

The fiscal impact of the next EU enlargement. An exploration.

Naert Frank

Ghent University, Department of Public Governance Management, Ghent, Belgium

Abstract: The EU is discussing a new round of enlargement by 2030. The accession of possibly 9 new member countries will affect the process of building the EU fiscal union in several ways. In this paper the impact will be observed from three different perspectives.

The first is the EU budget level. As of today little is known about the magnitude of this effect. As the acceding countries are on average significantly poorer than the present EU member states, the presumption is that accession would have a significant impact on the country balances, turning many presently net receiving member countries into net contributing members.

The second is the trend towards more fiscal capacity for the EU which is ongoing in the last decade and speeded up since the Covid crisis and the war in Ukraine. The bottom line of this trend is the departure from the rule of the balanced EU budget allowing the EU to borrow and, in that way, allowing the EU budget to play a stabilizing role the EU economy. As rebuilding the Ukrainian economy can be seen as part of economic stabilization the question is how this challenge will be fitted into the evolving trend towards more borrowing on the EU level.

The third is the impact on the fiscal rules discussion. After suspending the eurozone fiscal governance framework during the Covid crisis a debate started on how to make a more solid and effective framework for the post-Covid period. The accession of countries that are in the preliminary stages of creating welfare states and thus are in need of public funds while at the same time having small taxable bases, will challenge the fiscal rules that the EU will want to apply to the budgets of its member countries.

This paper will be explorative, based upon the available statistics on the EU budget and the budgets of the acceding countries, and using the sparse literature emanating mainly from EU sources and think tanks. The ultimate objective of the paper is to explore the policy changes in the three mentioned fields that would make the enlargement more feasible.