising to 65% in 2006, was agreed. This of course meant no change in the overall financial package in terms of commitments, though it will raise payments appropriations. It also

[7] these unclear points were not so minor; the Polish Government discovered that part of the deal on topping up direct income subsidies for farmers, which had been negotiated at the Copenhagen summit, was ruled illegal by EU lawyers working on the Accession Treaty.

means that the phasing in period to 2013 was retained against opposition from several of the candidate countries.

- An increase in the level of the Schengen facility for certain countries bringing the total facility to almost EUR 750 million over the three years.
- The possibility for Poland and the Czech Republic to transfer commitments from the structural funds into budgetary subsidies in 2005 and 2006 – in the Polish case EUR 1 billion; EUR 100 million for the Czech Republic.
- Confirmation of the temporary budget compensation facility amounting to almost EUR 1.1 billion for 2004-2006.
- Agreement to raise the reference levels for some agricultural products; these were important concessions for some of the candidate countries but with limited financial significance overall.

The negotiations at the Copenhagen European Council were essentially between the Polish delegation and the Union, the former being by far the largest candidate country and the most strident negotiator. The other candidates had nothing to lose in this system, as they received almost by right whatever the Polish delegation managed to negotiate for itself. The Council was therefore characterised by loud histrionics and many ‘final offers’. The candidate countries needed a success as the start for the referendum campaigns on EU accession, while for the Union it was important to show financial prudence with responsibility for the European re-unification process.

The final Copenhagen commitment appropriations were as follows:

Table 3: Copenhagen financial settlement (commitment appropriations)

Maximum enlargement-related appropriations for commitments (EUR mio. 1999 prices) 2004-2006 (for 10 new Member States)			
	2004	**2005**	**2006**
Heading 1 Agriculture Of which: 1a - Common Agricultural Policy 1b - Rural development	1.897 327 1.570	3.747 2.032 1.715	4.147 2.322 1.825
Heading 2 Structural actions after capping Of which: Structural fund Cohesion Fund	6.095 3.478 2.617	6.940 4.788 2.152	8.812 5.990 2.822
Heading 3 Internal Policies and additional transitional expenditure Of which: Existing policies Transitional Nuclear safety measures Transitional Institution building measures Transitional Schengen measures	1.421 882 125 200 286	1.376 917 125 120 286	1.351 952 125 60 286
Heading 5 Administration	503	558	612
Total Maximum Appropriations for commitments (Heading 1, 2, 3 and 5)	9.952	12.657	14.958

In addition the following budgetary subsidy commitments were made:

Heading X (special cash-flow facility and (EUR mio. 1999 prices) temporary budgetary compensation) 2004-2006 (for 10 new Member States)			
	2004	**2005**	**2006**
Special cash-flow facility Temporary budgetary compensation	998 262	650 479	550 346

Source: Danish Presidency Conclusions, December 2002, Copenhagen

The conclusion of the Copenhagen European Council was a truly historic moment in post-Cold War Europe. It was not the moment to undertake a cool analysis of the outcome.

5. The political economy of the Copenhagen financial settlement

The negotiated settlement reflected the interests of the participants and their relative strengths in the negotiations - in other words the settlement was dictated by political economy. In some cases the reason for proposing a new offer had nothing to do directly with the financial negotiations but rather with other broader considerations, such as the future of the CAP, as illustrated above.

5.1. Negotiating strength

Every accession negotiation is unbalanced in terms of the strength of the two parties involved. The EU Member States are in a far stronger position than the candidate countries.

This situation arises simply because the government of the candidate country has invested much of its political capital into the campaign to join the Union. Failure to achieve this ambition will be punished at the polls in the majority of cases. On the other hand, enlargement of the Union has never been a popular demand of the voting public in the EU member states; indeed the voters do seem to worry somewhat about the cost of each enlargement, although this is not a strongly expressed view. No government would have fallen in the EU-15 if the enlargement to the east had failed. And the same was true of all previous enlargements. This is partly because national politics and EU policy are perceived as very distinct fields by voters, who always concentrate on the national dimension. Accession is national policy in the candidate countries; in the EU member states enlargement is not.

This does not mean that a clearly bad agreement in the negotiations would be accepted in the candidate countries. Wherever there is an opposition to membership of the Union, the Government would have to show that it obtained good accession conditions. In this enlargement, where all the new member states will hold referenda on accession, this was particularly important. Politically this is a difficult process to manage. Governments have to be seen to be standing up for their national interest strongly in Brussels while trying to tell their voters that joining the Union is of vital importance to the country. Criticism of accession terms is necessary to get improved offers from Brussels, but must not suggest to the voters that bad terms are the only sort on offer. This means that governments demand more than they know they are going to receive from the Union, while simultaneously lowering expectations at home.

Where, as in this case, several candidates are negotiating for accession at the same time, coordination of negotiating positions promises to achieve more than individual bilateral negotiations. Unfortunately coordination between the countries of central and eastern Europe never really worked, although frequent attempts were made starting from the Visegrad initiative and continuing right up to the Copenhagen summit. The Union effectively limited coordination early in the process by emphasising the principle of differentiation, a principle which it probably had no intention of ever implementing. Differentiation simply suggested that countries could join the Union when they were ready and would not be held back by countries which were preparing more slowly. This created competition between the candidates, with those which considered themselves better prepared for accession refusing to cooperate with the others.[8] In fact

[8] this absurd position was maintained in different forms until the end of the negotiations. The negotiators of the ‘Luxemburg’ countries met together without their colleagues from the ‘Helsinki’ group up to only a few months before Copenhagen

it was obvious years before Copenhagen that the Union was planning a 'big bang' enlargement to as many countries as possible.[9]

On the Union side of course the practice of agreeing a common position on all chapters of the negotiation meant that the candidate countries individually met an almost totally coordinated position in the member states. Naturally the negotiations to reach the Common Position were sometimes extremely tough, but once decided the position was generally defended even by the doubters.

The Union could also divide the candidates during the negotiations by agreeing bilateral deals with the least resistant country, then insisting that the other candidate countries could not receive a better deal. This was for instance the case to a certain extent with the transition period for the free movement of workers and for that concerning cabotage in the EU. The Union's clear strategy at Copenhagen was to isolate Poland in the final financial negotiations by agreeing (low cost) deals with the smaller countries.

Combining these advantages with the absolute political necessity for the candidate countries to accede allowed the Union to meet any negotiating crisis with the threat that the offending candidate country might be left out of the first enlargement on the basis of the principle of differentiation.

This difference in the strength of negotiating positions came out clearly in the budgetary and financial negotiations. The Berlin Financial Framework is an example of this difference. Berlin promoted a serious competitive distortion – the refusal to allow direct income subsidies to be paid to farmers in the new member states - which flouted principles that the Union stood for; especially that of fair competition in an internal market. Yet the Berlin framework was never seriously threatened by the candidates in the negotiations and was indeed expressly accepted by them in the final stages, though this did not imply acceptance of the degree of competitive distortion suggested at Berlin.

5.2 The political economy of the EU position

Enlargement was important to the European Union, but this importance was of a different nature to that felt by the candidates. It was a political significance with a relatively reduced economic significance. For the candidates both the political and the economic reasons for seeking accession were important. Today the ten new member states have a GDP measured at current exchange rates which is only 4.6% of that of the EU-15; at purchasing power parities it reaches 9%. Most of the trade advantages which the EU-15 might have wanted from the region were obtained through the Association Agreements. Enlargement brings some economic advantages but they are rather marginal.[10]

However the changes in financial flows implied by enlargement were important for the EU Member States. There were two main reasons; the depressed state of the EU economy and the rules of the Monetary Union.

---

[9] Mayhew (2000) Enlargement of the European Union: an Analysis of the Negotiations with Central and Eastern European Candidate Countries, SEI Working Papers No. 39

[10] However enlargement was politically important. The EU invested considerable political capital into bringing the states of central and eastern Europe into the Union. A failure to enlarge would have been a severe blow to the gradual development of EU political credibility in the world. This factor was always underestimated.

As the 'end game' in the negotiations was reached, it was clear that economic growth in the Euro-area had almost come to a halt. Lower tax revenues faced growing pension and health budgets as well as the fiscal pressure from high and rising unemployment. Although the proposed cost of enlargement was small in relation to both national and EU budgets, any increase in transfers from the EU-15 to the new member states would make the fiscal problems of the EU-15 more difficult.[11]

Associated with these developments, several members of the Euro-zone were finding it progressively more difficult to meet the Maastricht criteria for monetary union and were threatened with application of the excessive deficit procedure (article 104 EU Treaty). Germany was in an especially difficult situation and would have to contribute more to any transfers to the new member states than any other old member state. But all Euro-zone countries had become nervous about gross transfers to the EU budget and their impact on the size of the government deficit. With Germany and France up against the 3% of GDP deficit limit, even small additional transfers were to be resisted.

EU member states were also worried about the longer-term financing of the Union, including the indirect effects of enlargement on Union policies as well as the direct effects. The financial perspective for the period 2007-2013 must be negotiated in 2005-2006. The battles over the future financing of the CAP and the structural funds during these negotiations are expected to be fierce. The Member States were keen not to allow anything to be agreed in the enlargement negotiations which would negatively affect their negotiating positions for the next financial perspective.

The discussion on the future of the CAP was at the top of the agenda in the Brussels European Council meeting in October 2002. It surfaced in the form of a dispute about the payment of direct income subsidies to central European farmers. Those countries pressing for a thoroughgoing reform of the CAP with a reduction in direct income payments were reticent to extend these payments to farmers in the new member states. They pressed for a general reduction in subsidy in the enlarged Union. The countries which benefit from the CAP, notably France, Ireland and to a lesser extent Spain, generally supported the Commission's proposal to grant these subsidies on a sliding scale to reach 100% of the EU-15 level by 2013. In this way they hoped to gain the support of the new member states for a continuation of the CAP at current or enhanced levels. At Brussels the German Government, under considerable pressure to improve its relations with Paris, agreed to a deal with the French Government which adopted the Commission's position but also agreed, as mentioned above, to spending rising in the CAP up to 2013 by a maximum of 1% nominal per year over the 2006 level. The German Government's determination to see a fall in CAP spending hardly bore fruit although the final deal suggests that there will be a need to reduce direct income subsidies generally in the coming financial perspective. The net contributors have also not given up all hope of reform either.

There will be a struggle in the Union over the volume and distribution of structural funds in the next financial perspective. The impact of enlargement will be to eliminate many regions in the EU-15 from receipt of structural funds, as the average per capita GDP of the Union falls and existing beneficiaries see their GDP per capita rise above the crucial 75% level. This problem was raised in the last 'Cohesion Report', which laid out four possible ways of dealing with this question.[12]

---

[11] The total net annual cost of enlargement in the first three years of membership in commitments is expected to be EUR 13 billion compared to an annual EU budget of EUR 100 billion

[12] European Commission (January 2001) Unity, solidarity, diversity for Europe, its people and its territory – 2nd report on economic and social cohesion

The Commission is expected to come out in favour of significantly raising the volume of structural funds after accession. This would allow many of the regions in the EU-15 to continue receiving support even after enlargement. It is to be expected that this position will be strongly supported by at least three of the 'Cohesion Countries', Spain, Portugal and Greece. Spain has already indicated that it is not prepared to accept drastic cuts in support.

The net contributor countries are likely to put up stiff resistance to this position and argue for a concentration of the existing funds on the new member states. The Dutch Government appeared to support a reform of the Funds which would only support *member states* which met the criteria of the Cohesion Fund rather than *regions* as at present.[13] The British Government has come out with a similar proposal to restrict structural funds assistance to countries which qualify under the criteria of the Cohesion Fund.[14] These proposals would probably eliminate support for all or most of the existing EU-15 regions.

This debate was not seriously raised in the accession negotiations, but was nevertheless in the minds of the negotiators. The new member states were treated fairly, even if the limit for transfers of 4% of GDP may well be too restrictive for those countries which can use the structural funds well.

The question will be whether it is possible to maintain the overall limit for payments appropriations at 1.27% of GDP until the end of the next financial perspective. EMU puts a discipline not just on net contributors but on all member states of the Euro-zone. Finance ministers are concerned more by the level of budgetary contributions to the EU budget than by the net position of the country. Monetary union will therefore put a downward political pressure on the level of own resources, even in the net beneficiaries, unless there is a major change either in the Union's budgetary system or in the fiscal rules of the monetary union.

5.3 The political economy of the candidates positions

For the candidates the political economy considerations in the negotiations on the budget settlement were considerably more complex. They faced several very serious politico-financial risks, which if not addressed could constrain macro-economic policy and affect their preparation to enter monetary union and adopt the Euro. And behind all the negotiations was the threat that if the outcome of the budget negotiations was not positive, this would negatively affect the result of the referendum on accession.

The candidate country governments had first to ensure that they would not be net contributors to the EU budget – a fact that would have been unacceptable to the public in these countries. This worry was not dispelled by the Commission proposal that no country should be worse off in 2004 than in 2003. The proposed Commission methodology inflated potential receipts from the EU budget by assuming unrealistically high absorption rates for finance from the structural funds and rural development. It was only through persistent negotiation that the candidates managed to more or less eliminate this danger – on the one hand the Commission became somewhat more realistic in its assumptions on absorption, while the Union increased the level of compensatory budgetary transfers.

[13] Dutch Government Inter-departmental Working Group (2001) Structural policy in the perspective of enlargement of the European Union, The Hague.
[14] DTI (March 2003) A modern regional policy for the United Kingdom.

The problem of real substance for the candidate countries was that they faced a major budgetary problem in the first years of membership unless the financial offer was improved. At least four elements of the accession process will affect the national budgetary process severely:

The implementation of the acquis communautaire in the first years of membership will put a significant burden on the budget. In many areas investment and additional operating costs will not be able to be pushed through to the final consumer and will have to be borne by the state budget. This applies particularly to the environmental acquis but changes in other areas will also lead to additional spending.
The receipt of structural funds implies the availability of national co-financing. While this will be lower in the cohesion funds, it may reach 30% or more in the classic structural funds area. It is of course true that expenditure for infra-structure would eventually have to be made available, and in part at least from the national budget. Nevertheless accession will force the new member states to make money available from the budget, unless of course they refuse to accept the available structural funds.

The contribution to the EU budget will cost national budgets in the new member states over EUR 5 billion annually – roughly 1.5 % of GDP and around 6% of Government budgetary revenues. On the other hand many of the payments which will flow to the new member states from the EU will be paid directly to final beneficiaries and other non-government agencies rather than to the budget.
Some budgetary transfers must be pre-financed by the state budget and are recouped only later from the Union. This is particularly the case with direct income subsidies, where there is a six month delay in reimbursements.

Overall it was expected that the result of these four factors would lead to increases in budgetary expenditure in the first year of membership of between 5% and 15%. This would clearly be a massive shock to the budget if not compensated for on the receipts side. It suggested that accession might imply severe budgetary cuts, increased taxes or increased government borrowing or a combination of the three. In cutting spending, those areas of the budget with little or no EU significance, such as education and social policy, would probably be at the top of the list.

The seriousness of the budgetary situation was not recognized by finance ministers in the candidate countries until the later stages of the negotiations – unfortunately finance ministers generally had not been deeply involved in the process. However on November 5th. 2002, just a month before the end of the negotiations, the finance ministers of the candidate countries collectively issued an appeal to the EU to ease the budgetary burden of accession. They proposed that their countries' contributions to own resources should be aligned to the same timetable and progression as direct income subsidies in agriculture. Heads of Government of the candidate countries repeated this appeal on November 15th. 2002, implying that the deal which was on offer did not represent a fair balance of rights and obligations.

Beyond these serious budgetary problems, the governments of the candidate countries also had to defend themselves against the charge of accepting a competitive distortion in agriculture. This pressure was felt particularly by countries with a significant agricultural sector, such as Hungary and Poland but it was also present in countries like the Czech Republic with a relatively insignificant agriculture. It was especially important in Poland where an agricultural party was part of the Government coalition. Governments reacted by raising the issue of direct income subsidies as the most difficult problem in the financial negotiations, although objectively other problems were more important.[15] This issue is significant in the context of the accession referenda due in 2003. Populations in most of the new member states are nearer to rural roots than populations in north-western Europe. There would likely be a significant sympathy vote in the referenda for farmers, if it were felt that they were being badly-treated in the enlargement.

It was also important to the candidates that they were seen to be being treated as full and equal member states on accession. Full and equal membership would mean that they would be free to negotiate on the financial framework 2007-2013. Financially however many of the elements of this future negotiation were fixed by the Union in the accession negotiations. This is true for part of the CAP negotiations, where the transition period on direct income subsidies runs to 2013. It is also true in the context of the structural funds, where the Union is limiting transfers to 4% of a recipient state's GDP.

6. An analysis of the final outcome

A rough summary of the outcome of the negotiations on the financial settlement would be that it might not be ideal for the new member states in the short-term, but that it is a good deal for the longer term. For the EU the judgement would be reversed: the long term is uncertain but the short-term deal is rather good. But from the point of view of the enlarged EU-25 as a whole, the deal leaves many questions unanswered.

Table 3 shows the short-term (2004-2006) outcome of the negotiations as far as the EU budget is concerned. Table 4 attempts a longer term view of the EU budget to 2013. Table 5 shows the net balances for the new member states.

6.1 The impact on the EU-15

The impact of the final settlement on the budget of the Union between 2004 and 2006 will be relatively limited. Total commitments for enlargement over this period were agreed at EUR 40.9 billion (all figures at 1999 prices). Payments appropriations for the new member states are expected to reach around EUR 27.9 billion, though this may be based on an optimistic assumption about absorption capacity. Estimated contributions to own resources from the new member states will amount to EUR14.7 billion. The net cost in payments to the EU budget between 2004-2006 will therefore be only EUR 13 billion or around 4% of total budget spending in these years.

The European Union therefore achieved its objective of reducing enlargement expenditure to a minimum during the current financial framework period. Appropriations for payment in the 2003 budget reached only 1.02% of gross national income of the Union at almost exactly EUR 100 billion. The gross payments cost of enlargement will raise this by around 8%, other expenditure remaining constant and payments in terms of gross national income will rise to around 1.04% of GNI well below the upper limit for payments appropriations of 1.27% of GNP.

The negotiations at Copenhagen changed very little in financial terms. The agreement to transfer some structural fund commitments and payments into budgetary subsidies for

[15] Objectively an important competitive distortion has been created by the Union itself. Agricultural subsidy made up around 35% of gross farm receipts in the European Union in 2001. Direct income subsidies make up around 65% of subsidy in the EU. Direct income transfers therefore account for just under one quarter of total farm receipts. With farmers in the new member states receiving only 25% of these subsidies in the first year, competition is hardly going to be fair and this will lead to further inroads into the markets of the new members by producers in the old EU.

Poland and the Czech Republic will increase payments marginally in 2005 and 2006, but only to the extent that structural fund payments assumed an unrealistically high rate of absorption.

The most significant change in policy terms was undoubtedly the acceptance of the payment of direct income subsidies to farmers in the new member states, which was agreed at the Brussels European Council in October 2002, and the Copenhagen concession that these could be topped up using rural settlement funds and national taxation. These decisions, apart from destroying the policy arguments against paying full income subsidies to farmers in the new member states, are significant for the debate on the future of the CAP.

In the **longer term**, the financial agreement will lead to significant additional spending by the Union. If the future enlargement to Bulgaria, Romania and possibly Croatia is included as from 2007, the budgetary spending in 2013 should nevertheless still be well within the limit of 1.27% of GNP in the Union (table 4). The enlargement to Turkey should also lie within this period but this has not been included in these calculations.

- The calculation presented in table 4 is rather rough but gives an idea of the possible development over the next financial perspective. It assumes the following:
- economic growth in real terms in the old EU-15 expands by 2% per year and in the new member states by 4%.
- By 2013 the new member states (including Romania, Bulgaria and Croatia) will be receiving direct income subsidies to farmers at the same level as those in the EU-15
- By 2013 they will also be absorbing 4% of their GDP in structural fund payments
- The current pre-accession payments are assumed to continue, but at a lower rate, being paid to the three candidate countries mentioned above. But they will cease prior to 2013.
- EU-25 expenditure on agriculture follows the formula agreed at the Brussels European Council in October 2003
- Structural fund expenditure remains at 0.45% of EU-GDP throughout the period
- Other policies grow faster than GDP and average 3% growth per year
- Commitments appropriations and payments are assumed identical in 2013

This calculation may underestimate spending in the Union. The agreement reached on CAP spending at the Brussels European Council limiting growth to 1% in nominal terms from 2006 on, does not limit rural development spending. This could grow rapidly as direct aid for agriculture is complemented by growing assistance for rural areas. The pressure to relax the 0.45% of GDP limit on structural fund spending may lead to some increase in this level, though no doubt the main contributors to the EU budget will be attempting to hold the line. The assumption that the real rate of growth of ‘other policies’ will be 3% per annum may be conservative, above all on foreign policy and foreign aid and on justice and home affairs. Nevertheless as a central hypothesis in a period of considerable uncertainty, the assumptions on which table 4 are based look reasonable.

On these assumptions, the gross ‘cost’ of enlargement to the EU-15 in 2013 (in prices of 2003) will be roughly EUR 48 billion or just over 0.4% of the EU-15 GDP. The net cost (gross cost less contributions to own resources) is likely to be around EUR 36 million or 0.3% of EU-15 GDP. This is substantial but considerably less than many had imagined just a few years ago.

Table 4 shows that, on these assumptions, the EU budget in 2013 may still be well below the own resources limit of 1.27%. It is likely to be of the order of 1.07% of GDP.

Table 4: Schematic budget scenario EU budget scenario for 2013
(EUR bn; prices 2003)

	2003	2006	2013
GDP of EU-15 ass. 2% real growth	9558	10143	11651
GDP of EU-10/12 ass. 4% real growth	420	472	711
Enlargement costs - commitments: Total		15.8	48.5
CAP (full DIS)+rural dev		4.1	14
Structural funds (4% of GDP)		8.8	32
Internal policies and admin.		2.0	2.5
Budget transfers		0.9	0
Pm Pre-accession aid		1.4	0
Commitments EU-25/27	99.7		131.7
Payments as % of GDP	1.02	1.06	1.07
pmbudget contributions of EU-10		5.5	8

Source: own calculations

<u>6.2 The impact on the new member states</u>

Table 5 shows the final outcome of the negotiations for the ten candidate countries for the period 2004-2006.

During this short term period two earlier worries are somewhat relieved. None of the new member states will be net contributors in the first years of membership and most if not all of the countries will almost certainly be better off in net terms in the first year of membership than in the last pre-accession year. It is still possible that the Czech Republic and even Hungary may not be better off in 2004, as the Table 5 calculations depend on assumptions about absorption capacity, which have to be realised. However the level of assumed payments has been reduced considerably since the first estimates were made at the beginning of 2002 and the figures now included are essentially advances which will be received in any case (though held in blocked accounts).

The results for 2004 show lower contributions to own resources and lower receipts than were expected some time ago. The lower contributions are the result of the delay in accession to May 1st 2004, with a saving of 4 months contributions. The delay in the planned accession did not lead to any real problems for either party in the enlargement, allowing the financial position of the new member states to be marginally improved and leaving some more time for ratification of the Accession Treaty. The low level of receipts is partly a result of direct income subsidies being received in the budget year after that in which they are paid out.

Table 5: Net balances agreed at Copenhagen European Council

(Source: EU Commission, December 2002 (after Copenhagen European Council)) - 1999 prices

	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	TOTAL
2003											
pre-accession aid	**16**	**170**	**55**	**197**	**844**	**45**	**115**	**84**	**123**	**11**	**1,661**
pre-accession aid in % of GNI	***0.13%***	***0.21%***	***0.77%***	***0.29%***	***0.40%***	***0.18%***	***0.75%***	***0.90%***	***0.44%***	***0.26%***	***0.36%***
2004	**CY**	**CZ**	**EE**	**HU**	**PL**	**SI**	**LT**	**LV**	**SK**	**MT**	**TOTAL**
pre-accession aid	11	181	67	235	970	51	127	99	120	7	1,869
agriculture	12	100	29	125	426	43	73	42	57	3	911
structural actions	6	169	39	209	859	27	94	66	118	7	1,594
internal actions	5	44	5	42	154	12	11	10	19	2	305
additional expenditure	0	7	25	58	131	38	84	28	21	0	392
special cash-flow facility	28	175	16	155	443	65	35	19	63	12	1,011
temporary budgetary compensation	69	125	0	0	0	30	0	0	0	38	262
total allocated expenditure	**131**	**801**	**181**	**824**	**2,983**	**267**	**423**	**264**	**398**	**70**	**6,343**
trad. own resources	-27	-66	-8	-97	-123	-18	-22	-7	-33	-14	-415
VAT resource	-10	-74	-6	-61	-194	-22	-14	-8	-26	-4	-420
GNP resource	-60	-426	-37	-349	-1,114	-129	-78	-48	-148	-23	-2,412
UK rebate	-8	-56	-5	-46	-148	-17	-10	-6	-20	-3	-320
total own resources	**-105**	**-623**	**-56**	**-554**	**-1,579**	**-187**	**-124**	**-70**	**-225**	**-43**	**-3,566**
Net balance	**27**	**178**	**125**	**270**	**1,404**	**80**	**299**	**195**	**173**	**26**	**2,777**
Net balance in % of GNI	***0.21%***	***0.20%***	***1.61%***	***0.37%***	***0.60%***	***0.29%***	***1.82%***	***1.93%***	***0.56%***	***0.56%***	***0.55%***
% increase of net balance compared to 2003	***69%***	***5%***	***126%***	***37%***	***66%***	***76%***	***160%***	***133%***	***41%***	***130%***	***67%***

2005	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	TOTAL
pre-accession aid	6	153	57	199	823	43	110	86	102	2	1,581
agriculture	37	392	82	544	1,512	125	228	116	205	8	3,248
structural actions	14	355	88	438	1,776	59	203	151	244	13	3,343
internal actions	9	76	9	72	266	21	18	17	33	4	524
additional expenditure	1	9	26	61	141	38	109	29	52	0	466
special cash-flow facility	5	92	3	28	550	18	6	3	11	27	744
temporary budgetary compensation	119	178	0	0	0	66	0	0	0	66	429
total allocated expenditure	**191**	**1,255**	**266**	**1,342**	**5,068**	**370**	**674**	**402**	**647**	**119**	**10,334**
trad. own resources	-40	-105	-12	-150	-213	-29	-33	-11	-54	-21	-667
VAT resource	-16	-116	-10	-95	-304	-35	-21	-13	-40	-6	-657
GNP resource	-91	-653	-57	-535	-1,707	-198	-120	-74	-226	-35	-3,697
UK rebate	-12	-88	-8	-72	-230	-27	-16	-10	-30	-5	-497
total own resources	**-160**	**-963**	**-86**	**-853**	**-2,454**	**-288**	**-191**	**-107**	**-350**	**-66**	**-5,518**
Net balance	**31**	**293**	**179**	**490**	**2,614**	**82**	**483**	**295**	**297**	**53**	**4,816**
Net balance in % of GNI	***0.24%***	***0.31%***	***2.23%***	***0.64%***	***1.08%***	***0.29%***	***2.83%***	***2.81%***	***0.92%***	***1.08%***	***0.92%***
% increase of net balance compared to 2003	***94%***	***72%***	***225%***	***148%***	***210%***	***81%***	***319%***	***252%***	***142%***	***363%***	***190%***

2006	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	TOTAL
pre-accession aid	1	98	35	124	509	27	66	52	64	0	976
agriculture	46	483	102	653	1,934	158	294	156	260	10	4,095
structural actions	18	427	110	524	2,107	73	248	189	289	15	3,998
internal actions	12	102	12	97	359	28	25	22	45	5	708
additional expenditure	1	9	26	61	140	38	127	28	52	0	481
special cash-flow facility	5	92	3	28	450	18	6	3	11	27	644
temporary budgetary compensation	112	85	0	0	0	36	0	0	0	63	296
total allocated expenditure	**194**	**1,294**	**288**	**1,487**	**5,498**	**378**	**766**	**451**	**720**	**121**	**11,198**
trad. own resources	-40	-105	-12	-150	-213	-29	-33	-11	-54	-21	-667
VAT resource	-17	-119	-10	-97	-310	-36	-22	-13	-41	-6	-671
GNP resource	-94	-670	-58	-549	-1,752	-203	-123	-76	-232	-36	-3,793
UK rebate	-13	-93	-8	-77	-244	-28	-17	-11	-32	-5	-529
total own resources	**-163**	**-988**	**-89**	**-873**	**-2,519**	**-296**	**-196**	**-110**	**-359**	**-68**	**-5,660**
Net balance	**31**	**307**	**200**	**614**	**2,979**	**82**	**570**	**341**	**361**	**53**	**5,538**
Net balance in % of GNI	***0.23%***	***0.32%***	***2.39%***	***0.78%***	***1.18%***	***0.28%***	***3.21%***	***3.12%***	***1.08%***	***1.03%***	***1.01%***
% increase of net balance compared to 2003	***94%***	***80%***	***263%***	***211%***	***253%***	***81%***	***395%***	***307%***	***194%***	***364%***	***233%***

By 2006 all the new member states should be comfortably net beneficiaries, although the size of the transfers as a percentage of GDP will differ considerably. The three small Baltic Republics have come out of the negotiations best on this basis. In the case of Lithuania it is a result partly of the special allowance made for the decommissioning of the Ignalina nuclear power plant, which was a specific demand of the EU and which will have severe economic and social implications for Lithuania. It is also understood that Lithuania will receive financial support for the solution of the Kaliningrad transit problem. The Baltic Republics are assumed to be able to absorb structural funds relatively quickly, have considerable agricultural populations but are relatively poor and therefore contribute somewhat less on the GDP key to own resources than some of the other countries.

At the other end of the scale are Slovenia and the Czech Republic, both of which have relatively modest agricultural sectors and have higher GDP per capita than the other candidate countries.

Poland, with over half of the population of all the new member states together, will enjoy over half of the total net balance of the new member states during this first period of membership. However this will have been achieved at the cost of the transfer of EUR 1 billion from the structural funds to a budgetary transfer, as mentioned above.

6.2.1 Will there be a budget crisis in the first years of membership?

The major question which hangs over all the new member states is whether the budget settlement at Copenhagen will stave off a budgetary crisis in the first few years of membership.[16] The answer cannot be generalised as the budgetary situation in the new member states varies considerably.

For the national budget, the calculation of a country's net position with respect to the EU budget is important but not the whole story. While most of the political commentary has been on the net position of the new member states, here we attempt to analyse the impact on the general government budget.

These questions have been researched for *Lithuania* by Rasa Spokeviciute.[17] She concludes that the additional budgetary spending provoked by accession to the Union in 2004 will be of the order of 10% of 2003 budgetary revenues. This calculation does not include the costs of implementing new EU acquis.

In *Poland* the situation will be similar, although the budgetary subsidies agreed for each year from 2004-2006 will help to reduce the burden of accession on the budget.

---

[16] See page 19 above

[17] R. Spokeviciute, The Impact of the EU membership on the Lithuanian budget, SEI working paper no. 63, 2003.

Table 6 attempts to show the impact of accession on the general government account.[18]

[18] The budgetary situation in many new member states is complicated because of the lack of consolidation of the budget, with the existence of many substantial extra-budgetary items, which however are properly obligations for the government. Here we look however at general government receipts and expenditure rather than the narrow definition of the central government budget.

Table 6: Impact of accession on the Polish General Government Budget, 2004-2006 (EUR bn. 1999 prices)

	financial flows with EU			total expenditure			budgetary impact		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Pre-accession aid	970	823	509	1116	946	585	-146	-123	-76
Agriculture and rural development	353	1361	1714	1058	1716	2143	-542	-64	-105
Structural and cohesion funds	576	1296	1601	725	1621	1996	28	103	149
Internal policies + Schengen facility	130	141	139	169	212	278	-39	-71	-139
Budget transfers	443	550	450	0	0	0	443	550	450
Total EU financial flows to Poland	2472	4171	4413	3068	4495	5002	-256	395	279
Budget contribution	1579	2454	2519	1579	2454	2519	-1579	-2454	-2519
loss of tariff revenues**							-420	-764	-795
Net gain							-2255	-2823	-3035
GDP in EUR bn.							210	218	227
net gain as percentage of GDP							-1.07	-1.29	-1.34

Source: own calculations based on data from World Bank, IMF, European Commission and Polish Government

Definitions:
'Financial flows from with EU' are payments appropriations drawn down in a specific year or payments made to the EU
'Total expenditure' is Polish general government budgetary expenditure, including payments received from the EU which are paid out to final recipients; this includes cofinancing of structural funds and rural development and topping up of direct income subsidies from the national budget and rural development funds
'Budgetary impact' is the total impact of flows to and from the EU including the substitution of some domestic budgetary expenditure by EU assistance
** loss of tariff revenues above the level of the common external tariff. Losses of CET equivalent tariffs are included in the budgetary contribution

Assumptions:
Poland absorbs only 70% of the annual structural funds assumed by the EU and 70% of cohesion funds in 2004 rising to 90% in 2006
Poland tops up direct income subsidies to 55% of EU-15 level in 2004, 60% in 2005 and 65% in 2006
50% of cohesion fund spending is substituted expenditure: 70% of the structural fund cofinancing is substituting for budget expenditure
this calculations ignores second order gains in budgetary revenue from increased spending resulting from accession
no allowance is made for financing the implementation of the acquis beyond that already in the budget for 2003
GDP grows in real terms by 4% per annum

This table highlights some points of general applicability:

While the whole contribution to own resources of each new member state will come from the national budget, not all the payments received by it will be paid into the budget account. An obvious example of this latter point is payments received directly by universities and other institutions from the EU research funds.

In addition, apart from the budgetary subsidies, most of the inflows to the budget are paid out again to final recipients. This is the case for instance with direct income subsidies for farmers, where the state also has to pre-finance the subsidies, which are transferred from Brussels only after they have been paid out by the national agency. Structural fund transfers are also tied to specific projects and programmes and are drawn down from the budget as required. Advances paid to the recipient country are held in an account which prevents them being used for other purposes than payment of future calls on structural funds.

The outflows from the national budget are usually larger than the inflows from the EU, because the recipient country has to cofinance EU expenditure. For the Cohesion Fund resources the assumed level of cofinancing in Table 6 is 15%, for the remainder of the structural funds and for rural development funding the level is nearer one third. In certain instances in the past, member states have refused structural fund financing, because they did not want to have to find the cofinancing out of national budget funds.

Also on the negative side for the budget, the loss of customs revenues will be quite serious. The level of tariff protection in the EU will be lower than that at national level today. The reduction of tariffs to the EU level will be a straight loss to the budget, while the tariffs collected by applying the Common External Tariff will comprise part of the national contribution to the EU budget.

Finally the cost to the budget of implementing the Community acquis after membership is difficult to determine but is potentially very significant. This applies particularly to environmental directives but there are many other high cost areas too. The World Bank estimates that the cost of implementing the environmental acquis in Poland is of the order of EUR 47 billion. For the period 2004-2006 they calculate roughly EUR 10.5 billion will be required, of which almost EUR 4bn will come from the general government account.[19] With state environmental expenditure at around EUR 400 million in 2000, this implies a major hike in budgetary spending. Some of this implementation will be achieved using the structural fund financing, but this will not be adequate to complete the whole post-accession adjustment process, particularly if the transport infra-structure programme is also to be completed by 2015 as planned.

On the positive side however, some of the expenditure financed by Brussels will replace finance which would have been in the national budget anyway, so this expenditure is substituted for by receipts from the EU. In addition taxes will be paid on some EU expenditure or on revenues derived from these transfers, and thus there will be additional budget revenues in a second round of spending and taxing. These revenues are not considered in this table.

[19] World Bank (January 2003) Poland: towards a Fiscal Framework for Growth. Washington DC

The overall impact of these different elements depends on the assumptions made about absorption capacity, the degree of substitutability of budget expenditure and the level of second round revenue gains for the budget.

On reasonably central assumptions, these calculations suggest that the impact of accession on the Polish budget is likely to be of the order of between 1% and 1.4% of GDP between 2004 and 2006. But this calculation ignores the cost of implementing the acquis, which could obviously add another point of GDP to the budget cost of accession, even assuming that the structural funds would cover some of the investment needed.

These calculations suggest that the impact of EU accession on the Polish general government expenditure in 2005-2006 could be an increase in expenditure of the order of 2-3%, or with the implementation of the acquis up to 3-4%. In terms of the narrowly defined but normally quoted central government budget, the increase would be doubled to 4%-6% and 6%-8%.[20]

In Poland these increases in expenditure will come at a difficult period for the Minister of Finance, as he struggles to reduce the current large budget deficit, which reached 6.6% of GDP in 2001 (general government deficit). While all recognize that budgetary consolidation is urgently required in Poland, both in the short term in order to get taxation down and economic growth accelerating and in the long-term to accommodate the large volume of EU transfers, the additional expenditure on accession related issues makes this consolidation more difficult.

These problems of budgetary management are posed for most of the other new member states in the short-term as well. In 2002 the Czech Republic's general government deficit reached 9.1% of GDP, while that in the Slovak Republic 7.4%. Only the three Baltic countries have deficits below 2% of GDP.

In the longer term the problem will indeed not be one of a penury of EU resources, as in the short-term, but one of successfully managing a very large flow of resources, exceeding 4% of GDP. These transfers, if properly managed, will help to generate growth in the new member states and support their efforts to close the income gap with the EU-15.

Conclusion

Three main conclusions can be drawn on the financial and budgetary impacts of the current enlargement of the European Union, assuming constant policies:

- For the European Union the final budgetary cost of enlargement is far lower than was assumed five to ten years ago. The Berlin Financial Framework decided in 1999 was respected and the final deal is well within the limits set at Berlin. It is unlikely that the EU budget will grow significantly as a share of GDP over the coming decade

[20] While general government expenditure in 2001 was around 45% of GDP, the central government budget expenditure amounted to only 24% of GDP.

- For the New Member States the budgetary agreement poses both short-term financing problems and worries about the competitive position of agriculture, given the competitive distortion introduced by the EU-15 in favour of their own farmers

- In the longer term the budgetary outcome should be satisfactory. Much will depend on the capacity of the new member states to manage large unrequited transfers.

However both agricultural and redistributionary policies may indeed change in the coming years in the Union. These changes could affect the budgetary position of the new member states, both positively and negatively.

In the longer term however, success in terms of raising the economic growth rate and improving living-standards will depend more on the quality of policy in the new member states than on the size of financial transfers from the Union.

Working Papers in Contemporary European Studies

1. Vesna Bojicic and David Dyker — June 1993
Sanctions on Serbia: Sledgehammer or Scalpel

2. Gunther Burghardt — August 1993
The Future for a European Foreign and Security Policy

3. Xiudian Dai, Alan Cawson, Peter Holmes — February 1994
Competition, Collaboration & Public Policy: A Case Study of the European HDTV Strategy

4. Colin Crouch — February 1994
The Future of Unemployment in Western Europe? Reconciling Demands for Flexibility, Quality and Security

5. John Edmonds — February 1994
Industrial Relations - Will the European Community Change Everything?

6. Olli Rehn — July 1994
The European Community and the Challenge of a Wider Europe

7. Ulrich Sedelmeier — October 1994
The EU's Association Policy towards Central Eastern Europe: Political and Economic Rationales in Conflict

8. Mary Kaldor — February 1995
Rethinking British Defence Policy and Its Economic Implications

9. Alasdair Young — December 1994
Ideas, Interests and Institutions: The Politics of Liberalisation in the EC's Road Haulage Industry

10. Keith Richardson — December 1994
Competitiveness in Europe: Cooperation or Conflict?

11. Mike Hobday — June 1995
The Technological Competence of European Semiconductor Producers

12. Graham Avery — July 1995
The Commission's Perspective on the Enlargement Negotiations

13. Gerda Falkner — September 1995
The Maastricht Protocol on Social Policy: Theory and Practice

14. Vesna Bojicic, Mary Kaldor, Ivan Vejvoda — November 1995
Post-War Reconstruction in the Balkans

15. Alasdair Smith, Peter Holmes, Ulrich Sedelmeier, Edward Smith, Helen Wallace, Alasdair Young — March 1996
The European Union and Central and Eastern Europe: Pre-Accession Strategies

16. Helen Wallace — March 1996
From an Island off the North-West Coast of Europe

17. Indira Konjhodzic — June 1996
Democratic Consolidation of the Political System in Finland, 1945-1970: Potential Model for the New States of Central and Eastern Europe?

18. Antje Wiener and Vince Della Sala — December 1996
Constitution Making and Citizenship Practice - Bridging the Democracy Gap in the EU?

19.	Helen Wallace and Alasdair Young *Balancing Public and Private Interests Under Duress*	December 1996
20.	S. Ran Kim *Evolution of Governance & the Growth Dynamics of the Korean Semiconductor Industry*	April 1997
21.	Tibor Navracsics *A Missing Debate?: Hungary and the European Union*	June 1997
22.	Peter Holmes with Jeremy Kempton *Study on the Economic and Industrial Aspects of Anti-Dumping Policy*	September 1997
23.	Helen Wallace *Coming to Terms with a Larger Europe: Options for Economic Integration*	January 1998
24.	Mike Hobday, Alan Cawson and S Ran Kim *The Pacific Asian Electronics Industries: Technology Governance and Implications for Europe*	January 1998
25.	Iain Begg *Structural Fund Reform in the Light of Enlargement* Centre on European Political Economy Working Paper No. 1	August 1998
26.	Mick Dunford and Adrian Smith *Trajectories of Change in Europe's Regions: Cohesion, Divergence and Regional Performance* Centre on European Political Economy Working Paper No. 2	August 1998
27.	Ray Hudson *What Makes Economically Successful Regions in Europe Successful? Implications for Transferring Success from West to East* Centre on European Political Economy Working Paper No. 3	August 1998
28.	Adam Swain *Institutions and Regional Development: Evidence from Hungary and Ukraine* Centre on European Political Economy Working Paper No. 4	August 1998
29.	Alasdair Young *Interpretation and 'Soft Integration' in the Adaptation of the European Community's Foreign Economic Policy* Centre on European Political Economy Working Paper No. 5	October 1998
30.	Rilka Dragneva *Corporate Governence Through Privatisation: Does Design Matter?*	March 1999
31.	Christopher Preston and Arkadiusz Michonski *Negotiating Regulatory Alignment in Central Europe: The Case of the Poland EU European Conformity Assessment Agreement*	March 1999
32.	Jeremy Kempton, Peter Holmes, Cliff Stevenson *Globalisation of Anti-Dumping and the EU* Centre on European Political Economy Working Paper No. 6	September 1999
33.	Alan Mayhew *Financial and Budgetary Implications of the Accession of Central and East European Countries to the European Union.*	March 2000
34.	Aleks Szczerbiak *Public Opinion and Eastward Enlargement - Explaining Declining Support for EU Membership in Poland*	May 2000
35.	Keith Richardson *Big Business and the European Agenda*	September 2000

36. Aleks Szczerbiak and Paul Taggart October 2000
Opposing Europe: Party Systems and Opposition to the Union, the Euro and Europeanisation
'Opposing Europe Research Network' Working Paper No. 1

37. Alasdair Young, Peter Holmes and Jim Rollo November 2000
The European Trade Agenda After Seattle

38. Sławomir Tokarski and Alan Mayhew December 2000
Impact Assessment and European Integration Policy

39. Alan Mayhew December 2000
Enlargement of the European Union: an Analysis of the Negotiations with the Central and Eastern European Candidate Countries

40. Pierre Jacquet and Jean Pisani-Ferry January 2001
Economic Policy Co-ordination in the Eurozone: What has been achieved? What should be done?

41. Joseph F. Francois and Machiel Rombout February 2001
Trade Effects From The Integration Of The Central And East European Countries Into The European Union

42. Peter Holmes and Alasdair Young February 2001
Emerging Regulatory Challenges to the EU's External Economic Relations

43. Michael Johnson March 2001
EU Enlargement and Commercial Policy: Enlargement and the Making of Commercial Policy

44. Witold Orłowski and Alan Mayhew May 2001
The Impact of EU Accession on Enterprise, Adaptation and Insitutional Development in the Countries of Central and Eastern Europe

45. Adam Lazowski May 2001
Adaptation of the Polish legal system to European Union law: Selected aspects

46. Paul Taggart and Aleks Szczerbiak May 2001
Parties, Positions and Europe: Euroscepticism in the EU Candidate States of Central and Eastern Europe
'Opposing Europe Research Network' Working Paper No. 2

47. Paul Webb and Justin Fisher May 2001
Professionalizing the Millbank Tendency: the Political Sociology of New Labour's Employees

48. Aleks Szczerbiak June 2001
Europe as a Re-aligning Issue in Polish Politics?: Evidence from the October 2000 Presidential Election
'Opposing Europe Research Network' Working Paper No. 3

49. Agnes Batory September 2001
Hungarian Party Identities and the Question of European Integration
'Opposing Europe Research Network' Working Paper No. 4

50. Karen Henderson September 2001
Euroscepticism or Europhobia: Opposition attitudes to the EU in the Slovak Republic
'Opposing Europe Research Network' Working Paper No. 5.

51. Paul Taggart and Aleks Szczerbiak April 2002
The Party Politics of Euroscepticism in EU Member and Candidate States
'Opposing Europe Research Network' Working Paper No. 6.

52. Alan Mayhew April 2002
The Negotiating Position of the European Union on Agriculture, the Structural Funds and the EU Budget.

53. Aleks Szczerbiak May 2002
After the Election, Nearing The Endgame: The Polish Euro-Debate in the Run Up To The 2003 EU Accession Referendum
'Opposing Europe Research Network' Working Paper No. 7.

54. Charlie Lees June 2002
'Dark Matter': institutional constraints and the failure of party-based Euroscepticism in Germany.
'Opposing Europe Research Network' Working Paper No. 8.

55. Pinar Tanlak October 2002
Turkey EU Relations in the Post Helsinki phase and the EU harmonisation laws adopted by the Turkish Grand National Assembly in August 2002

56. Nick Sitter October 2002
Opposing Europe: Euro-Scepticism, Opposition and Party Competition
'Opposing Europe Research Network' Working Paper No. 9.

57. Hans G Nilsson November 2002
Decision Making in EU Justice and Home Affairs: Current Shortcomings and Reform Possibilities

58. Adriano Giovannelli November 2002
Semipresidentialism: an emerging pan-European model

59. Daniel Naurin December 2002
Taking Transparency Seriously

60. Lucia Quaglia March 2003
Euroscepticism in Italy and centre Right and Right wing political parties.
'Opposing Europe Research Network' Working Paper No. 10.

61. Francesca Vassallo March 2003
Another Europenaisation Case: British Political Activism

62. Kieran Williams, Aleks Szczerbiak, Bridgid Fowler March 2003
Explaining Lustration in Eastern Europe : a Post-Communist Politics Approach

63. Rasa Spokeviciute March 2003
The Impact of EU Membership of The Lithuanian Budget

64. Clive Church May 2003
The Contexts of Swiss Opposition to Europe

65. Alan Mayhew May 2003
The Financial and Budgetary Impact of Enlargement and Accession

Each Working Paper is £5.00 (unless noted otherwise) plus £1.00 postage and packing per copy in Europe and £2.00 per copy elsewhere. Payment by credit card or cheque (payable to 'University of Sussex)