

Chapter 5

What the New Member States Bring Into the European Union

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Introduction

Does the European Union really face a dilemma between widening or deepening? Both academic work and press comment on the EU frequently assume there is a tension between enlargement and further integration. Behind this assumption lies the belief that if more countries are involved in the EU's decision-making, the Union will be less able to develop new projects that will extend the scope of European integration. This chapter challenges that view, arguing that the new members joining in 2004 will, in fact, encourage the EU to develop new areas of integration. The effects of enlargement will force the member states to work more closely together on issues where they already have significant cooperation either inside or outside the framework of the EU's treaties.

The 2004 enlargement increases the number of member states by two thirds, which creates a major impact on the EU's institutions and budget. But the new members also bring specific policy problems that open up new opportunities for integration. For example, the EU-25 has wider social and economic disparities; it has new borders with even poorer countries to its east; and it becomes more diverse politically and ethnically. This chapter addresses some of the specific challenges that the new members bring in, notably increased economic diversity, administrative weakness, and new perspectives on the EU's external role. In responding to these features and challenges, the enlarged EU will have to develop new policies, which will take it into new fields of integration.

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Economic Challenges

Key economic features of acceding states

The 10 new members change the EU by increasing its population, by increasing its economic disparities, and by bringing in more diversity. The number of people living in the Union grows by a quarter, but the new members add just 8 per cent to the EU's GDP (at purchasing power parity), so they are unlikely to have a dramatic effect on its economy. Moreover, most of the economic effects of enlargement have already been felt, as a result of trade liberalisation and investment flows over the 15 years of preparations for accession. However, more trade could result from the abolition of frontier controls on the movement of goods and the removal of the remaining trade barriers. Foreign direct investment is also likely to continue to increase, in an unspectacular but steady flow.

The most significant economic change that the new members bring to the Union is in extending its range of poverty and wealth. The acceding states have income levels of between one-third and two-thirds of the EU average, as is shown in Appendix 1. However, there is a diversity of income levels among the EU-15, so the top end of the new members' incomes overlaps with the bottom of the EU-15's income range. The per capita incomes of Slovenia and Cyprus are not much different from those of Greece and Portugal. However, incomes in Latvia are only one-third of the EU average. The enlarged EU therefore has to consider how to help many of the new members to catch up economically, but, contrary to widely held beliefs, not all of the new members are dramatically poorer than EU-states.

There are some differences in the economic problems faced by the new member states and the EU-15. These differences are explored in Chapter 10, but a few of the key differences merit a mention here, since they will affect what kind of policies are suitable to encourage the new members to catch up with the richer EU-15 members. Poland has a large rural population (as do the candidates that are not entering in 2004 – Bulgaria, Romania and Turkey), and needs help with transforming its farming sector. However, the other countries have a much smaller proportion of the workforce in agriculture. They will thus be less keen than Poland to see a large proportion of the EU's budget devoted to the Common Agricultural Policy in future. Instead, most of the new members will prefer to see EU financial transfers devoted to other ways of making their economies more competitive.

Labour market problems are also somewhat different. Unemployment rates are high in the CEECs, especially in declining industrial heartlands and rural areas. In countries such as Poland and Slovakia unemployment is as high as 20 per cent. Only the Czech Republic and Slovenia have employment levels that match or surpass the EU-15's 64 per cent average. But the main problems with CEEC labour markets are geographical and skills mismatches, not over-regulation as in the EU-15: laid-off workers in

CEECs lack the transport links, flexible housing markets, and skills to take advantage of new employment opportunities in faster-growing sectors.

The Single European Market

It is evident that the new members will be able to compete in the Single European Market (SEM), because they are already doing so. From the economic point of view, enlargement was a reality long before 2004, with the candidates and the EU having almost completely dismantled barriers to bilateral trade, except in the important sphere of agriculture. CEECs have benefited from over a decade of massive investment by Western European firms. Thousands of Central and Eastern European manufacturers are part of pan-European supply networks. The new members have also opened up their markets for services. Western banks have taken over and restructured financial institutions in the region. And the economies of Central and Eastern Europe have flourished, despite the massive pressures exerted by this steady market opening: for example, since the late 1990s, Estonia, Hungary, Poland and Slovenia have managed growth rates of more than 4 per cent a year, compared with an EU average of 2.6 per cent.

However, the Central and Eastern European economies need to continue to upgrade their competitiveness, moving from labour-intensive industries to high-tech goods and knowledge-based services. To do this, they need massive further investment in technology and education. The EU probably will end up devoting much more of its budget to policies that will help CEECs to catch up. One of the priorities in EU economic policy to which the budget could be devoted is the 'Lisbon agenda' for economic reform. The aim of the Lisbon agenda is, as is shown in Chapter 11, for the EU to become 'the world's most competitive and dynamic knowledge-based economy by 2010'. How far will the new members make this goal easier or harder to reach?

The new members have signed up to the Lisbon process with some enthusiasm. They compare well with the EU-15 states on market liberalisation, but they do less well when it comes to employment, social inclusion, and sustainable development (see Murray, 2003). The new members make it harder for the EU to meet targets such as raising the average employment rate to 70 per cent and increasing research and development spending to 3 per cent of GDP. On the other hand, they bring in fast-growing, dynamic economies with low-cost workforces. The overall impact on the EU economy will be higher competitive pressures within the SEM, which will encourage structural reform, particularly in the Union's more sclerotic economies.

Three of the SEM's four freedoms are already in place, with movement of goods, services and capital substantially as free across the new member states as the old ones. However, during the accession negotiations the EU-15 insisted on a transitional period on free movement of labour, whereby

EU-15 states can keep their national restrictions on the movement of workers from Eastern Europe for at least two years after accession, and possibly for as long as seven years. A special arrangement exists for Malta, which has access to a safeguard clause should accession give rise to difficulties in relation to free movement of workers. Labour is thus the factor of production that is the least mobile in the European economy.

Some workers, particularly Eastern Europeans living in border regions close to Germany and Austria, are likely to migrate to work, or to commute from their current homes to the higher-wage economies over the border. However, extensive academic studies suggest that the total movement is unlikely to be great (see Boeri *et al.*, 2002, for a survey). The restrictions on CEEC workers will probably be lifted after two to five years, opening up EU labour markets to greater competition.

Joining the eurozone

The new member states have already made huge changes to their economies, spurred on by their ambition to join the EU. The next major challenge will be to adopt the EU's single currency. The new members will all join EMU at some point, but, as Michele Chang shows in Chapter 13, it could be several years after accession before they become part of the eurozone. They have not been given the option of an opt-out from the euro like those negotiated by the UK and Denmark. However, this is not a problem as most of the new member states want to join the eurozone as quickly as possible after accession, and they nearly all have some form of peg to the euro in place. They see the eurozone as removing exchange rate risk and further boosting their trade with the other eurozone members. It would also result in lower interest rates, in turn encouraging investment and growth.

However, there is no fixed timetable for when they join, and the EU's institutions – particularly the Commission and the European Central Bank – are increasingly cautious about precipitous enlargement of the eurozone. The earliest possible date when the new members could adopt the euro is 2006, because they have to peg their exchange rates to the euro for two years within the revamped Exchange Rate Mechanism (known as the ERM II) in order to qualify for monetary union. However, most of them are likely to move into the eurozone several years after that, because the pressures of trying to meet the convergence criteria for monetary union by 2006 will conflict with other economic goals.

The would-be euro members are unlikely to suffer exchange rate crises like the one that forced Britain out of the original ERM. The ERM II is less rigid than its predecessor, with currencies allowed to fluctuate by 15 per cent on either side of the central rate. Some EU policy-makers would like to narrow the fluctuation band before the new members' currencies can qualify. But the flexibility of the wider band will be sorely needed in the years ahead. Economies undergoing rapid structural change – like those of the

new members – tend to experience significant upward movements in their real exchange rates (this is the much-discussed ‘Balassa-Samuelson effect’). This real appreciation will show up in either nominal appreciation of the currency or in higher domestic inflation, or both. The new members’ governments may therefore find it hard to hold nominal exchange rates stable while also bringing down inflation.

In addition to keeping their exchange rates relatively stable, would-be euro members have to meet the four ‘Maastricht criteria’, which concern public sector debt, budget deficits, inflation and interest rates. Eastern European inflation rates have fallen rapidly since the late 1990s, although this has been largely because of external, one-off factors, such as falling oil prices, good harvests, strong currencies and sluggish growth. Some countries will struggle to keep inflation below the level required by the Maastricht Treaty – which is no more than 1.5 per cent above the average of the three best performing eurozone members. Ten-year bond yields will also have to fall to no more than 2 per cent above those in the three eurozone countries with the lowest inflation. That criterion should be easy to satisfy, for interest rates will converge towards eurozone levels as soon as financial markets believe that the country will join the euro – and in fact this process has started already.

Where the new members will have problems is with the fiscal criteria. All the candidates have public debt levels below the Maastricht threshold of 60 per cent of GDP, but public borrowing is growing. In 2003, the Czech Republic, Hungary and Poland were heading for budgets deficits of between 5 and 10 per cent of GDP. If they want to join the euro in 2006, they will have to reduce this to the Maastricht Treaty’s 3 per cent threshold by 2005 – a major challenge given that their growth prospects are uncertain and they will have to make many costly reforms after accession (see Barysch and Grabbe, 2002).

Fiscal challenges after accession

The Finance Ministers of the new member states face fiscal pressures in the EU. One reason is that EU-related spending will increase as the new member states implement the more expensive parts of the EU’s rules and regulations, such as environmental standards. At the same time, the new members’ Finance Ministries will have to find more money to co-finance infrastructure projects in order to qualify for EU budgetary transfers. Poland and Slovenia will also have to find a lot of money to top up the level of direct payments to their farmers, as their governments have promised to give extra money on top of transfers from the EU.

Since most public spending is fixed in advance – to pay for social welfare or the state administration – public investment is likely to take the brunt of any cuts. However, the new members will need high rates of public

investment in order to bring their infrastructure up to western standards and modernize their education, pension and health systems. This implies that any concerted efforts to squeeze budgets into the straitjacket of the Maastricht criteria might not only choke off growth in the short-term, but also reduce the economies’ growth potential in the medium- to long-term.

The EU has tried to ease the burden on the fiscal side by providing the new members with a cashflow facility. Although all the new members will receive much more money from the EU than they will pay in, the EU-related spending in their own countries will cause the level of fixed expenditure in the national budgets to rise, with less discretionary spending available in the event of unforeseen problems like floods or higher unemployment. The likely outcome is a fiscal squeeze in the first few years of accession, which could result in higher levels of public borrowing.

Over the medium-term, all of the new member states are likely to undertake structural reform of public finances, partly as a result of these pressures from the EU. That could mean both cuts in public expenditure and tax rises. If the Central European Finance Ministers blame the EU for these measures and their fiscal troubles, the Union could become unpopular.

Administrative Capacity and Implementation of the *Acquis*

Do the new member states have appropriate and sufficiently strong legal frameworks and enforcement mechanisms in place to enable them to meet the requirements of being EU members? The Commission’s annual Regular Reports on the candidates’ progress towards accession (see Chapter 3) have painted a mixed picture since they were first issued in 1998. Some legal shortcomings could indeed threaten the smooth functioning of the SEM. For example, the Commission has criticized some of the new member states for not adequately applying EU food standards. This may impede trade, especially since Western European consumers are much concerned about food quality in the aftermath of the BSE (‘mad cow’) crisis. Another potential problem area is that some new member states have restrictions on foreign investment in certain sectors, which goes against the EU principle of a free flow of capital. Others have not adopted EU rules on public procurement and may discriminate against foreign companies in public tenders.

These shortcomings need to be rectified. However, they should be placed in the context of the fact that EU-15 states themselves have not managed to transpose (that is, adopt into national law) the entire *acquis*. Commission figures show that in 2003 the percentage of single SEM laws that EU-15 states had failed to transpose stood at 2.4 per cent, up from 1.8 per cent in 2002 (European Commission, 2003a). Only five of the EU-15 states – Denmark, Sweden, Finland, Spain and the UK –

meet the European Council's target of a 1.5 per cent deficit or less. Nevertheless, the SEM functions reasonably well despite this uneven transposition of some elements of EU law.

The important difference between EU-15 states and new member states will, therefore, not be in the domain of written law, but in day-to-day implementation and enforcement. The EU-15 are not perfect role-models in this respect either: in 2003 the Commission was pursuing 1500 infringement procedures against member states for failing to implement SEM legislation properly. But the EU-15 states enjoy the advantage of long experience in adjusting their laws and administrative practices to the requirements of EU membership. The new member states have made tremendous progress in recent years in building up the administrative bodies that are needed to implement the *acquis*. Amongst the bodies to have been established are food standards agencies, telecoms regulators, labour inspectorates and insurance market supervisors. However, many of these bodies are understaffed, poorly funded or not sufficiently independent of political influence.

The candidates can close legal gaps in the *acquis* relatively quickly, especially since most have 'fast track' procedures in place to push through EU laws. But to strengthen their administrative capacity requires substantial financial investment in building up new bureaucracies, training officials and, in many areas, the development of a new culture of compliance and cooperation.

Will the EU improve governance in Eastern Europe?

Perhaps the biggest problem in the new members' bureaucracies is a lack of well-trained, experienced and motivated staff. Many of those with marketable skills – foreign languages, IT proficiency, legal expertise, or an understanding of economics and business – have long since switched to better-paid jobs in the private sector. As a result, those stuck in underpaid civil service jobs are often poorly trained and motivated. Many supplement their meagre salaries with bribes. Petty corruption is still a serious problem in many of the CEECs.

The Commission has also highlighted the problem of a weak and understaffed judicial system in some accession countries in its annual reports on their progress. Although the Commission lauds the steps undertaken by the new member states in recent years, it warns that judicial reform is far from complete. The 'brain drain' that has weakened state bureaucracies has also ravaged the judiciary. The Czech Republic, for example, had more than 270 unfilled posts for judges and the same number for prosecutors in 2003. Many court officials do not have access to computers. Court cases can take years to wind through the system. Slovenia has a backlog of about 300 000 unresolved cases. And, in many CEECs, some judges are less than fully insulated from political influence.

Most CEEC governments are credibly committed to strengthening their court systems, rooting out corruption at all levels and making their bureaucracies more efficient. They have drawn up comprehensive strategies and devoted more financial and human resources to this task. But implementation will take time. In particular, governments will take many years to restructure civil services in a way that makes public sector careers attractive for educated young people.

EU membership as such does not necessarily force countries to root out corruption and improve the quality of their bureaucracies. Indeed, several of the EU-15 states continue to struggle with corruption. Transparency International, a corruption watchdog, ranks Estonia and Slovenia as less corrupt than Greece and Italy (Transparency International, 2003). Similarly, the Open Society Institute, in another monitoring exercise, has also found that corruption is worse in some EU-15 states than in the best-prepared new member states (Open Society Institute, 2002). Moreover, some EU-15 states have bureaucratic procedures that are as lengthy and cumbersome as those found in some CEECs. And in Italy there are worries about the independence of the judiciary.

The EU's *acquis* provides little guidance for addressing these reform issues. Peer pressure within the EU can help to encourage governments to tackle administrative weaknesses and undemocratic practices. But the EU's institutions themselves have little leverage over bureaucracies and different levels of government within the member states. However, the Commission is now starting to use a new 'safeguard mechanism' that allows it to police the new members' enforcement of the *acquis* by warning them about lax enforcement, without having to go through a lengthy and complex infringement procedure.

EU practitioners are concerned not only about the consistent implementation of EU laws. They are worried also about how the new members will spend the sums they will receive from the EU budget, mainly for farm support and the improvement of infrastructure. In the absence of transparency and efficient administrative procedures, government officials may distribute huge construction contracts in return for bribes or channel funds to their friends and cronies. Again, there are many precedents from EU-15 states, with fraud, for example, long having been a problem in respect of agricultural subsidies and with corruption being known to exist in EU-funded road-building projects in southern Europe.

The EU probably will also have to develop a firmer *acquis* on good governance and democratic standards – areas where the European Council has often expressed rhetorical support for higher standards, but almost never proposed more specific definitions of those standards. One area of democracy and governance where enlargement will force the EU to develop more coherent policies is on the status and protection of ethnic minorities. Enlargement will increase the number of national and ethnic minorities living in member states, which will oblige both new and

old member states to co-operate to protect groups that suffer discrimination across Europe, especially the Roma.

The EU's External Role After Enlargement

Foreign policy will become increasingly important in the enlarged EU. An important reason for this is that with the accession of additional members the EU acquires new responsibilities – it covers another third of the European continent and shares a border with poor and often unstable countries such as Russia, Ukraine and Belarus. Eastward enlargement has taught the EU valuable lessons in how to manage relations with countries that aspire to join the EU. But membership is not a foreseeable prospect for the enlarged Union's neighbours. The EU therefore needs to find a new way of forging bonds that are not based on membership aspirations. How it might do this is explored in Chapter 16.

The EU will need to pay more attention to external border controls, as well as internal security after enlargement. With enlargement, the CEECs no longer act as an external buffer-zone for illegal migration. Rather, they will eventually become members of the Schengen area of passport-free travel. This may add to existing concerns among the Western European public that CEEC governments are not coping adequately with new security threats, be they in the form of illegal immigration, drugs trafficking or terrorism.

However, the new member states are not allowed to join the Schengen area for at least two years after accession, and probably for several years longer. The EU-15 want the new members to raise the standards of their border controls further, and they have to wait for a computer upgrade before the EU's internal security database – the Schengen Information System – can handle 10 more sets of data.

This delay will cause frustration in Eastern Europe. For ordinary citizens, the freedom to travel is one of the few unambiguous benefits of the end of communism, and thousands of people have used it to visit Western Europe and other parts of the world that were hard to get to before 1989. The new members are likely to push hard to join Schengen fully as soon as they can. But in defending its external borders more rigorously, the EU must make sure it does not cut off the countries that remain outside. The new controls must be balanced with measures that facilitate travel by legitimate business people and tourists.

Strategic orientation

The new members of the EU have been forced to choose their strategic friends sooner than they wanted to. During their accession negotiations, the candidates were cautious about expressing opinions that might

alienate one or another EU member, every one of which had to approve their accession.

But the crisis over Iraq in 2003 forced them to stake out a public position on the EU, NATO and the United States. The three NATO members – the Czech Republic, Hungary and Poland – signed the 'letter of eight' in January 2003 that called for unity with the US in the UN Security Council, and the ten Eastern European candidates for NATO later sent their own letter of support. These countries were angered that France and Germany claimed to speak for the whole of Europe without consulting them. Moreover, their leaders believed that support for the US on the enforcement of the UN's Resolution on Iraq was more important than forging a common European position.

On Iraq policy, US Defence Secretary Donald Rumsfeld's prediction of a division between the 'old' and 'new' Europes was over-simplistic, but largely true. Poland, especially, supported the US strongly and even took responsibility for one of the post-conflict zones into which Iraq was divided. As two leading scholars on Poland's strategic orientation put it: 'It is clear that Poland belongs to Rumsfeld's 'new Europe', a fact confirmed by Warsaw's active support of US policy towards Iraq and its role in the post-war occupation' (Zaborowski and Longhurst, 2003: 11). However, Poland stands apart from the other new members in being much larger – four times the population of the next largest acceding state – and more stridently Atlanticist than the other Central European countries.

The dividing lines that followed the end of the old East–West fissure are not so clear-cut on foreign policy questions beyond Iraq, as the new EU members have similar views to the EU-15 on questions such as the role of the International Criminal Court, the Kyoto Protocol, and the importance of working through multilateral institutions. Moreover, on defence, the new members are close to the position of the UK Prime Minister, Tony Blair. Like him, they see no contradiction between supporting NATO and building up a European security and defence policy at the same time – and they do not want European capacities to be built up as a rival to NATO or a counterweight to the US. The new members believe in a strong transatlantic alliance, but they generally also want the EU to have an effective foreign policy, especially in the Balkans and the Union's 'near abroad' to their East.

How Will the New Members Behave in the Union?

New political dynamics

Although ten states join the EU at the same time, this does not mean that their interests on EU issues always coincide. Some issues unite them

– for example, they all favour financial transfers to poor regions – but they are in different situations and have different views on many other issues. Estonia, for instance, is among the most liberal countries in Europe in economic terms, whereas Polish and Slovak instincts are more protectionist. A small rural country like Lithuania does not share all the objectives of relatively wealthy Central European countries, such as the Czech Republic and Slovenia, with their diversified, export-oriented industries. And Poland, with nearly 40 million people, has a much greater range of policy interests than Malta, with its population of 400 000.

Rather than acting in unison, the new members will therefore team up with each other and with EU-15 states according to the issues at hand. Enlargement could thus change the debate in areas such as tax harmonization or defence policy, with new member states teaming up with old ones on one side of the argument or the other. The enlarged Union is thus likely to be characterized by shifting coalitions of countries that change according to the subject under discussion. Certainly it is unlikely to break up into blocs of member states that always vote together. (The nature of likely coalitions in the post-enlargement EU is explored in depth by Michael Baun in Chapter 9.)

In the EU-25, and later EU-27 plus, the ties between member states will not be based just on factors such as geography, size or attitudes to the US. Instead, friendships will depend on the issue in question. Until the early 1990s, a Franco-German deal was the necessary, and at times almost sufficient, condition for any initiative to move ahead. These two countries seemed almost to represent the main divisions in the Union – between South and North, West and East, Catholic and Protestant, agricultural and industrial, and inter-governmentalist and federalist. A deal between them could thus serve as a compromise between the other competing interests in the Union. But French and German views no longer represent the main dividing lines, as other divisions – including one between big and small countries – have become more important. After enlargement, Franco-German agreement is not even necessary for an initiative to proceed. Instead, new member states are able to team up with old ones to push initiatives that suit their interests. Short-term, pragmatic liaisons will replace the emotional, history-laden marriage between Germany and France. The trade-offs will become more complex as member states bargain across different issues. Poland is likely to stand with Britain in opposing tax harmonization, for example, but Warsaw will support Madrid against London in demanding a larger EU budget. By contrast, Estonia is strongly against subsidies and will favour reform of EU agricultural policy, along with the Czech Republic and possibly Hungary. But Estonia will have similar interests to the Danes and other small countries in wanting Europe to protect its cultural inheritance and its minority language films.

In addition to joining existing debates, the new members bring in their own ideas and priorities. They have a decade of experience behind them with economic reform and democratization, so they may be impatient with the EU's slow progress in structural reform. Several of them have active relationships with important neighbours that will be an asset to the Union. Poland's engagement with Ukraine will make Warsaw a strong advocate of a more active eastern policy for the Union, while Hungary will contribute to the EU's thinking on its southern neighbours in the Balkans.

The enlarged EU's political dynamics also change because it will have to become more flexible. The ability and willingness of member states to be integrated into the EU's policies will vary much more than in the EU-15. The EU as a whole needs to consider how to manage flexible coalitions successfully. It already has a number of areas of flexibility, where the member states are involved in a policy area to different degrees, the most important being participation in the single currency, border policies and defence. More issues like this will emerge where the new members are unwilling or unable to participate fully: higher eco-taxes are one example. The key is to ensure that the Union can maintain a consensus on the broad principles of European integration, even if not every member is fully involved in every policy. The CEECs are united in opposing the idea of the EU breaking up into first- and second-class members.

In terms of ambitions, the enlarged Union should become a more important actor on the world stage because of its greater size and because of the United States' need for a strong ally. But it will have to square a circle, between the small group of large countries which will drive foreign policy – owing to their size, and military and diplomatic assets – and the others, which will want to be involved, but are unwilling or unable to play a major role. The EU needs to find an answer to the question of how member states can meet in groups numbering between two and the total membership, without provoking resentment that just the large states are running foreign policy. The answer may lie in informal coalitions of countries with an interest in particular parts of the world: for example, the southern member states in the Mediterranean and North Africa, or the Nordic and Baltic states in the EU's Northern Dimension.

Budgetary issues

The EU's budget is the first difficult policy issue faced by the new members, although they will already have experienced a bruising fight over institutional reform in the 2003–2004 IGC. The negotiations on the post-2006 financial perspective start in 2004, so the new members are fully involved in the process that will produce a new medium-term budgetary framework. Disputes about fiscal matters tend to be the most acrimonious and difficult that member states have to face, so the new

members are thrown into one of the hardest and most contentious areas of inter-governmental and inter-institutional bargaining soon after their entry.

Moreover, the new members themselves have strong interests in the budget debate. They are all considerably poorer than the EU average, with income levels of between one-third and two-thirds of the EU average (see Appendix 1). The new members can, therefore, expect to receive significant funds from the EU's budget to help their economies to catch up. In the accession negotiations, the would-be members had little clout, and they received a relatively ungenerous deal from the EU as a result. Many of them are keen to get more from future budget negotiations, when they will be able to negotiate on a par with the old members.

The danger is that the negotiating style of some of the new members might be set during the negotiations on the post-2006 financial perspective. Like Spain, which has fought hard for EU subsidies throughout its membership of the Union, some of the new members could make budgetary transfers a priority in their European policy. This is particularly likely in the case of Poland, which has the largest number of farmers and a lively domestic debate about the costs and benefits of accession. Already, some Poles are worried that the priority to fiscal flows could diminish their country's influence in other areas. An advisor to the Polish Prime Minister during the accession negotiations expressed the concern thus:

If confined to defending ferociously only our own interests (understood narrowly as a 'consumption of money' from the EU), we would consequently lose allies in other fields of integration: foreign and defence policy, infrastructure development . . . Poland would in the long run probably achieve more by systematically building up its influence throughout the EU institutions. (Jesień, 2002: 36–7)

Conclusions

The idea of 'deepening versus widening' is a false dichotomy because the Union after 2004 is not just a bigger version of the pre-enlargement EU. More member states and greater diversity may put the structures under strain, but the differences are more than arithmetical. There is a qualitative change in the Union's ambitions and responsibilities. These changes will affect how the EU works, but also will cause it to develop new policies that deepen its integration overall.

Previous enlargements have not generally prevented the EU from developing existing policies or from moving into new fields of integration. The EU evolved new dimensions to its regional policy as a result of

the arrival of Greece in 1981, and it developed the single market programme as Portugal and Spain were joining in the mid-1980s. The entry of Austria, Finland and Sweden in 1995 did not prevent the expansion of the Schengen area and the launch of the euro after they joined. In the 10 + 2 round the challenges are much greater, so the institutional and policy reforms should have started earlier. But the EU proved unable to achieve meaningful change without a firm deadline. Indeed, enlargement was an important catalyst for reform: for example, the EU might never have embarked on the project of consolidating its treaties into a constitution if such a massive expansion had not been in prospect.

The 'big bang' enlargement of 2004 is unlikely to slow the pace of integration. On the contrary, it will raise new challenges that invite the member states to work together more closely – on issues ranging from economic policy co-ordination to internal security to environmental degradation. However, although the scope of European integration is likely to stretch over more policy fields, it may develop in untraditional ways. At 25-plus members, the Union is likely to experience differentiated integration, as some member states become frustrated with the slow progress of the Union as a whole on issues like defence and energy.

The acceding states bring problems to the EU, not least by bringing their own ambitions for the Union. But they also bring new opportunities for cooperation to improve the lives of Europeans. If the Union can respond adequately to these challenges, the 10 + 2 round could open a highly beneficial new chapter in the history of European integration.