



To the point!

Cross-Asset- and Strategy-Research

20-year anniversary of EU enlargement

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May 3, 2024

A reason to celebrate

Twenty years ago, the EU took a significant step forward. On May 1, 2004, ten countries joined the alliance – including eight formerly communist-ruled states in Eastern Europe – leading to the largest expansion of the Union since its inception. Over 70 million people joined the EU's common market, increasing the total population of the EU by a fifth overnight. Three years later, Bulgaria and Romania followed, and in 2013, Croatia finally joined. Today, the EU comprises 28 states with a total population of around 450 million people.

At the time, there was much celebration. After all, the accession of former Soviet republics and Warsaw Pact states was a giant leap towards the unification of Europe. However, there were also reservations. Above all, the old states feared that workers from Poland, the Czech Republic, and the other new EU members could flood the Western European labor market and thus give rise to social tensions. To contain these fears, most “old” member states – including Germany, but not the UK – used transition periods. Workers from Poland & Co. were excluded from the freedom of movement in the labor market for up to seven years.

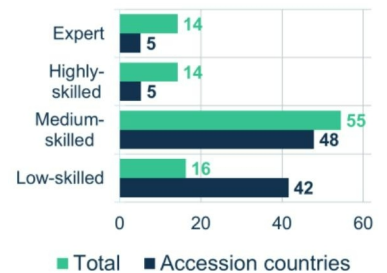
Indispensable not only in the care sector

From today's perspective, those concerns were unfounded. About 820,000 citizens from the then accession countries currently work in Germany, two-thirds of them from Poland. That's 2.4% of all employees. Since the lament of the labor shortage is ubiquitous, it seems that too few have come to us, not too many.

Instead of displacing German workers, the accession countries have helped keep the German labor market running. Anyone who has relatives in home care knows all too well: without the migration from Poland and Romania, we would have been lost

2004: Historical Expansion

Employment by skill level in Germany (%)



Source: German Federal Employment Agency, ifo Institute.

long ago. And this is quite typical, as the workers from the East are primarily employed in sectors that are unpopular in Germany due to low pay or harsh working conditions (see graphic). From the positive experiences, lessons were drawn: when Croatia joined in 2013, the transition period was cut to only two years.

Gained the East, lost Britain

However, we have also paid a price. The perceived (and deliberately stoked!) threat that Poles and Lithuanians would steal the jobs of the British ultimately led to Brexit. A bitter loss. That the whole thing backfired and that Eastern Europeans on the island are gradually being replaced by immigrants from beyond Europe is just one part of the colossal miscalculation of the Brexiteers.

Unity is strength

The European election is just a few weeks away. I strongly recommend taking this vote seriously and not (ab)using it as a protest vote. Especially now, when war is raging in Europe once again, the small European countries (and I include Germany in a global context) can only be strong together. Dividers like Hungary's Prime Minister Viktor Orbán or Germany's AfD may opt for nationalistic solo efforts. But even if Brussels repeatedly stands out, especially with its annoying love of bureaucracy, the EU is our insurance policy for our peace and prosperity and for our export-dependent industry. This must be preserved.

And not only that: the union should be expanded in the future; states that genuinely meet European democratic and rule-of-law principles should also qualify to join in the future. This stabilizes our neighboring states. But it also adds to our strength. Not only war-torn Ukraine should be allowed to hope to sit at the table in Brussels one day. Let us be clear: two decades of Eastern enlargement is a reason to celebrate.

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The fear of mass labor migration was overblown

Take the European election seriously!
