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"The Enlargement of the EU: Impact on the EU-Russia bilateral cooperation"

5th EU-Russia Industrialists' Round Table

Moscow, 1 December 2003

Ladies and Gentlemen,

The Round Table Co-chairmen asked me to discuss with you the impact of the enlargement of the European Union in relations with Russia.

The enlargement that will take place on 1 May 2004, will be the largest in the history of the European Union. And the present enlargement will not be completed in 2004. Accession negotiations with Bulgaria and Romania have been making progress, and are part of the same inclusive and irreversible process. It is likely these two countries will join the Union in 2007.

This is a very challenging moment not only for the current and new members, but also for our partners. In all these parties, the prospect of enlargement raises hopes and concerns.

Among our partners, Russia has expressed concerns about the enlargement. This is perhaps not surprising as Russia is our biggest neighbour.

Today I will discuss why I think that the enlargement of the Union will be positive to Russia and for the EU-Russia relations. I will in particular address the following points:

- what enlargement means to the EU.
- how the European Commission is planning to make the most of the opportunities before us.
- and what Russia can do to allow it to make the most of enlargement.

Impact of enlargement in the EU

To begin with, what will be the impact of enlargement in the EU?

- The ten new member states will increase the Union's territory by 23% and its population by 19%. Because of their lower level of economic development, they will only increase the size of the EU economy by 5%. The enlarged Union will cover a population of 450 million, with a GDP close to that of the United States.

- The new members will greatly increase the diversity of the Union. One only needs to look at their historical experience, administrative tradition and level of economic development. Absorbing ten new members has challenged us to update our institutions and our policies.

- We are addressing these challenges through institutional and policy reform. A constitutional treaty is currently under discussion at the Intergovernmental Conference. The implications of

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enlargement are also at the forefront in the discussions on the future financial perspectives of the Union for the period after 2006.

- Enlargement will also affect the EU's role in the world. Our weight on the international scene will increase. But the bigger the Union is, the greater will be the diversity of interests and approaches among Member States. The Iraqi crisis has demonstrated this well.

This is the broad picture to be kept in mind. The challenges are formidable, but so are the potential rewards, both political and economic.

In the midst of the everyday wrangling of EU business, it is all too easy to lose sight of how successful the EU has been in promoting peace and stability in Europe. Expanding this area of stability to cover another 10 countries is a historic achievement. A Common Treaty and common institutions bind 25 countries together.

And economically, enlargement will surely bring about new dynamism in Europe. The new members are hungry to catch up with the existing members and will promote societal and economic reform and restructuring.

But promoting peace and prosperity cannot stop at the EU's external border.

~~This new architecture of Europe worries some of our partners. People are afraid that new barriers will be created.~~

Such worries have been expressed before. For example, when the European Community decided to complete the Internal Market in 1992. Just as fears of the creation of a 'Fortress Europe' were unfounded then, so I believe will fears about new dividing lines in Europe be proven wrong in 2004 and beyond.

Enlargement involves challenges and costs. But the opportunities to Russia and the other neighbours of the Union are far greater.

Let me mention some figures to illustrate this:

- With the implementation of the internal market rules in the new member states, the exports originating from our partners will circulate freely in the entire EU space. And indeed in the European Economic Space. This means 450 million consumers and 25 million enterprises, producing and consuming goods with common rules and standards. A Russian product that duly enters Estonia can be sold in Lisbon or Athens without further testing or certification.

- The growth rate of new members is already higher than, indeed double, the growth of the current members {in 2002-2004 prospects for new members of 3.2% and EU15 of 1.6%}. This is expected to continue following enlargement. The enhanced prosperity will constitute an opportunity also for neighbouring regions, through the expansion of business and investment.

- The inevitable trade diversion to the EU has already taken place under the free trade area established by the Europe Agreements; enlargement will not have a dramatic effect in this regard. The EU already receives 62% of the exports of acceding countries. Russia comes second as their main trade partner. We expect that trade flows of the enlarged EU with Russia will continue to increase.

- And in general the EU is the most open of the large world markets: after enlargement it will account for 18% of world trade in goods and 24% of trade in services. The enlarged EU will remain open to world trade, more than the US or Japan.