Introduction

For the Baltic, Balkans and Central and Eastern European countries, joining the European Union held the implicit promise of economic convergence to Western European standards of living. This was true for both the first wave of Eastern enlargement in 2004 \(^1\) and the subsequent accession of Bulgaria, Croatia and Romania.

Fifteen years after the 2004 accession, this expectation has been largely met. Access to the Single Market created new business opportunities, triggered vast capital flows to the new Member States and facilitated their integration into global supply chains. The catching-up process gained additional impetus during the accession talks and again upon joining the European Union. Though a significant gap remains today, it is shrinking at a rapid pace.

The 15-year anniversary of the first wave of Eastern enlargement is a fitting opportunity to reflect upon the convergence experience of the EU’s newer members.

The following 11 trends for 11 countries illustrate these success stories. The 11 trends highlight central improvements among the new Member States \(^2\) between 2000 and 2018. \(^3\) To include a forward-looking element, the charts contain whenever possible the candidate countries from South-East Europe.

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1. Estonia, Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia
2. As a background to Enlargement Conference 08/09 April 2019, the analysed countries encompass only Baltics and Central and Eastern European Member States as well as candidate countries from the Balkan region.
3. The period 2000 and 2018 was chosen as the convergence process driven by EU accession started already during the accession talks, thereby a period before 2004 will be included in the analysis. Due to lack of data availability for many indicators the starting point is set as 2000.
1. Income convergence to the European average

- On average, GDP per capita (at purchasing power parity) in the new Member States has risen 250% since 2000, compared to ‘just’ 50% for the EU as a whole.
- This trend is visible across the board. GDP per capita in all the new Member States has converged towards the EU average at a fast pace and is now above 70% in all the countries that joined in 2004. The candidate countries are also catching up but the gap remains significant.

### Gross Domestic Product per Capita, in Purchasing Power Standard

Source: AMECO

2. Convergence in labour productivity

- Total factor productivity in the new Member States has risen more than twice as much on average as it has in the EU as a whole.

### Labour Productivity, GDP per hour worked

Source: Eurostat
3. Convergence has benefitted the workforce

- Nominal compensation per employee has converged towards the EU average in all the new Member States and has risen particularly quickly in the Baltic states.
- Since the turn of the century, real compensation per person has risen by around 50% on average in the new Member States, compared to 10% in the EU15.

**Real Compensation per Employee**

![Real Compensation per Employee Chart](chart.png)

Source: AMECO  
Note: 2010 as baseline year

4. Participation rates eclipse the EU average

- Employment levels have risen sharply in both old and new Member States in recent decades.
- Activity rates are now over 70% in all the new Member States and some boast levels significantly above the EU average.

**Activity Rate**

![Activity Rate Chart](chart.png)

Source: Eurostat  
Note: Activity Rate includes persons from 20 to 64 years old active on the labour market
5. Convergence in educational attainment

- The share of those with tertiary education or with advanced vocational training in the new Member States has increased, particularly in those that were furthest behind at the turn of the century. Most new Member States are now close to the EU average.

* Due to data unavailability for EU 28 and Croatia for the year 2000, data from 2002 was used for indicative purposes

6. Competitiveness

- Overall competitiveness has improved in EU Member States since the crisis.
- In recent years, however, some new Member States have seen their competitiveness deteriorate relative to the EU average.

Score between 1 and 7

Source: World Economic Forum, Global Competitiveness Index
7. Quality of governance

- Quality of governance has improved in almost every new Member State over the past two years.

**Quality of Governance Indicator**

Source: World Bank, World Governance Indicator

8. Research, Development and Innovation

- R&D has risen in most new Member States, supported by EU funding schemes such as Horizon and COSME.

**Research & Development Intensity**

Source: Eurostat
9. Digital connectivity

- Households in the region are more connected than ever.
- Internet connectivity rates have risen sharply in the new Member States since they joined the EU and are now close to the EU average in most cases in no case less than 80%.

[Household broadband internet connection chart]

Source: Eurostat

10. Openness to trade and integration into European supply chains

- With new trade opportunities arising from single market access and EU trade agreements with third countries, the new Member States have become more globally integrated, as exemplified by their increased trade openness.

[Trade openness chart]

Source: AMECO
11. Openness to foreign direct investment

- Since its accession period, these Member States have received a significant amount of FDI.

![FDI Openness Chart]

Source: Eurostat
The European Political Strategy Centre (EPSC) is the European Commission’s in-house think tank, established in November 2014 by European Commission President Jean-Claude Juncker, and operating directly under his authority. Tasked with a mission to innovate and disrupt, the EPSC provides the President and the College of Commissioners with strategic, evidence-based analysis and forward-looking policy advice.

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