

Introduction.

- May 1 2004 historical event:
 - biggest enlargement in EU history (+10 countries)
 - definite end of cold war and division of Europe in two blocks, West and East
 - end of transition from socialism to capitalism for most new Member States (N.M.S.).

Four Questions:

- 1) Have the NMS achieved their institutional transition in a satisfactory way?
- 2) Has the EU played a positive role in helping achieve this transition?
- 3) Is there anything the EU can learn from the NMS for its structural reforms?
- 4) How will the EU function with 25 and what will be the contribution of NMS?

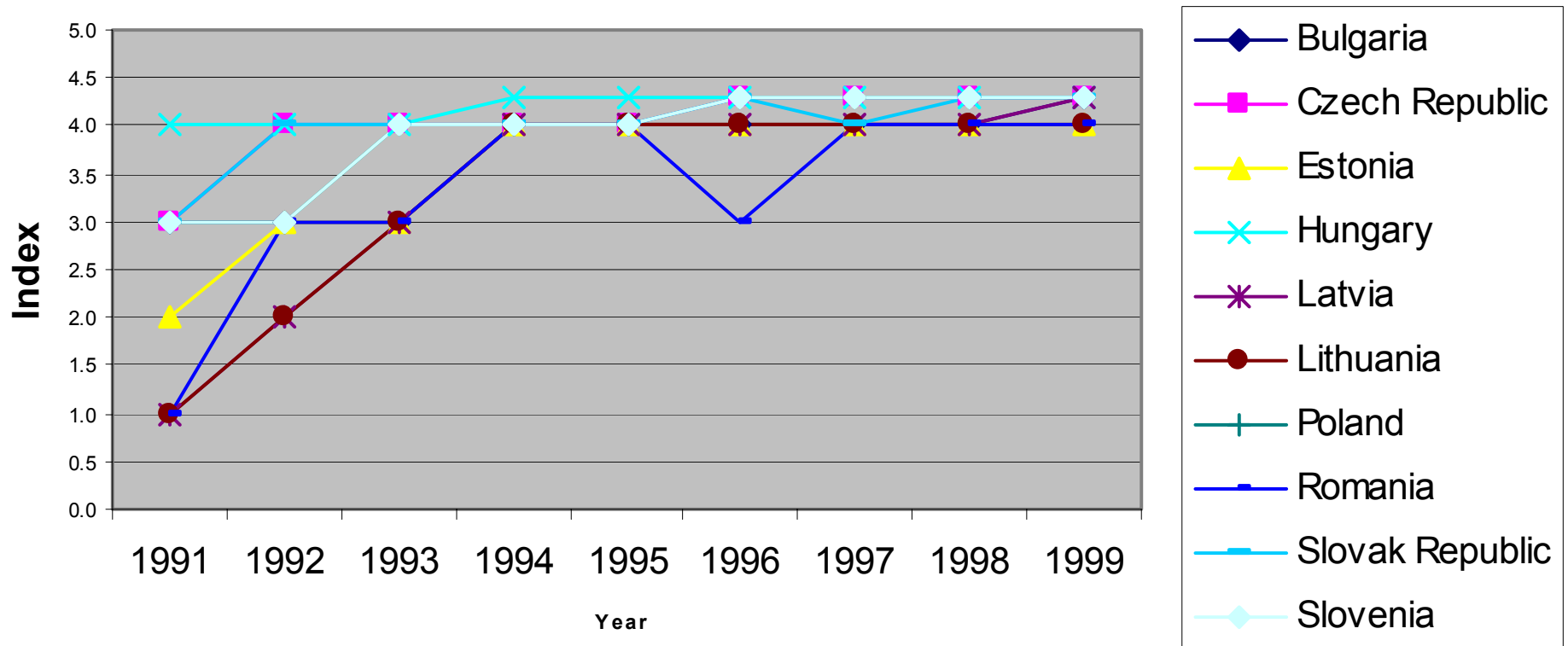
My analysis

- 1) The NMS have truly graduated
- 2) The EU has played an important role in anchoring the institutions of the NMS.
- 3) The NMS will also have to participate in the process of structural reforms (Lisbon agenda)
- 4) Reason to believe that NMS will be active, enthusiastic and loyal EU members.

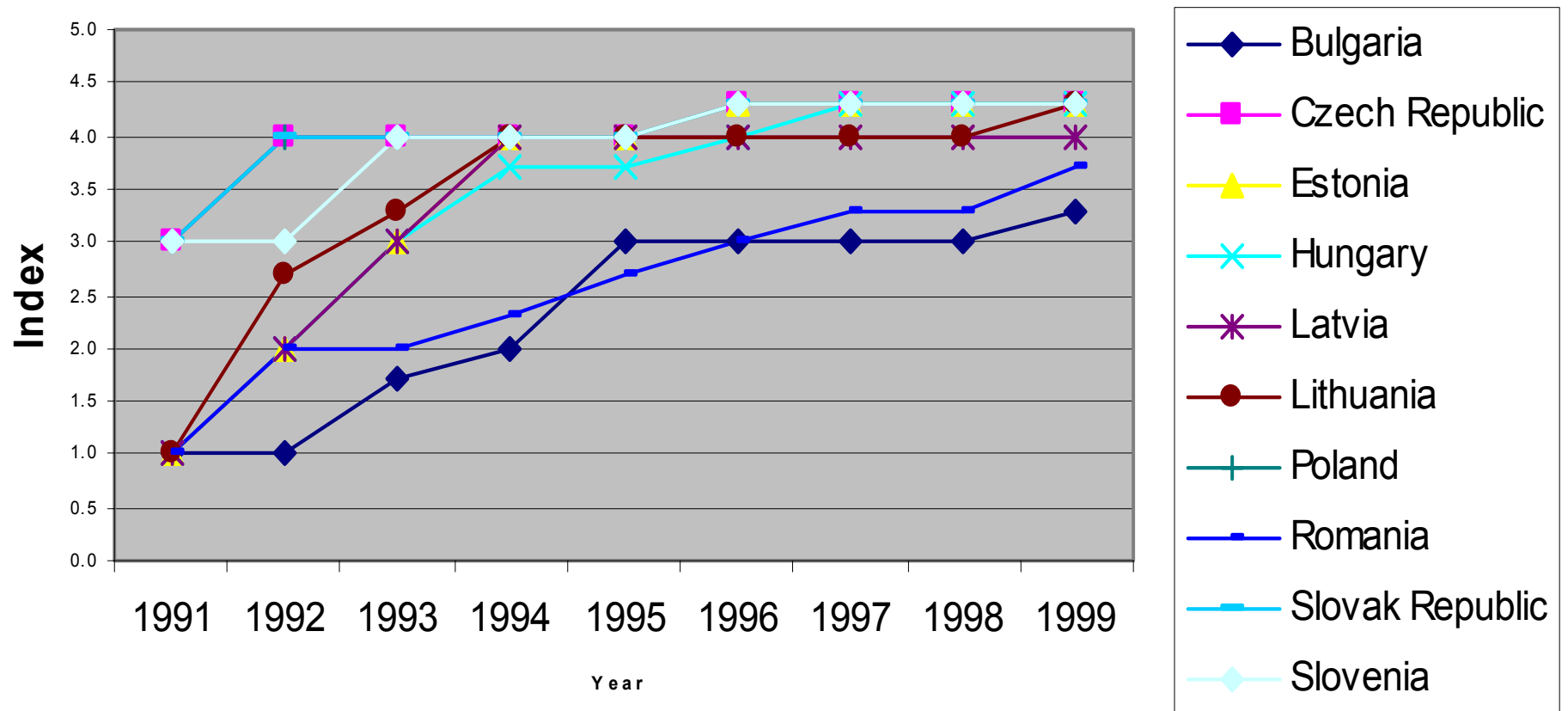
1) Overall achievements of NMS.

- Most transition reforms behind us ... since many years (liberalization, privatization, stabilization).
- Enterprise restructuring is still ongoing ... with possible fiscal consequences
- Positive record on institutional reform with only corruption as a weak spot.

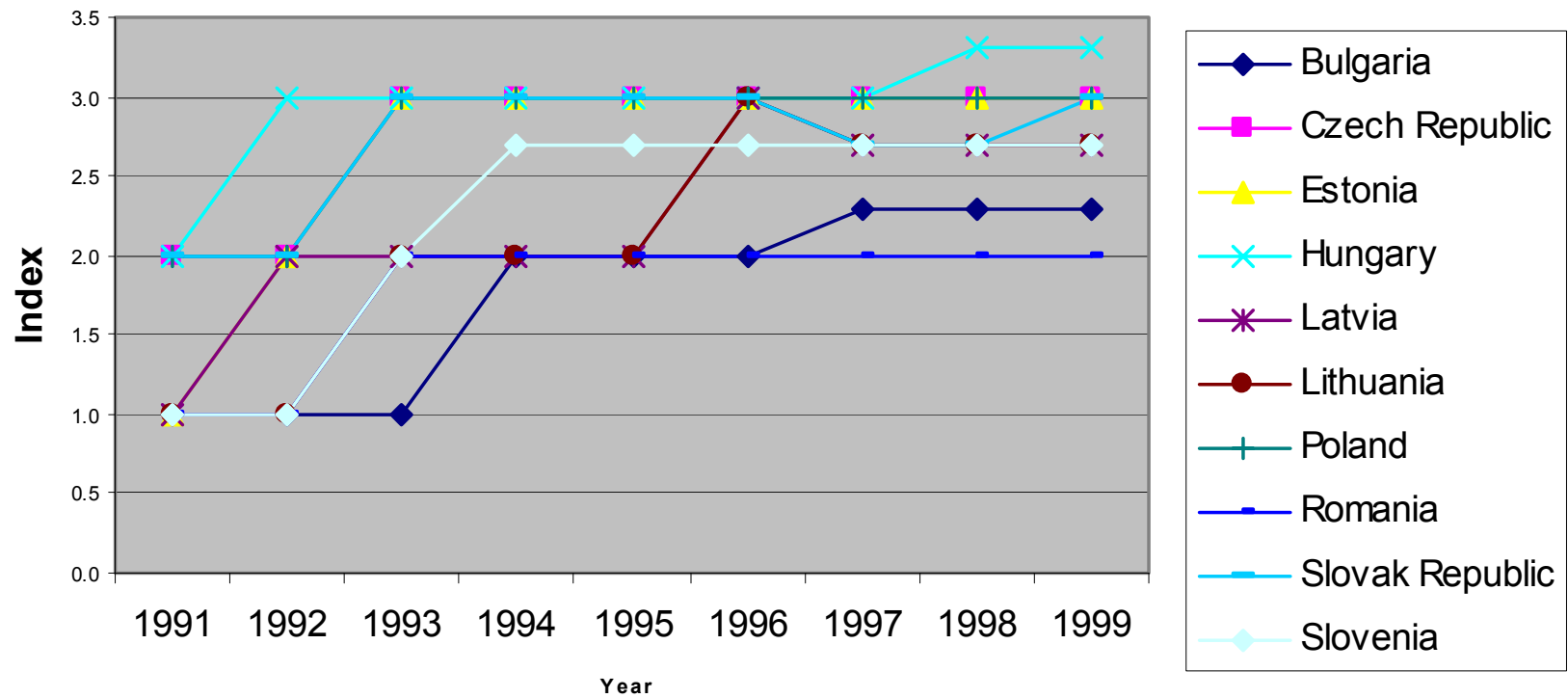
EBRD Index of Volume of Foreign Exchange and Trade Liberalization



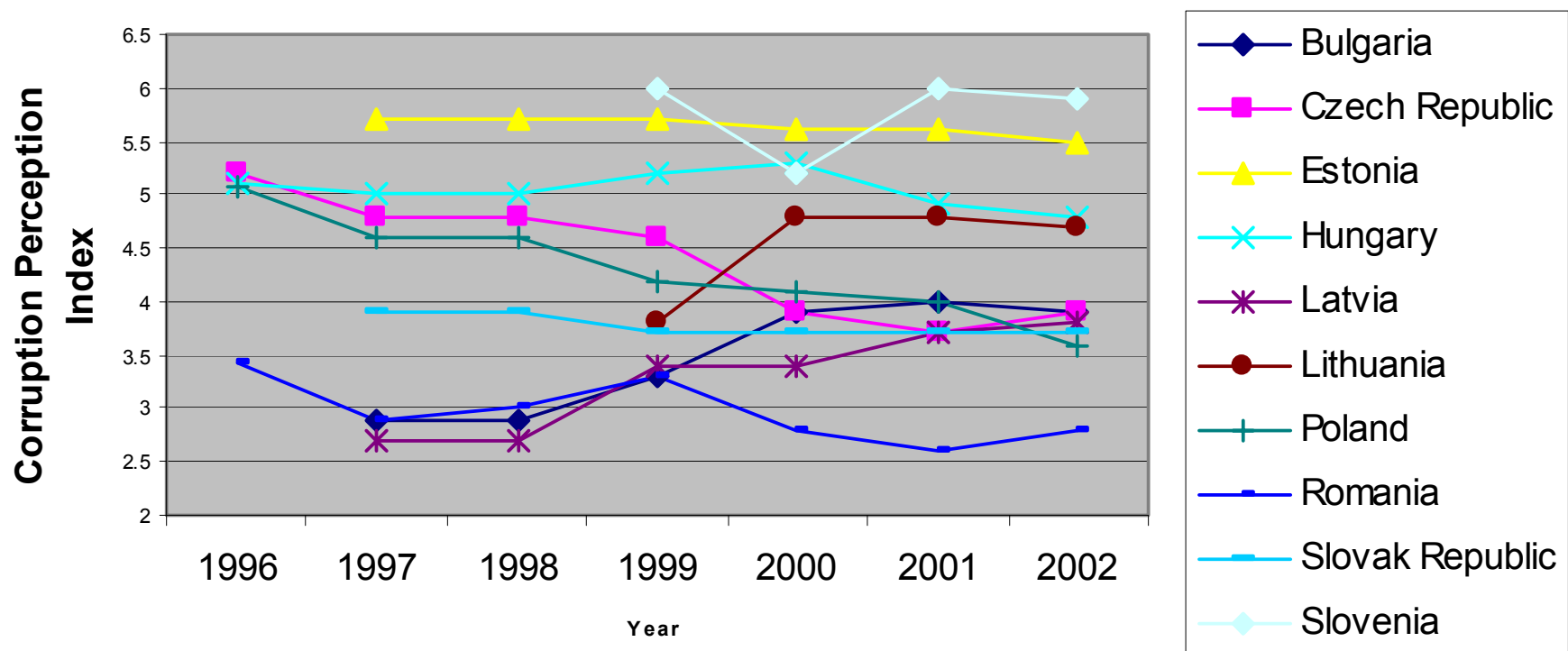
EBRD Index of Small-Scale Privatization



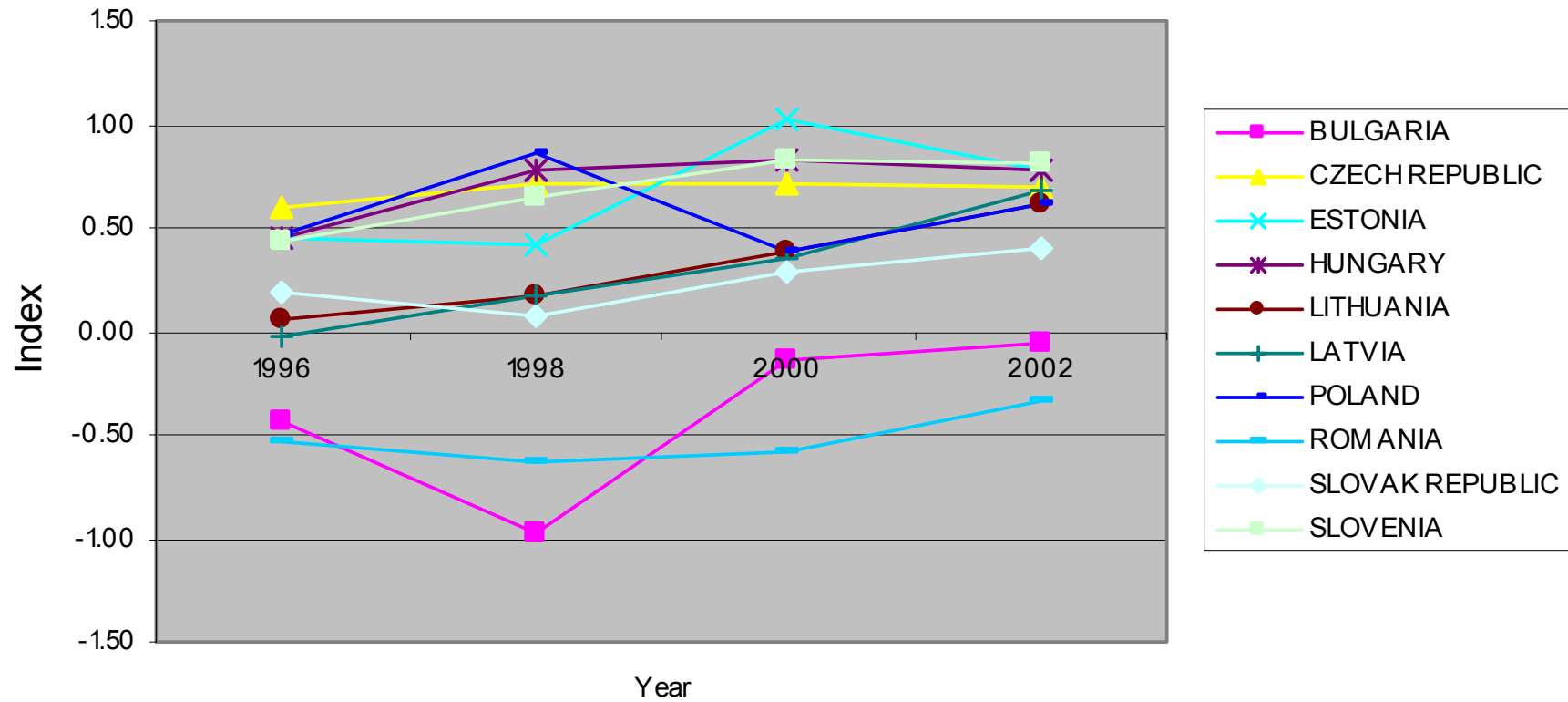
EBRD Index of Enterprise Reform



Transparency International-Corruption Perception Index



World Bank Government Effectiveness



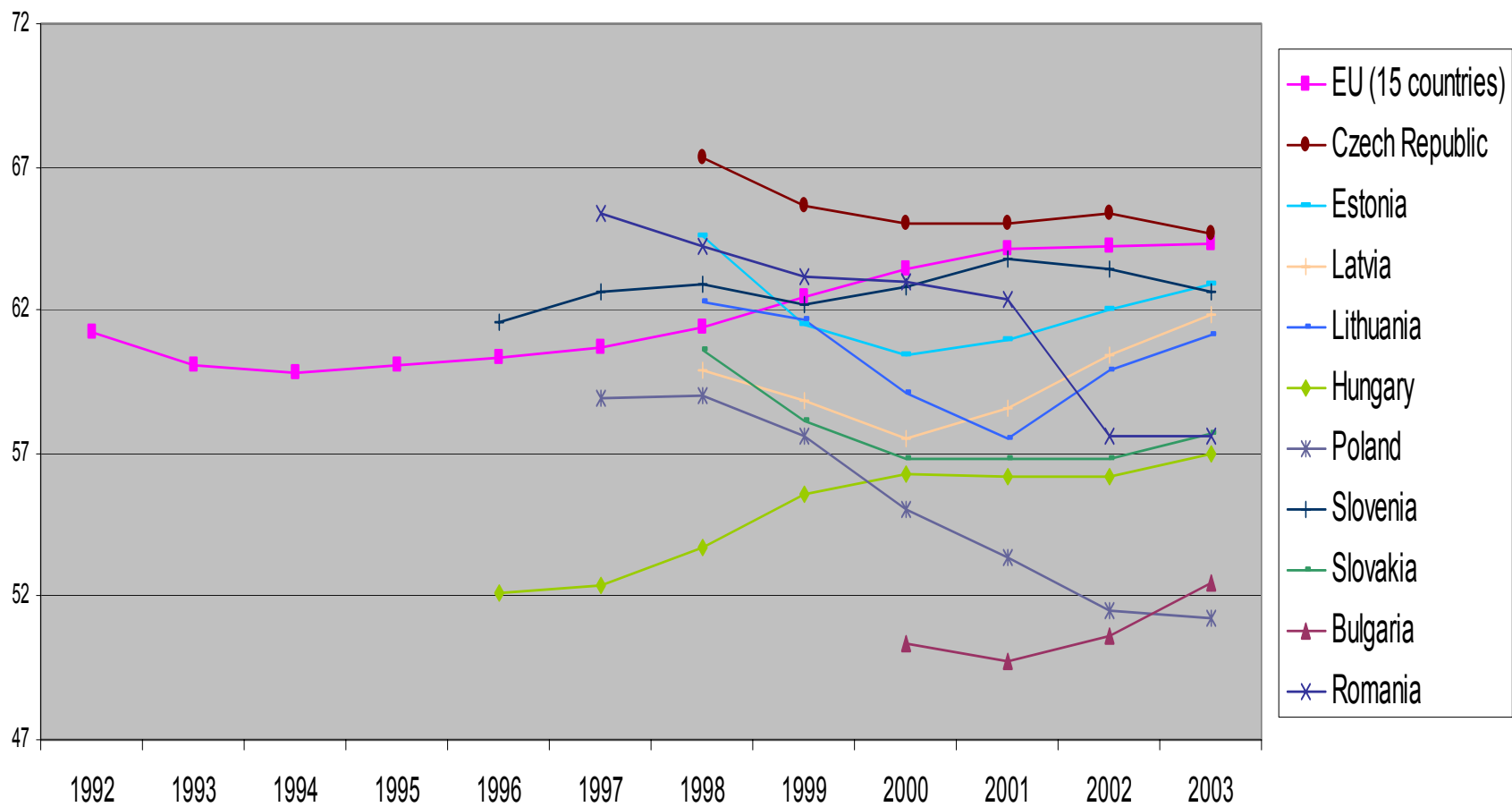
Overall picture:

- Despite different reform paths and strategies, most reforms achieved in the first half of the nineties.
- Restructuring slower
- Corruption a continuing concern.

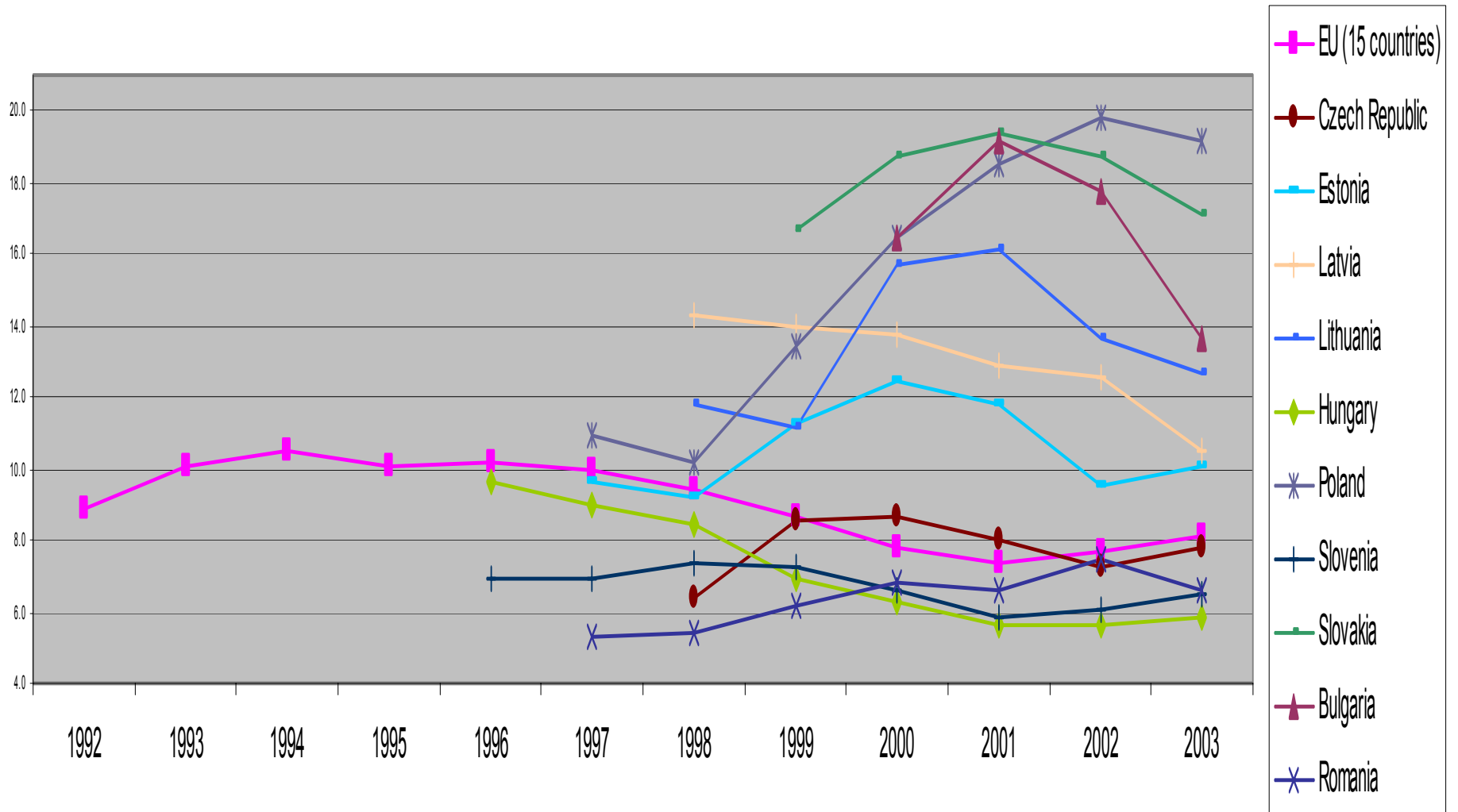
3) Can the EU learn from the NMS for its structural reforms?

- Did courage in reforms lead NMS to “leapfrog” EU countries in structural reforms (pensions, labor markets)?
 - Many pension reforms implemented
 - Did absence of trade union strength lead to better labor market outcomes?

Total Employment Rate

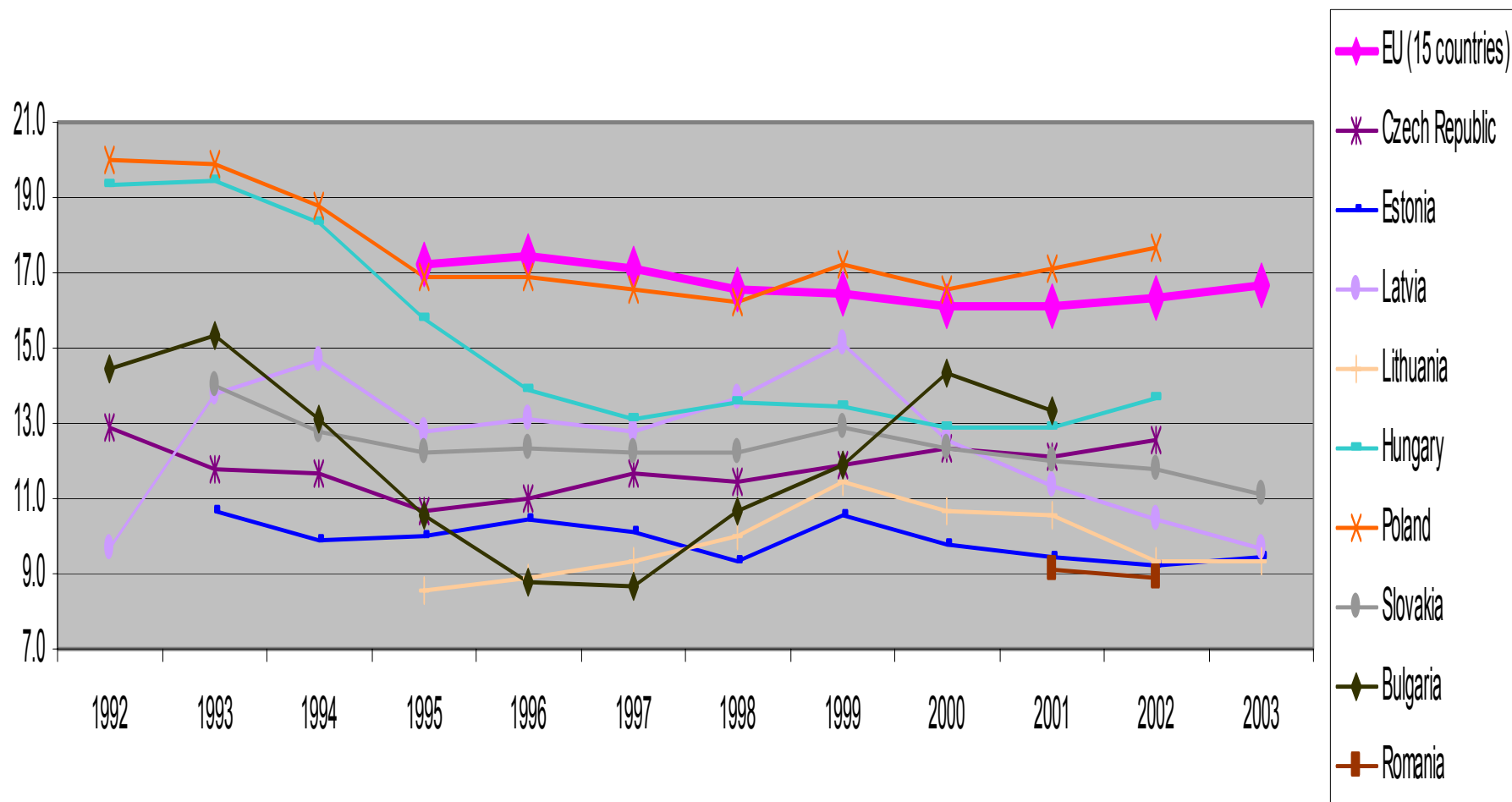


Total Unemployment Rate



Employment laws index (0=less rigid to 100=very rigid)			Employment laws index (0=less rigid to 100=very rigid)		
EU Accession Countries (current and future)			Ranked		
Bulgaria	53		Denmark	25	
Czech Republic	36		United Kingdom	28	
Estonia	--		Austria	30	
Hungary	54		Czech Republic	36	
Latvia	62		Sweden	42	
Lithuania	64		Belgium	48	
Poland	55		Ireland	49	
Romania	54		France	50	
Slovakia	61		Germany	51	
Slovenia	59		Bulgaria	53	
EU-15			Hungary	54	
Austria	30		Romania	54	
Belgium	48		Netherlands	54	
Denmark	25		Poland	55	
Finland	55		Finland	55	
France	50		Slovenia	59	
Germany	51		Italy	59	
Greece	67		Slovakia	61	
Ireland	49		Latvia	62	
Italy	59		Lithuania	64	
Luxembourg	--		Greece	67	
Netherlands	54		Spain	70	
Portugal	79		Portugal	79	
Spain	70		Estonia	--	
Sweden	42		Luxembourg	--	
United Kingdom	28				

Social Benefits (other than social transfers in kind) paid by general government (% of GDP)



Contribution rates for social security programs, 2002 (in percent)						
Country	Old age, disability, survivors			All social security programs ^a		
	Insured person	Employer	Total	Insured person	Employer	Total
Austria ^d	10.25	12.55	22.75	17.20	25.10	42.30
Belgium	7.50	8.86	16.36	13.07	24.87	37.94
Bulgaria	22.25	8.75	31.00	25.50	19.20	44.7 ^c
Czech Republic	6.50	19.50	26.00	12.50	35.00	37.5 ^c
Denmark ^d	f	f	f	f	f	c, f
Estonia	0.00	20.00	20.00	0.00	33.00	33 ^{c, g}
Finland ^d	4.40	16.70	21.10	6.30	20.40	26.7 ^{c, g}
France ^d	6.65	9.80	16.45	15.45	33.86	49.31
Germany ^d	9.55	9.55	19.10	19.80	21.11	40.91 ^c
Greece ^d	6.67	13.33	20.00	11.95	23.90	35.85
Hungary ^d	8 ^b	18 ^b	26 ^b	12.50	32.00	44.50
Ireland	6 ^{b, l}	10.75 ^{b, l}	16.75 ^{b, l}	6 ^l	11 ^l	17 ^{c, l}
Italy ^d	8.89	23.81	32.70	8.89	32.22	41.11
Latvia	-	-	30.86	9.00	26.09	35.09 ^c
Lithuania	2.50	22.50	25.00	3.00	28.00	31 ^c
Luxembourg ^d	8.00	8.00	16.00	15.40	13.57	28.97 ^c
Netherlands ^d	19.15	8.90	28.05	36.05	18.75	54.8 ^c
Poland	16.26	16.26	32.52	26.46	20.88	47.34 ^c
Portugal	11 ^b	23.75 ^b	34.75 ^b	11.00	26.75	37.75
Romania ^d	11.66 ^b	23.34 ^b	35 ^b	19.66	35.34	55 ^c
Slovak Republic ^d	6.4 ^b	21.6 ^b	28 ^b	12.80	38.00	50.8 ^c
Slovenia	15.5 ^b	8.85 ^b	24.35 ^b	22.10	15.90	38 ^c
Spain ^d	4.7 ^b	23.6 ^b	28.3 ^b	6.25	31.58	37.83
Sweden ^d	7.00	10.21	17.21	7.00	19.09	26.09 ^c
United Kingdom ^d	10 ^b	11.9 ^b	21.9 ^b	10.00	11.90	21.9 ^c

- NMS will have to participate to EU structural reforms just like the other EU 15.

4) What to expect from EU of 25 and NMS inside the EU?

- View about trade-off between deepening and widening from both federalist and anti-federalist camps.
- We seem to have both. European Council adopted Constitution less than 2 months after the historical enlargement. It represents a marked improvement over Nice Treaty.
- Enthusiastic and active participation of NMS conventioners.
- Low turnout of NMS voters for EP elections...
- Support for Europe does not come from those who hope to gain from European subsidies (Doyle and Fidrmuc, 2004).

Conclusion.

- 1) The NMS have truly graduated. Their institutional problems not worse than those of EU 15.
- 2) The EU has played an important role in anchoring the institutions of the NMS and used entry magnet effectively to implement the acquis.
- 3) Despite bold historical transformation, the NMS will still have to participate in the process of structural reforms (Lisbon agenda)
- 4) Reasons to believe that NMS will be active, enthusiastic and loyal EU members.