THE PROSPECTS OF CATCHING UP FOR NEW EU MEMBERS
LESSONS FOR THE ACCESSION COUNTRIES TO THE EUROPEAN UNION FROM PREVIOUS ENLARGEMENTS

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INTRODUCTION

The goal of accession to the European Union (EU) has become one of the main driving forces for the reforms in East Central Europe. Thirteen countries are at various stages in the process of preparing to join the European Union. These include ten former socialist countries: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia; as well as three Mediterranean countries, Cyprus, Malta, and Turkey. [1] For the elites as well as for the ordinary people in the prospective member states, the Union is attractive as it represents political stability and economic prosperity. Citizens in the former socialist countries initially hoped that the transition to democracy and market economy would lead to a better life with secure civil rights and liberties, as well as a standard of living comparable to that of the West European nations. The transformations that took place in the 1990s only resulted in these expectations being partially met. Hopes for improvement now rest on EU accession.

The current restructuring taking place in East Central European societies is not this area's first attempt to catch up with the West (cf. Andorka, 1994; Zapf, 1997). In the past, major waves of modernization swept across Western Europe arriving only after some delay in the East. After World War II, socialist industrialization reduced the gap in development between the eastern and western parts of Europe. In the 1970s and 1980s, however, the gap widened again (cf. Estes, 1997) contributing to the breakdown of the socialist regimes. During the 1990s, the now *post*-socialist countries made significant advances in terms of democratization, but experienced severe economic and social problems. Only since the mid-1990s, has the economic situation stabilized in many of the accession countries, allowing some of them to begin catching up to the EU nations they regard as a standard of comparison. Nevertheless, the social situation has remained insecure for a broad strata of the population, leading to the fear of ending up in a sort of "Latin American situation" (cf. UNICEF, 1997; Lessenich, 2000) instead of "returning to Europe".

Measuring 'catch up' requires two kinds of comparisons: across time and across space (cf. European Centre, 1993: 294ff.). An across time comparison involves comparing present and past social conditions within a country. An across space comparison contrasts social conditions between countries (or other geographical units). If living conditions within a country improve, we speak of progress. But catching up is more than progress – it implies that over time a nation lagging behind grows more rapidly (or more generally: performs better) than those in the lead reducing the gap between them. Ideally, catching up leads to convergence because of faster rates of improvement in the bottom-ranking countries, and not because of the deterioration of living conditions in top-ranking countries.

How likely are the potential EU member states to catch up? The optimistic view is that large-scale and steady economic growth will push the more advanced candidates rather quickly past the current level of the least prosperous EU member states, and that the "[o]ther post-communist countries will follow" (Rose, 1999: 54). In the same vein, Morita (1999) assumes that integration into the EU will bring about a dynamic development, and the gap will close quickly. The more pessimistic view is that convergence between the different economic and social regions of West and East will be difficult as there is currently no EU master plan to guide this process (cf. Huster, 2000: 43). Even with the help of the Community, the disparities between the two regions "could grow rather than diminish" (Mencinger, 1999: 12).

This paper deals with the question of whether integration into the EU provides a suitable framework for catch-up modernization. The paper will review the main instruments of EU policy that influence quality of life by analyzing earlier enlargement experiences, namely those of the cohesion countries Ireland, Greece, Portugal, and Spain; [2] and by discussing the special conditions of the candidate countries. The cohesion countries provide suitable cases for comparison because of their lower level of modernization relative to the core EU countries at the time of their accession, and because the southern countries made the transition to democracy roughly ten years before entering the Community (cf. Lessenich, 2000). [3] The structure of the paper is as follows: In the ensuing section, the issue of catch up is discussed in relation to the EU's broader aim of achieving cohesion among its member states (section 1). Next, based on a three-pronged concept of quality of life, a general model is developed to explain how EU integration influences quality of life in less-advanced member states (section 2). Using aggregate data from official statistics and data from the Eurobarometer surveys, the welfare development of the cohesion countries is analyzed (section 3). Finally, the opportunities and risks faced by the potential member states are discussed (section 4).

1. The political goal of economic and social cohesion

Catching up is not simply an accession country aspiration, it is also an official EU policy goal. From the very beginning, the Community embraced countries with different living conditions. Welfare disparities have changed a great deal during the last decades – mainly as a result of the integration of new member states. Especially the admission of Ireland in 1973, Greece in 1981, and Portugal and Spain in 1986, made the Community much more heterogeneous (cf.Welfens, 1999; IMF, 2000) and brought issues concerning the achievement of *economic and social cohesion* to the forefront. Under the label *cohesion*, Brussels aims not only to improve EU citizens' welfare, but also to adjust the living and working conditions within the Community. The major goal is to reduce disparities in levels of development. Brussels regards cohesion among the member states as one of the pillars of integration, alongside the Economic and Monetary Union and the Single Market (cf. European Commission, 1997). Consequently, the catch-up process of less prosperous countries is actively supported. Since strong national welfare disparities can cause problems also for the prosperous countries, a convergence in living conditions is considered preferable for the core countries of the EU as well (cf. Vobruba, 1997).

As the process of enlargement extends eastward, the aim of cohesion becomes increasingly controversial, first of all because of the much lower levels of income and wealth in many applicant countries. At present, per capita GDP in purchasing power parities of the applicants ranges from 81% (Cyprus) to 22% (Bulgaria) of the EU average (data from 1999). Five of the 13 countries have an economic level of less than one third of EU average. [4] In the EU 15, the ratio between the richest and the poorest country is 2.5:1 (Luxembourg vs. Greece). With the candidates of the so-called "1998 group", the ratio will double; and with the candidates of the "2000 group", the ratio will triple. [5] Huge differences in social conditions are also reflected in subjective measures of well-being. Levels of happiness and life satisfaction lower than in even the least-satisfied EU member states characterize the population in nearly all the accession countries (Inglehart and Klingemann, 2000, data from different points of time, 1990–1998). Bulgarians, Lithuanians and Romanians are some of the least satisfied peoples in the world. [6] In an enlarged Union it will be a difficult task for the Community to ensure cohesion, even if some countries make significant progress before joining.

2. HOW EU MEMBERSHIP INFLUENCES QUALITY OF LIFE: A GENERAL MODEL

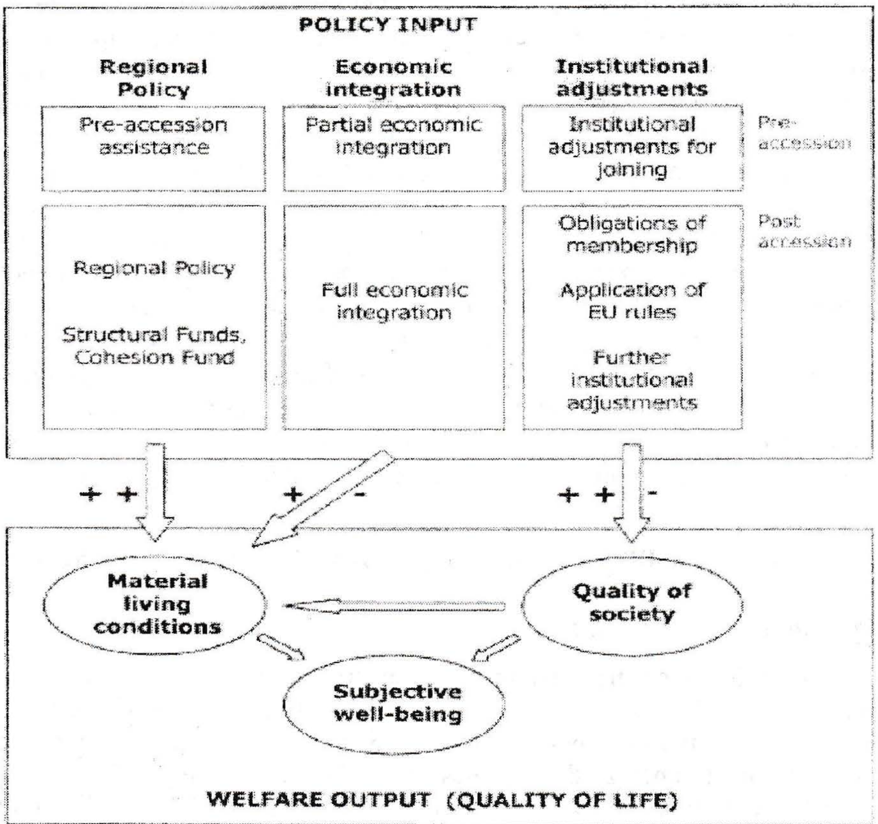
Dimensions of welfare

The main focus of the literature on convergence processes is on economic development (e.g., Pinto and Ramakrishnan, 1996; Morita, 1999). However, since EU policy aims to improve living conditions and life circumstances in a broader sense, it is fruitful to analyze these issues using a wider perspective by employing *quality of life* concepts (cf. Noll, 2000; Diener and Suh, 1997). I will apply an approach that distinguishes three aspects of welfare: material living conditions, measures of quality of society, and subjective evaluations of well-being. *Material living conditions* are those citizens' ascertainable life circumstances, which depend heavily on economic factors: e.g., income, standard of living, housing, working conditions, infrastructure. It should be noted though that this is only one set of factors influencing opportunities for personal development. The "liveability" (Veenhoven,

1997) of the society in which one lives also has a tremendous influence. Certain characteristics of a given society and its central institutions can have positive or negative influences on individual welfare, and many of these characteristics cannot simply be measured by aggregating the individual living conditions. With the term *quality of society* I refer to societal characteristics of this kind. Examples of important societal factors include the degree to which civil liberties are guaranteed and social protection is ensured. In addition to these "objective" aspects, welfare can also be defined by people's conscious experiences. *Subjective well-being* includes general as well as specific evaluations and assessments of living conditions.

Figure 1

EU policy and quality of life in less-advanced member countries



How are these dimensions of welfare related to EU policy, especially for less-advanced countries? Although it is true that the Community is primarily an economic enterprise without a comprehensive master plan for welfare development, there are several instruments with different logics of operation by which membership directly or indirectly influences quality of life – and thereby the chances for catching up (see Figure 1). The three main "channels" of influence – regional policy, institutional adjustments, and economic integration – and their pre- and post-accession effects are discussed below.

Regional policy

By far the strongest, most intentional and most direct impact comes from *regional policy* (synonyms: *structural policy* or *cohesion policy*), a domain of growing importance among the EU's policies (cf. the short historical outline in Bornschier, 2000). Through financial assistance for infrastructure, protection of environment, development of human resources, and productive investments, the competitiveness of the least advanced regions and countries shall be improved and the potential for sustainable and job-creating growth strengthened. This economic kick-start is meant to reduce disparities in levels of development. The EU distinguishes among different grades of need ("objectives"), in which the strongest support – two thirds of the Structural Funds – is given to "objective 1" regions "which face the most serious difficulties in terms of income, employment, the productive system and infrastructure" (European Commission, 1997, see also Figure 2). All regions with a per capita GDP below 75% of the Community average qualify automatically for this aid, regardless of the national level of prosperity. Thus, also less well-off regions from rich member countries are supported (e.g., the New Federal States in Germany). Also targeted by the EU are regions facing structural problems, high rates of unemployment or depopulation. In contrast to the Structural Funds, eligibility for assistance from the Cohesion Fund is means-tested at the national level, with a 90% threshold. In the period 2000 to 2006, 275 billion Euro (at 1997 prices) will be available for regional policy measures, as compared to the 200 billion Euro available during the planning period from 1993 to 1999. Given this support, less-advanced countries clearly gain in financial terms from EU membership as they receive more than they pay into the Community budget. The assistance strengthens the countries' economic potential and thereby improves the material living conditions of the population. [7] For prospective member states, pre-accession aid of 7 billion Euro within the six years period 2000–2006 is granted to help with preparations for membership and for building infrastructure. However membership status is much more attractive than pre-membership status in terms of financial support since 45 billion Euro are earmarked for new member states in the 2000–2006 budget. Since the enlargement will reduce statistically the average income level in the EU, it will have a huge impact on the distribution of EU assistance. Some of the regions currently qualifying for assistance will be lifted up in its relative income position against the – reduced – average in an enlarged Community, and hence will no longer qualify for the same amount of assistance than it is doing now – or even will come to fly out of the aid programs.

Figure 2

Structural policy in the planning period 2000–2006

Structural Funds			
Regional Fund	Social Fund	European Agriculture Guidance Fund (EAGGF – Guidance Section)	Financial Instrument for Fisheries Guidance (FIFG)
Objective 1	regions lagging behind in development (serious difficulties in terms of income, employment, the productive system, and infrastructure) (criterion: regional per capita <75% of Community average)		
Objective 2	assistance in economic and social restructuring		
Objective 3	Human resources: adaptation and modernization of education, training and employment systems		
Cohesion Fund			
Protection of environment and improvement of transport infrastructure (criterion: national per capita <90% of Community average)			
Structural Support for the accession countries			

Institutional adjustments

An overall positive, but much less controllable and "visible" impact arises from the *institutional adjustments* necessary for entering the EU. New members must meet certain standards in terms of their political, economic, administrative, and legal institutions and civil society; and they must be able to take on the obligations of membership, i.e., to adopt and apply the whole body of EU regulations and legal safeguards (called the Acquis Communautaire). These institutional criteria were applied implicitly to former enlargements, however they have been spelled out explicitly in policy affecting the future member states and are known as the Copenhagen criteria (see Figure 3). Because less advanced countries are often characterized by "weaker" democratic, market, and legal institutions (cf. IMF, 2000), the adjustments they will have to make in order to join the EU are likely to bring significant institutional improvements (quality of society). In a worldwide ranking of 170 countries, 14 of the 15 current EU member states rank among the 30 countries with the highest institutional quality (ibid.). Only Greece is not located in the first quintile of nations. From the accession countries, only Hungary is ranked in the top quintile, whereas the bulk of countries are located in the second quintile, Bulgaria and Romania in the third quintile, and Turkey in the fourth. Since adjustments are a requirement for joining, some of the expectable improvements take place already in the pre-accession period. In addition, the institutional adaptations are likely to have positive spin off effects on economic growth and the social fabric. In recent studies, the World Bank found strong evidence that the quality of institutions and governance, indicated by well-functioning democracy, effective administration, rule of law, political stability, and a low degree of corruption, yield a considerable economic and social development dividend in the long run (Kaufmann/Kraay/Zoido-Lobatón, 1999). It should however be noted that some of the EU requirements do reveal ambivalent consequences, e.g., the regulation of labor markets according to the European Social Charta. On the one hand it strengthens the workers' position in a variety of aspects and improve working conditions, while on the other hand higher costs of hiring, employing, and firing may hinder business formation (cf. IMF, 2000: 161f.).

Figure 3

Institutional requirements for EU accession (Copenhagen Criteria)

Membership requires that the candidate country has achieved: – stability of institutions guaranteeing democracy, the rule of law, human rights and respect and protection of minorities – the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union – the ability to take on the obligation of membership including adherence to the aims of political, economic and monetary union.
Membership requires that the candidate country has created: the conditions for its integration through the adjustments of its administrative structures, so that European Community legislations can be transposed into national legislations implemented effectively through appropiate administrative and judicial structures.

Source: http://europa.eu.int/comm/enlargement/into/criteria.htm, 14.02.2001.

Economic integration

According to theories of foreign trade, *economic integration* leads to a gradual reduction of economic disparities between the countries involved (cf. WIFO, 1999). The expansion of trade and the transfer of capital, technology, and management know-how are thought to be the main driving forces in this process. Foreign direct investment is of particular importance in the catching-up process, even though it can critically be regarded as a underhanded form of "colonialization" (Juchler, 2000). Full exposure to competition also imposes costs on the acceding economies, e.g., if non-competitive firms must shut down. The better the economies are prepared to withstand EU competition, the smaller the challenge posed by these disadvantages. Chances are integration will stimulate economic growth – but gains and losses will not be evenly distributed among countries, regions, and economic sectors. In the 1990s, the opening of the former planned economies led to growing trade links with Western Europe, and the applicant countries have attracted 94 Billion Dollar of foreign direct investment in the last decade. Nonetheless, critics point to the fact that gradual integration into the European and global economy has led to a peripheralization of the applicants' economies, since the strong Western economies use the transition economies as production sites mainly for low-productivity branches (Hopfmann, 1995). Full EU membership will further boost economic integration, however, "the conditions to compete successfully with higher developed EU countries are unfavorable in many sectors" (Juchler, 2000: 25).

In summary, EU integration directly affects material living conditions and the general quality of society in less advanced countries (see Figure 1). Furthermore, one can assume that the institutional improvements indirectly affect material living conditions. The three "channels" of impact follow different logics of operation, i.e. the logic of *distribution* (regional policy), of *regulation* (institutional adjustments), and of *efficiency* (economic integration). The impact of regional policy is clearly positive and the impact of institutional adjustment by and large positive. Economic integration can aid in the catch-up process, but it also bears risks. The third component of welfare, subjective well-being, is not directly influenced by EU policy. The subjective evaluation is supposed to take the same direction as the objective welfare development, even though with some delay.

3. Outcomes of EU membership: The cases of Ireland, Greece, Portugal, and Spain

The degree to which EU integration facilitates catching up can be analyzed by looking at the cohesion countries, which currently benefit most from the EU's regional policy (cf. Kommission der Europäischen Gemeinschaften, 2001: 122f.). Greece, Ireland, and Portugal qualify for "objective 1" with their entire territory, Spain with some regions representing roughly 60% of the Spanish population. Annual transfers in the period 1994 to 1999 amounted to 3.5% of the GDP for Greece, 3.3% for Portugal, 2.4% for Ireland, and 1.5% for Spain. In terms of investment, the impact was even greater in these countries, with a share of the total investments ranging from between 6% in Spain up to 15% in Greece.

But did EU membership help them to catch up? As measured exemplary by well-established economic and social indicators, the answer is for the most part affirmative. Albeit the countries performed very differently, the majority of countries narrowed the gap between themselves and the EU average. To illustrate this I use three indicators: (1) GDP per capita adjusted for purchasing power parities indicating average living conditions in material terms; (2) social security spending in relation to GDP indicating the level of social protection (general quality of society); [8] and (3) peoples' satisfaction with life in general as a comprehensive subjective measure of living conditions (subjective well-being). A methodological problem in this analysis is determining causality (cf. Bach, 2000). Therefore in my discussion of cohesion country development, I wish to note that I do not attribute all changes to EU integration. Rather, I want to explore whether EU membership is a *context* in which catch-up modernization is possible.

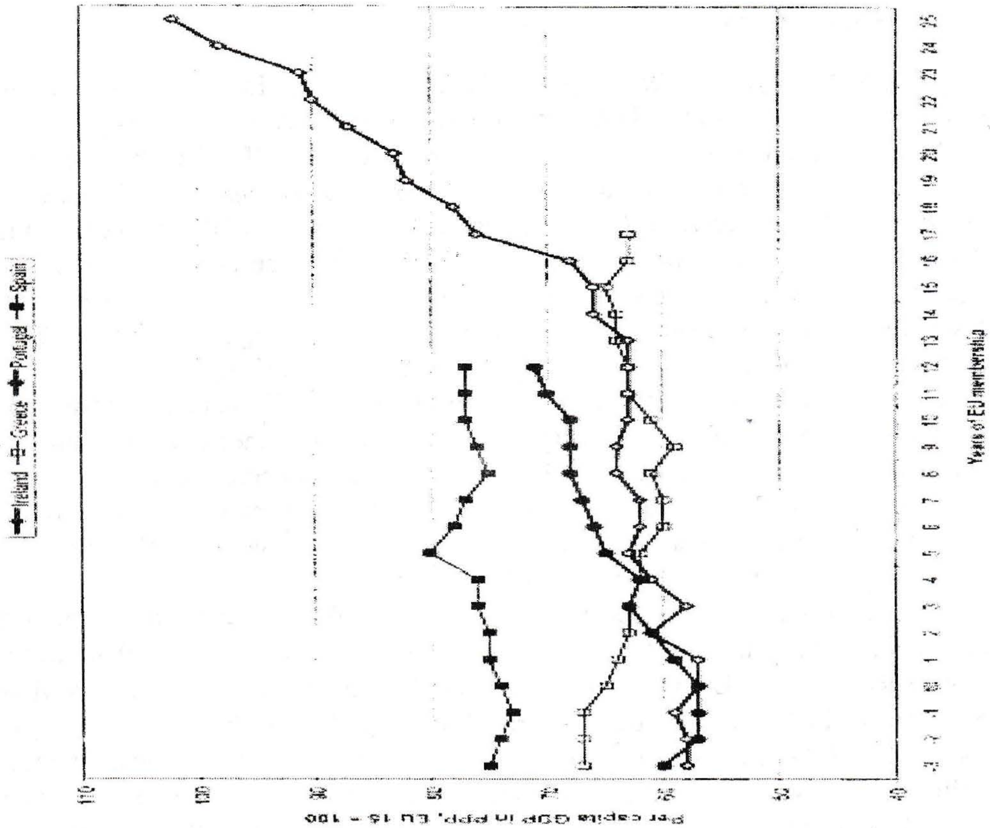
Level of living

Economically, with the exception of Greece, the cohesion countries managed to catch up after acquiring EU membership (most recent data in the analysis from 1998). [9] Spain narrowed its gap in per capita GDP slightly, Portugal substantially, and Ireland even overtook the EU national average. Only for Greece, the relative income gap remained about the same. [10] Much of the Irish economic spurt occurred though within the last ten years of the time period covered (see Figure 4). In 1987, a national pact to keep down unit wage costs was implemented. Secondly, massive state subsidies were offered to attract foreign investment in high productivity branches, such as the computer industry, pharmaceutical industry, and financial services. And not least, since becoming an EU member Ireland has received more assistance per capita from Brussels than any other member country – and it has used the subsidies not only to co-finance infrastructure and economic restructuring, but also to finance tax dumping. Thus, the EU money was effectively employed to create favorable conditions for growth (Kommission der Europäischen Gemeinschaft, 2001: 71; Flassbeck, 2001).

When a diachronic perspective, which corrects for the variations in duration of membership, is applied, Portugal was even more successful than Ireland in the first twelve years of EU membership. It should be noted, however, that it will be not easy for Portugal to continue to grow more rapidly than Ireland. The reasons for the Greek failure might be, among others, its unfavorable economic structure (still a share of 17% of the workforce in agriculture), its poor technological position, and especially its peripheral geographical position, or rather geographical isolation. After all, its trend of relative decline in comparison with the Community's average during the 1980s was reversed in the 1990s, due to higher EU spending on structural policy. The Greek case does *not* prove that cohesion policy does not matter. According to econometric simulations of the European Commission, the 2000 Greek GDP was between 5.1% and 1.2% higher than it would have been *without* EU subsidies. The estimated impact on the other cohesion countries was also considerable, with the largest range for Portugal (6.4% to 0.8%) and the smallest for Ireland (1.2% to 0.6%) (cf. Kommission der Europäischen Gemeinschaft, 2001, appendix). In the same vein, with a sample of 33 countries, Bornschier (2000) found strong statistical evidence that in the time period from 1980 to 1998 less-advanced EU economies narrowed the gap to the rich OECD countries more quickly than less-advanced non-EU economies. Obviously, membership matters.

Figure 4

Economic performance of the cohesion countries, relative to EU



***Data*: Eurostat database New Cronos.**

Social protection

In the field of social protection, the cohesion countries have made considerable headway in converging with the standards of the core EU countries (most recent data from 1997). Prior to accession (and also many years thereafter), the Southern European countries were seen either simply as underdeveloped welfare states or as representatives of a unique and in many aspects insufficient "Southern model" of welfare state organization (cf. the discussion in Rhodes, 1997). During the 1970s and 1980s (in the Portuguese case also in the 1990s), social protection improved considerably in all cohesion countries. With the exception of Spain, these improvements mainly took place *after* entering the Community. Ireland, Greece, and Portugal joined EU with a social security spending ratio of around 13% of GDP, a level far below the respective EU average. In the meanwhile, the gap has narrowed substantially (see Table I). In Ireland, social expenditure ratios have declined since 1985. However, this is more a reflection of economic success than of a failure in social policy. In per capita terms, social spending increased constantly during the 1990s, and is higher than in the other cohesion countries.

Table 1

The development of social spending ratios

Year	Ireland		Greece		Portugal		Spain		EU 12	EU 15
	ratio	EU 12 = 100	ratio	EU 12 = 100	ratio	EU 12 = 100	ratio	EU 12 = 100	ratio	ratio
1970	13.2	69	n.a.	n.a	n.a	n.a	n.a	n.a	19.3	n.a
1980	20.6	85	12.2	51	12.9	54	18.2	76	24.1	n.a
1985	23.6	91	n.a	n.a	14.2	55	20.0	77	25.9	n.a
1988	21.2	90	n.a	n.a	14.8	63	19.2	81	23.6	n.a
1989	19.4	83	n.a	n.a	14.5	62	19.7	85	23.3	n.a
1990	19.1	76	22.7	90	15.5	62	20.4	81	25.2	25.4
1991	20.2	80	21.7	86	16.8	67	21.6	86	25.1	26.6
1992	20.8	80	21.1	81	18.7	72	22.8	88	25.9	27.9
1993	20.8	77	22.0	81	21.0	77	24.4	90	27.1	29.0
1994	20.3	76	22.1	82	21.0	78	23.3	87	26.8	28.7
1995	19.9	75	22.7	85	20.7	78	22.6	85	26.6	28.5
1996	18.9	71	23.3	87	21.6	80	22.4	84	26.7	28.7
1997	17.5	67	23.6	90	22.5	86	21.4	82	26.1	28.2

Ratio = social security spending in % of GDP
n.a. = not available
Sources: Eurostat Jahrbuch, 2000 and 1996; Hanesch, 1998; Hauser, 1997; Sozialpolitische Umschau, 2000 (No. 60).

The trend towards convergence is remarkable because there are only few comprehensive EU strategies for the creation of a common social policy. In part, the expansion of welfare provisions in the Southern European states can be explained by a "normal" compensation in newly established democracies (cf. Guillen and Matsaganis, 2000). But European integration seems to bring about an autonomous knock-on effect, which is improvement in social protection in less advanced countries. This is because the more advanced welfare systems serve as models to which populations in less well-off areas compare their own systems: "[c]atching up with other European welfare states has always been at the center of the political discourse for the last three decades in Southern Europe" (ibid.: 140). [11] In light of both the quantitative and qualitative changes in the Southern welfare systems the practice of labeling them "rudimentary welfare states" has become questionable.

Life satisfaction

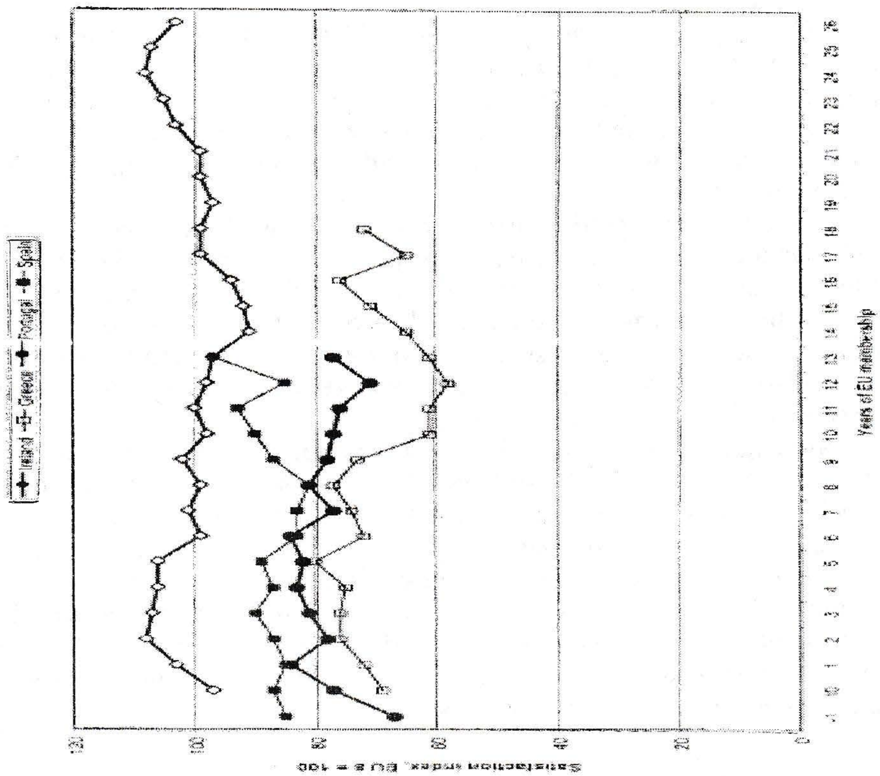
Life satisfaction can be seen as a broad assessment of personal living conditions, dependent upon life circumstances, but also upon aspiration levels, preferences and opportunities for comparison. The question: "On the whole, are you very satisfied, fairly satisfied, not very satisfied or not at all satisfied with the life you lead?" is frequently asked in the European Commission's Eurobarometer (EB) opinion surveys. The surveys began to be conducted in 1973 and they cover all the member countries. Information on the Eurobarometer is given in the technical note at the end of the paper.

Did life satisfaction change in the cohesion countries in the course of membership? The answer appears to be 'not much'. In 1999, people were slightly more satisfied than they were before entering the Community. In most countries, there was an initial, short-lived "feel-good factor", followed by a retreat to the preaccession satisfaction level, in Greece's case even below this level. Recently, well-being improved again by approximately 10 percentage points from this low, a trend which to some degree parallels the rate of economic catch up. The story for well-being relative to EU national average is more or less the same (Figure 5). Greece and Spain made limited gains after an initial period of improvement followed by a period of decreased satisfaction. [12] Ireland defended its lead relative to the EU average after a period of setback. Portugal caught up to a considerable degree in the first three years of EU membership, but has lost some ground since then. Consequently, the countries' relative rankings within Europe have hardly changed (cf. also Noll, 1997). Greece and Portugal still are the bottom-ranking countries, with a share of 60% to 70% of the population satisfied (cluster 4), whereas Spain belongs to the countries where people "traditionally" show a lower-medium level of satisfaction (cluster 3). Ireland belongs to the group where people report an upper-medium level of satisfaction (cluster 2), but is about to jump to the top cluster of the most satisfied EU nations – the Scandinavian countries, the Netherlands and Luxembourg – with a constant share of 90% and more of the population feeling satisfied with their life.

The relative stability of the nations' ranking in life enjoyment points to culture as a strong explanation for the differences. If no dramatic changes in life circumstances occur, cultures (and individuals) seem to have internalized "a normal baseline level of well-being that varies only moderately in response to current events" (Inglehart and Klingemann, 2000: 169). However, the case of the cohesion countries reveals that rapid economic development can shift "normal baselines" upward.

Figure 5

Life satisfaction in the cohesion countries, relative to EU



Satisfaction index = % of population "very" or "fairly" satisfied, relative to EU 8 (EU 8 value of % satisfied people set to 100); t_1 value for Ireland imputed (mean of t_0 and t_2).
Data: Eurobarometer surveys, own calculation.

Different gains from EU membership

The following table shows the by and large positive, but different outcomes of integration (Table 2).

Table 2

Success and failure in catching up (development relative to EU average since accession)

Country	National income	Social spending ratio	Life satisfaction
Ireland	Overtaking	No catching-up	Defending a lead
Greece	No catching-up	Strong catching-up	Slight catching-up
Portugal	Strong catching-up	Strong catching-up	Slight catching-up
Spain	Moderate catching-up	Moderate catching-up	Moderate catching-up

From previous enlargements, the following conclusions can be derived:

– EU membership does not guarantee catch up, but it *makes catching up easier*. Previous enlargements gave rise to more signs of (at least partial) success than of failure.

– Convergence is a *long-term goal*, and less advanced countries need a lot of staying power. Even Ireland needed 25 years to catch up economically. In most aspects, the cohesion countries still have a long way to go.

– Processes of convergence are *not necessarily continuous*. There are also periods of stagnation or even setbacks, and sometimes catching up ends up not being sustainable.

– Economic integration can result in falling further behind when the economies are too weak in terms of competitiveness. From the Greek experience the lesson can be drawn that *a premature accession is economically risky*.

– Although EU policy stimulates development, success depends strongly on the *internal potential* of the respective countries. A similar framework of assistance and regulation can result in very different welfare outcomes, with Ireland and Greece being the most disparate examples.

Although examples of successful societal modernization, the cohesion countries (less so Ireland) still lag behind with respect to economic and technological position, research and development, innovation, human capital investment, computer and internet infrastructure, and so on. Since these factors have a strong influence on ongoing modernization and the potential for further increases in prosperity in an information-based global economy, the degree to which regional policy can help countries *fully* catch up is debatable. EU membership is a key external factor, but does not automatically change semi-peripheral countries into core countries.

4. PROSPECTS FOR THE FUTURE MEMBER STATES

In the past, EU membership has paid off for less-advanced countries in terms of quality of life improvements. Will it pay off for the coming accession countries, too? Since an in-depth discussion of this question deserves an analysis of its own, I must limit myself to some central aspects. Although circumstances of enlargements differ from past enlargements (cf. Benz, 2000: 116), one can reasonably argue that at least in the long run, joining the club will be advantageous in several respects for the countries now negotiating membership. Regional policy aid will not be as generous as in the 1990s, but nevertheless will be large enough to aid in the catch-up process. The gains from institutional adjustments will be stronger than for the cohesion countries, given the above-mentioned deficits in institutional quality in many post-communist countries. Economic integration (including joining the Euro-zone some years after EU accession) will promote economic growth in at least some countries.

Integration into the EU is not only going to influence the countries' development in the future – the project "EU accession" has already resulted in considerable change in the past ten years. The countries that are now on the accession track have made much more progress towards "democratic capitalism"

(Tatur, 1998) than other transition countries, especially the former Soviet countries, and they have a much better economic and social record (IMF, 2000). And among the candidate countries, those with a more consistent preparation, mainly the 1998 group, again have a by and large better record than the 2000 group. Given these different developments in the transformation region, there is strong evidence that the EU integration project is the best remedy for "Latin Americanization".

However, regional policy assistance will be less generous than in the past enlargements. Under the given rules, in a hypothetical EU 26 (without Turkey and Cyprus), the population living in "objective 1" regions will be more than double compared to the EU 15 (cf. Welfens, 1999). Since the EU is not planning to increase the spending ratio for regional policy beyond the current figure of 34% of its total spending, the result can be summarized as a slightly bigger cake (bigger because of the contributions of the newcomers to the EU budget) to be spread around to more regions in need. To prevent the Community's financial system from collapsing, total transfers from structural policy to a single member state should not exceed 4% of its GDP (this is the guideline for the planning period 2000–2006, cf. European Commission, 1997). This cap means that the poorest countries which are most in need – like Bulgaria, Romania, Lithuania – will paradoxically receive the least assistance in absolute terms. Moreover, the main recipient countries of the EU 15 seem not to be willing to accept an inevitable cut back of *their* assistance. Lead by Spain they are trying to negotiate for a guarantee of subsidies after Eastward expansion, or at least for a very gradual decrease in their levels. The outbreak of this conflict over distribution has put some pressure on the enlargement process – and the prospects for convergence for new members.

According to several indicators of wealth and modernization, Cyprus, Slovenia and the Czech Republic are close (or in some dimensions above) the level of Greece or Portugal. The long-term goal for them is to catch up with EU average. The goal for the other applicants – which is definitely the majority of countries – is to catch up with the least advanced EU member states. Furthermore, the new members will catch up at very different speed, which will depend heavily upon their own respective potential for growth and wealth creation. The prospects are better for those countries with a competitive industrial sector, small-scale and productive agriculture, a well-trained and educated workforce, good governance, macro-economic stability, an effective welfare state as a promoter of economic growth (European Consortium, 2001), and success in attracting foreign direct investments. Most likely, geography will also play a role: the countries bordering the present EU are expected to gain the most. Given this list of success factors, each of the candidate countries has its own profile of opportunities and risks. The countries that are most strongly tied to the Community already, most prominently Hungary, Slovenia, Czech Republic, Estonia, can be expected to benefit most from integration. A problem for Poland is its large agricultural sector. As a result, welfare disparities within the transformation region – first wave accession countries in the lead, followed by second wave accession countries, and non-accession countries bringing up the rear – will increase further. In other words:

convergence within a – stepwise – enlarged EU will most likely result in *divergence* within the camp of transformation countries. According to the EU, some of the applicants – mainly from the 1998 group – are better prepared for catching up than Greece (Kommission der Europäischen Gemeinschaft, 2001). But whether they will be able to repeat the Irish miracle is an open question.[13] The Irish strategy seems to be a niche strategy for small rather than for big countries, and it may turn out to be less successful if many countries attempt it.

Although the positive effects are likely to be dominant in the long run, some of the negative consequences – e.g. an increase in unemployment – are likely to occur soon after EU integration. It remains to be seen how patient the population will be when disadvantages show up first and advantages later. In the short run there is some danger that expectations will not be met if EU membership fails to deliver rapid improvements in living conditions for ordinary people (cf. Juchler, 2001). In all candidate countries, an absolute majority (roughly 60 to 70%) is of the opinion that accession will have a positive effect on their countries' economic development (see Table III). With regard to personal income, Central East Europeans are more cautious, although again more people expect a positive effect from accession than a negative one. The lowest expectations can be found in the relatively well-off Czech Republic and Slovenia, the highest in Hungary and Romania. Thus, the possible problem of *unmet expectations* would affect the countries to a different extent. Despite this problem, there are good reasons to think that citizens in the enlargement region will on average be more satisfied with life in ten or twenty years than they are now. As we have seen above, at the economic level of Portugal or Spain, growth no longer makes that much of a difference. But for low-income countries such as Bulgaria or medium-income countries such as Hungary, economic and social progress can be expected to have a much stronger impact on life satisfaction. And since the experience of socialism is an independent determinant of low satisfaction (cf. Inglehart and Klingemann, 2000: 171ff.), the fading away of the unpleasant socialist past might add to higher levels of subjective well-being in case of the East Central European countries.

Table 3

Expect effect of EU accession by the populations

Country	Effect on economic development (positive minus negative expectation, percentage point differences)	Effect on personal income (positive minus negative expectation, percentage point differences)
Hungary	+66	+32
Romania	+65	+34
Slovakia	+53	+19
Poland	+56	+20
Slovenia	+46	+13
Czech Republic	+45	+5

Data: New Democracies Barometer 5 (1998), own calculation.

5. Conclusion

In this article I have dealt with the problem that in an enlarged Union it will be difficult for the policy makers to ensure social and economic cohesion among the member states. A model was developed showing that EU integration influences quality of life and the chances for catching up of less well-off member countries mainly through three "channels" with different logics of operation: through regional policy (logic of distribution), institutional adjustments (regulation), and economic integration (efficiency). An analysis of the welfare development of the cohesion countries has revealed that EU membership does not guarantee that equal levels of modernization will be achieved, but it makes the process of catch up easier. Ireland in particular is regarded as an example for successful development within the EU. Based on the general model I have argued that, at least in the long run, entering the Union will be advantageous for the enlargement candidates, although it will be difficult to repeat the "Irish miracle". But short-term risks of accession should not be overlooked, and the danger that the publics' expectation will not be met should not be discounted.

One of the main lessons from prior enlargements is that although partial convergence can be achieved, complete catch up i.e. reaching the "premier league" of the rich, post-industrial European societies, is difficult. One can hardly imagine that countries like Bulgaria or Romania should at once become as modernized and prosperous as Germany or the Netherlands. The acceding countries will gain from EU membership, but nevertheless they should be prepared to belong to the semi-periphery for at least another generation or two. An EU regional policy with a stronger focus on restructuring along the lines of postindustrial, knowledge-based societies could speed up the process – but nevertheless, the road will remain a long one.

Technical note

The following Eurobarometer surveys have been employed: EB 3– EB 10, EB 11, EB 13, EB 15, EB 17, EB 18, EB 19, EB 29, EB 22–EB 28, EB 29, EB 31, EB 32, EB 33, EB 34.0, EB 35.0, EB 36, EB 38.0, EB 38.1, EB 39.0, EB 40, EB 41.0, EB 42, EB 43.1, EB 44.2, EB 47.1, EB 49, EB 52. The surveys consist of representative samples of the population aged fifteen years and older in each EU member state. The regular sample size is about 1000 respondents per country except Luxembourg (600), the United Kingdom (1300), and Germany (2000, since unification). Ireland is part of the EB since 1973, Greece since 1980, Portugal and Spain since 1985. The figures for the single nations are weighted by national weighting factors ensuring representativeness. When in a given year more than one survey with information on life satisfaction was utilized (which was mostly the case), the information was combined, resulting in one entry per year. The data utilized in this paper were documented and made available by the Zentralarchiv für empirische Sozialforschung, Cologne. Neither the original collectors nor the Zentralarchiv bear any responsibility for the analysis or interpretation presented here. For more information on the EB, see the following websites:

http://europa.eu.int/comm/dg10/epo/,

http://www.gesis.org/en/data_service/eurobarom eter/standard_eb/

Notes

1. This paper is part of the research project "Welfare Development in Accession Countries to the European Union", generously financed by the Fritz Thyssen Stiftung, Cologne. I am very grateful to Anita Drever for doing the language check.

2. Hereafter, the terms "eastward enlargement" and "eastward expansion" include the Mediterranean candidates.

3. The term refers to the fact that these are the four countries receiving money from the Communities' Cohesion Fund.

4. The reader might wonder why I did not choose East Germany (the New Federal States) for comparison. Although at first glance it appears attractive (a former state socialist country, subsidies from the EU), public transfers received from West Germany far outweigh the transfers received from the EU and thereby severely limit comparability. East Germany is a special case with conditions not present in the candidate countries.

5. Even when accounting for the much bigger infomal economic sector especially in the transition countries, the overall picture does not change significantly.

6. With the group of countries referred to as the "1998 group" (Cyprus, Czech Republic, Estonia, Hungary, Poland, and Slovenia), accession negotiations opened in 1998. With the other countries, negotiations started in 2000.

7. Or, to be more precise, at least they belong to the group of countries with the lowest level of well-being among the 64 nations included in the World Value Surveys.

8. Only in the case of income transfers to farmers from the Agriculture Guidance Fund, subsidies take the form of direct income support.

9. Although it cannot be argued that a higher social spending leads automatically to a better society, very low social spending usually indicate a poor level of social protection and a deficiency of societal quality. For the Mediterranean countries of the 1970s this was surely the case.

10. Please recall that an increase in GDP in purchasing power parities can be caused by economic growth as well as by changes in the level of prices.

11. Since long-time series are available for all member countries, the EU 15 benchmark is applied for the whole time period covered here (1970–1998). Due to the method of calculation (per capita GDP of the cohesion countries relative to the average of the EU 15 nations), the figures for relative GDP per capita slightly deviate from the figures calculated from Eurostat (Eurostat applies per capita GDP relative to the population-weighted EU 15 average).

12. In this context, a study covering 31 European and non-European countries (South Asia, the Americas, Africa) is instructive (Alber/Standing, 2000). Also employing social spending ratios, the authors did not find indications for a catchup progress in social protection in a more *global* perspective. Rather, this seems to be an EU phenomenon.

13. Due to availability of data, the EU 8 (national average of Belgium, Denmark, France, Great Britain, Italy, Luxembourg, Netherlands, West Germany) is applied as the most suitable benchmark for the cohesion countries.

14. Interestingly enough, in a lecture, the Hungarian minister for trade and commerce, György Matolcsy announced that Hungary will take a leaf out of Ireland's Book.

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