

EUROPEAN COMMISSION
DIRECTORATE GENERAL ECONOMIC AND FINANCIAL AFFAIRS
Economies of the Member States

Five Years of an Enlarged EU

- Economic Achievements and Challenges -

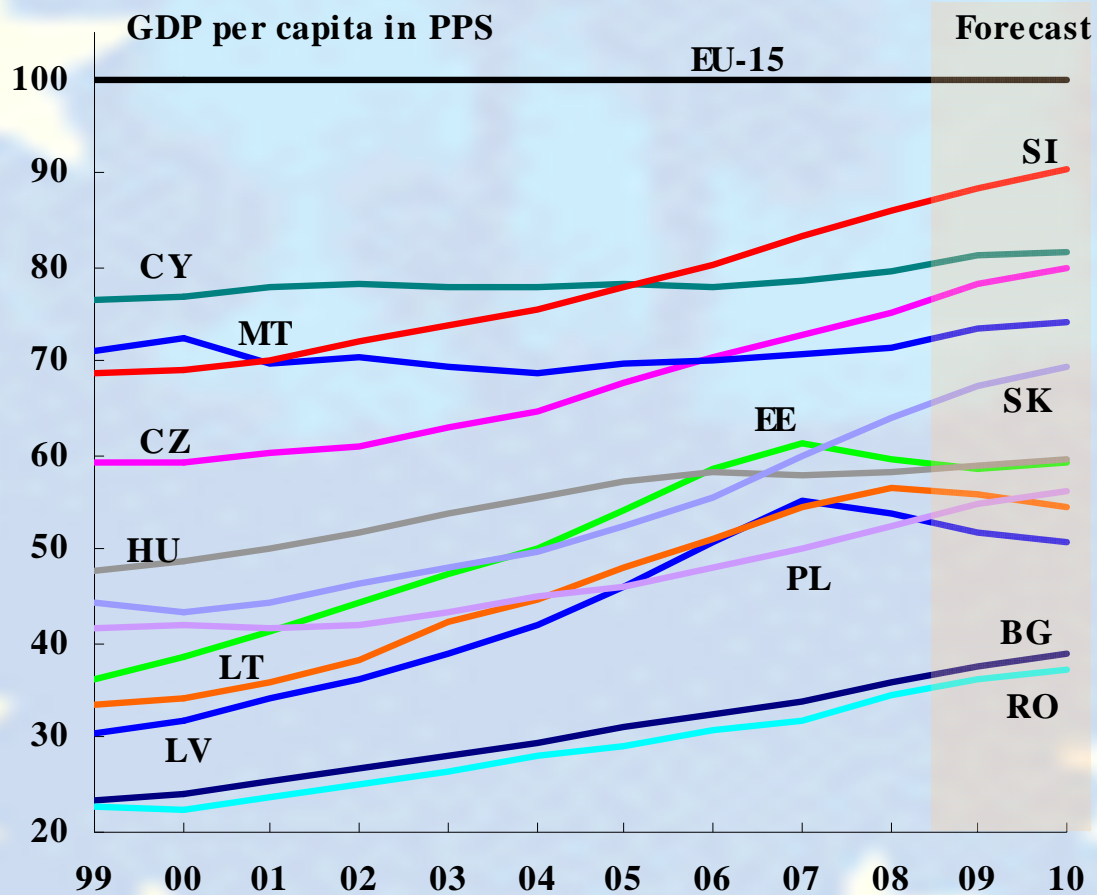
Presentation
by
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Director-General Economic and Financial Affairs

Brussels, 19 February 2009

Outline

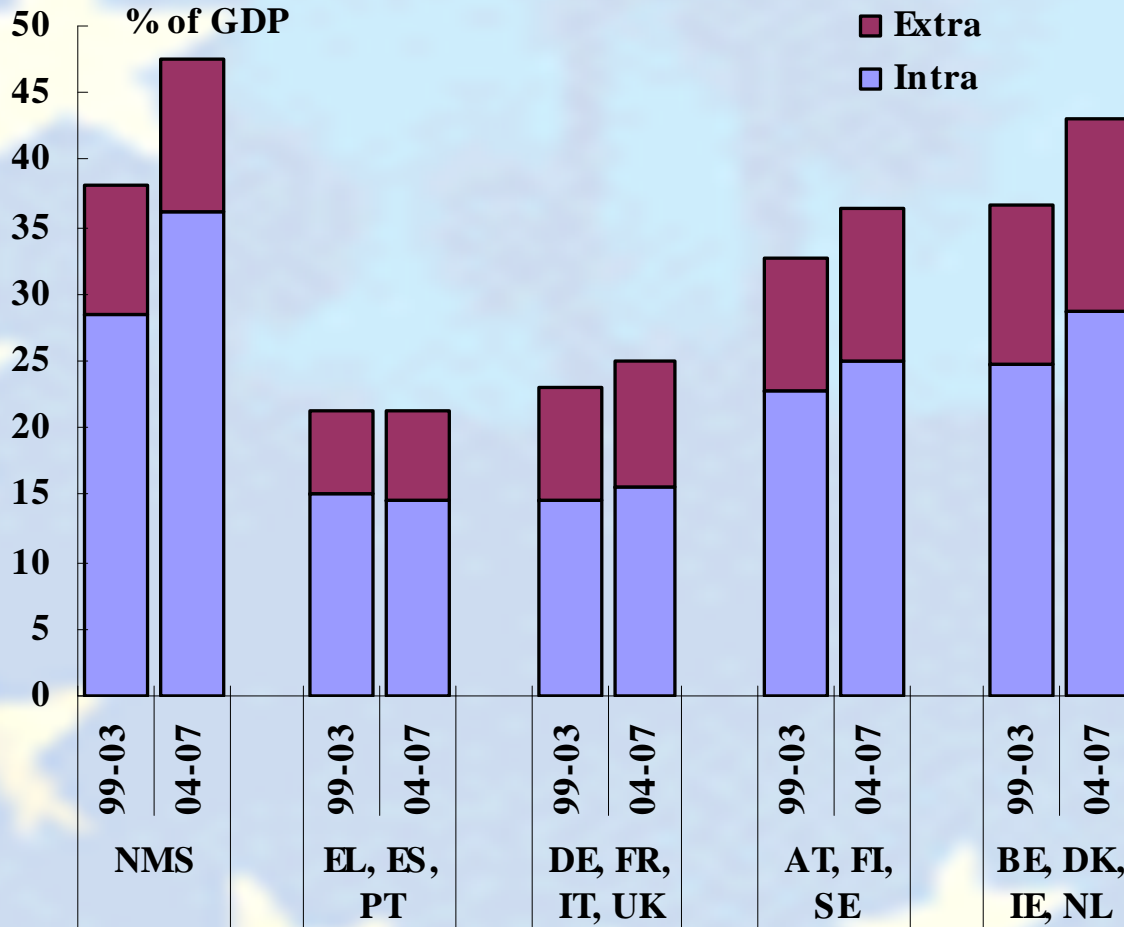
- **Economic Achievements**
- **Economic Challenges Ahead**
- **Economics Policies for Addressing Challenges**

Achievements (1): Considerable catching-up and improved living standards

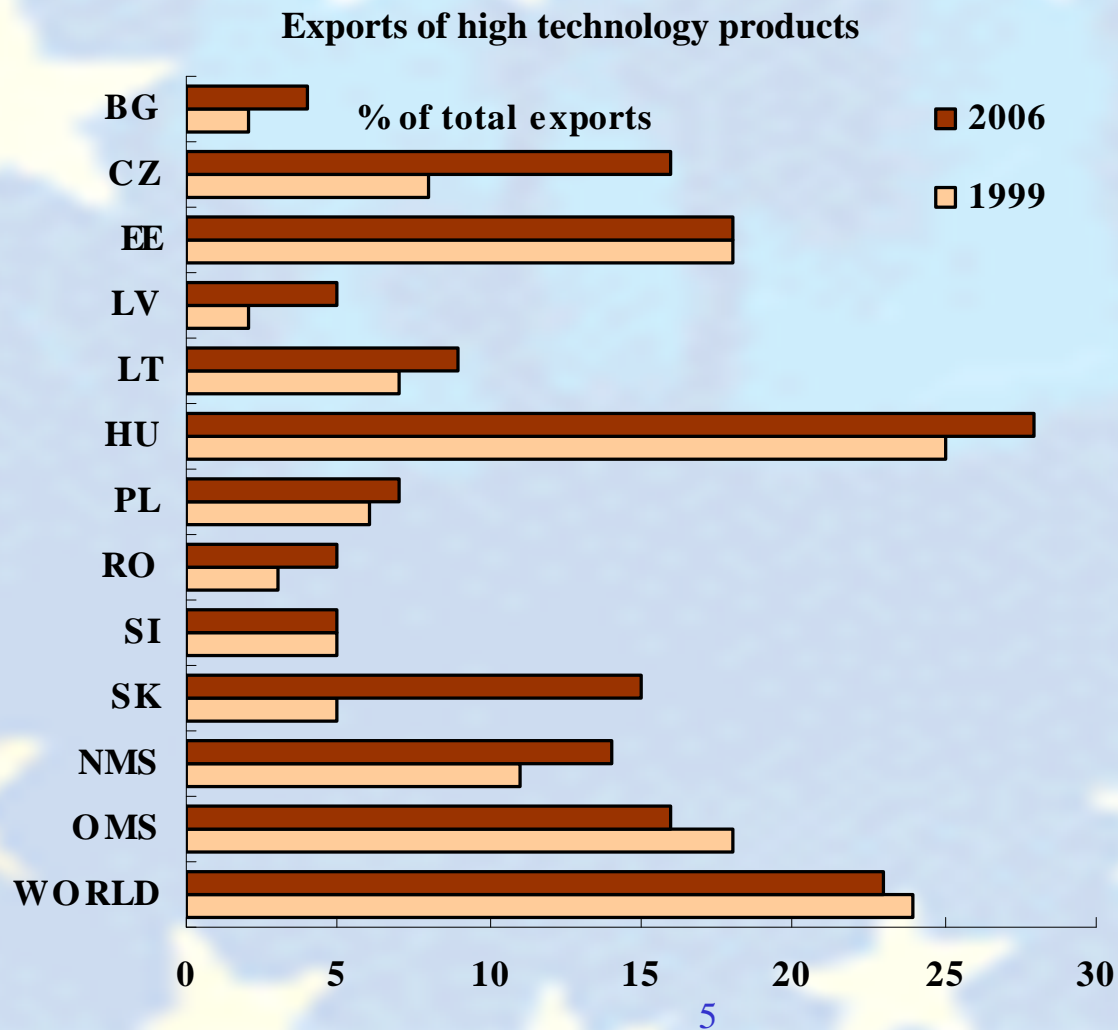


Achievements (2): Rapid trade integration

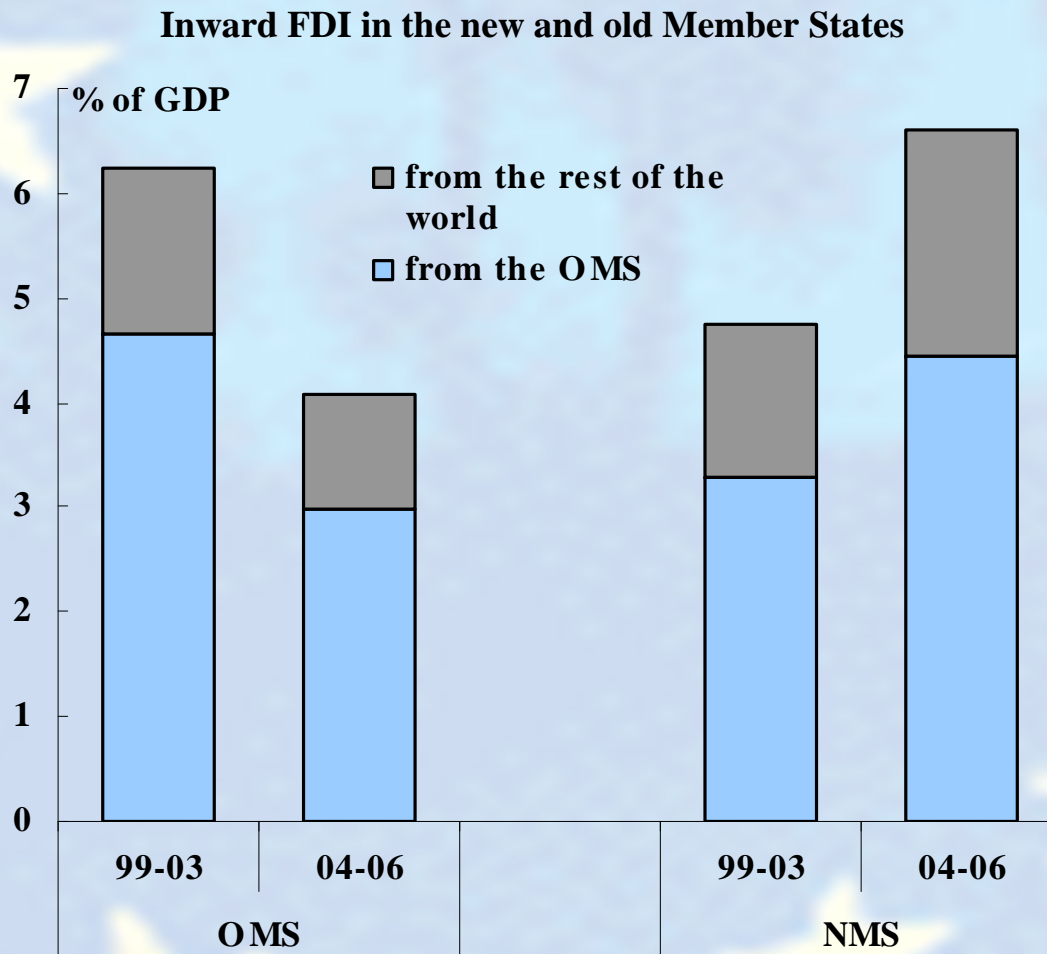
The importance of intra and extra-EU trade in goods for new and old Member States



Achievements (3): Rapid economic modernization, e.g. increased knowledge intensity

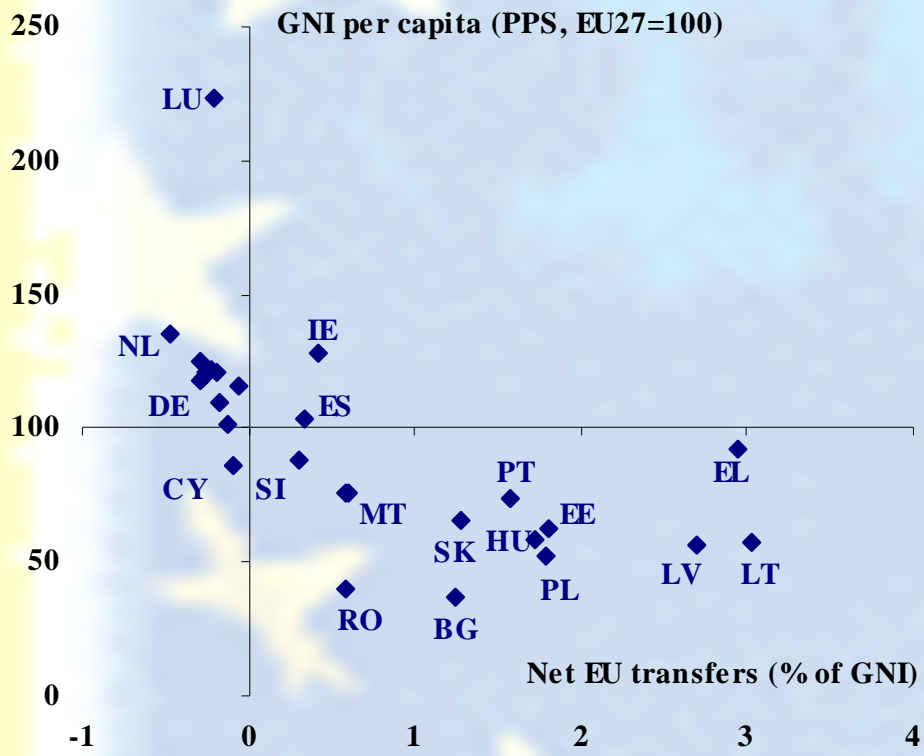


Achievements (4): Strong investments inflows

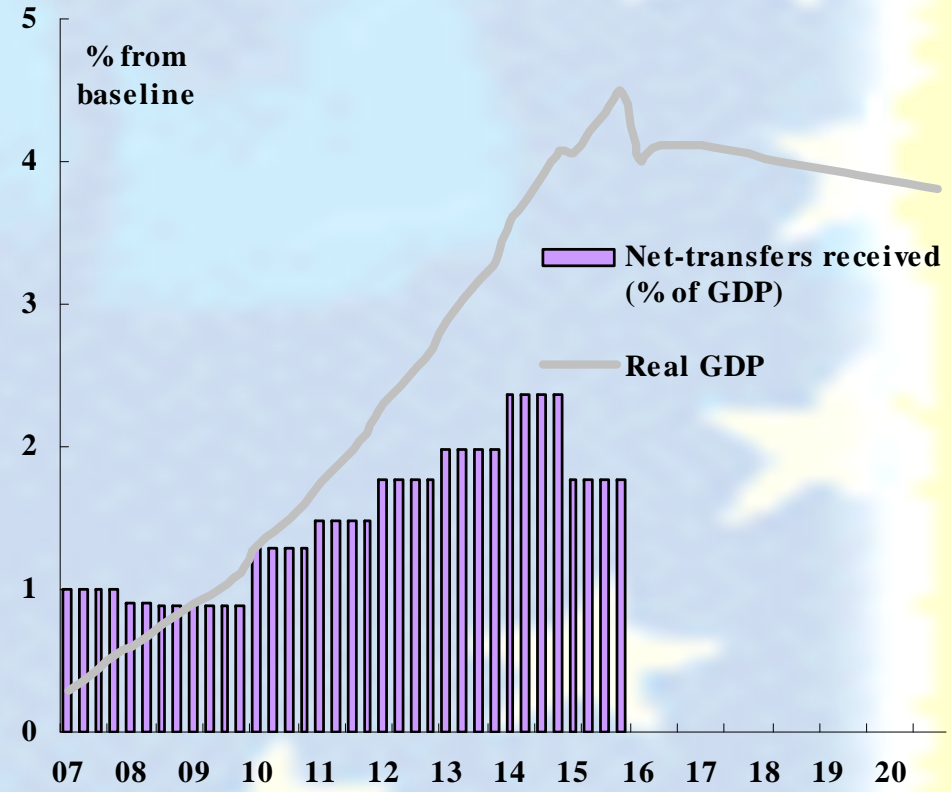


Achievements (5): Cohesion policy implementation

Net EU transfers and GDP per capita in 2007



GDP effects of Cohesion Social Fund programmes

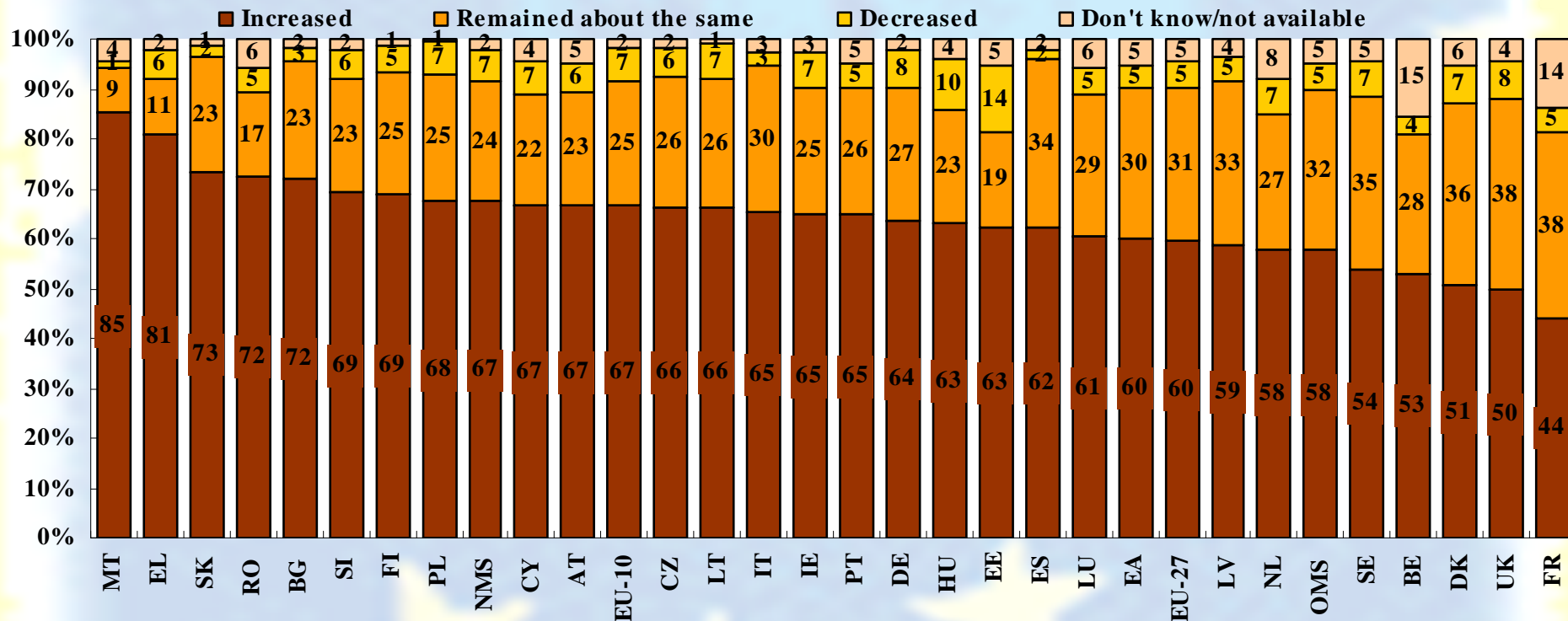


Achievements (6): New product market regulation (more competition, less state aid)

Total state aid

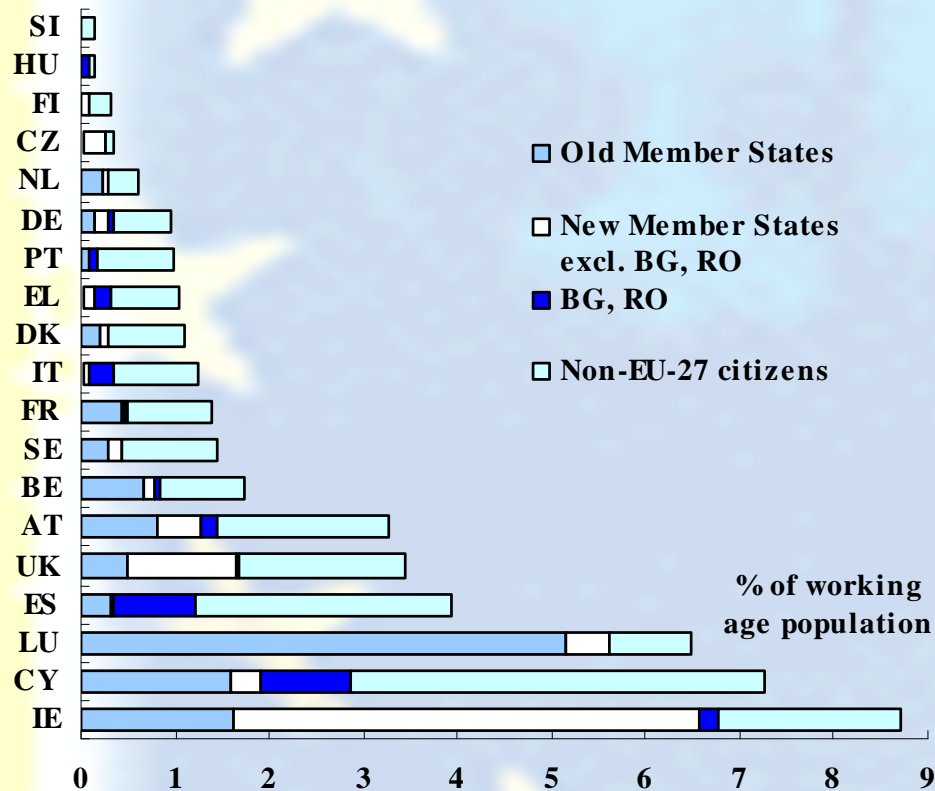
	2000-2003		2006	
	OMS	EU-10	OMS	EU-10
Total aid, million €	34 000	5 654	44 000	3 200
% of GDP	0.4	1.4	0.4	0.5

Perceived development of competition



Achievements (7): Smooth labour market developments: migration in perspective

Recent intra and extra EU movers and the resident population

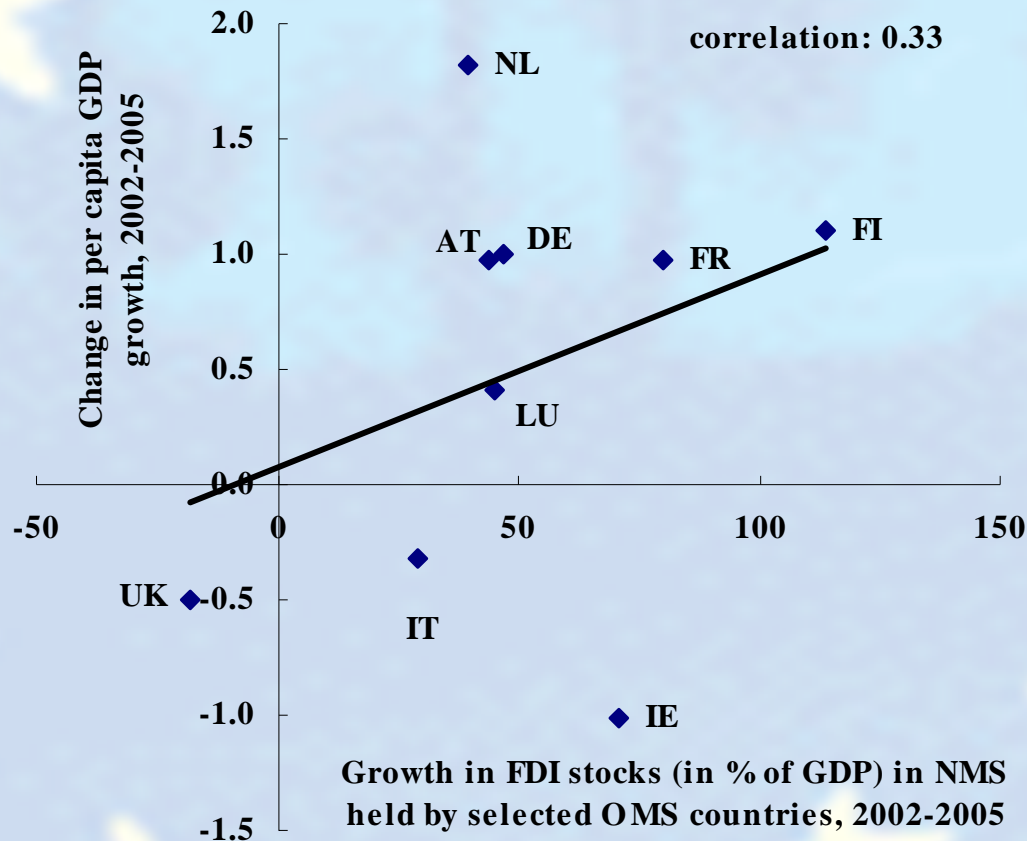


Mobility rates by sending country, 2007



Achievements (8): New investment and export opportunities for old Member States, securing jobs and growth at home

FDI stocks in the new Member States and economic growth of selected old Member States



Achievements (8): New investment and export opportunities for old Member States, securing jobs and growth at home (*continued*)

- **Increased trade growth of old Member States after the 2004 enlargement compared to the preceding five-year period**
- **The old Member States run a trade surplus with the new Member States**
- **Benefiting from complementarities: EU wide production networks are more competitive and increasing trade in intermediate goods**
- **Specialisation risk can be “insured” with trade in assets, specifically acquiring ownership of foreign enterprises**

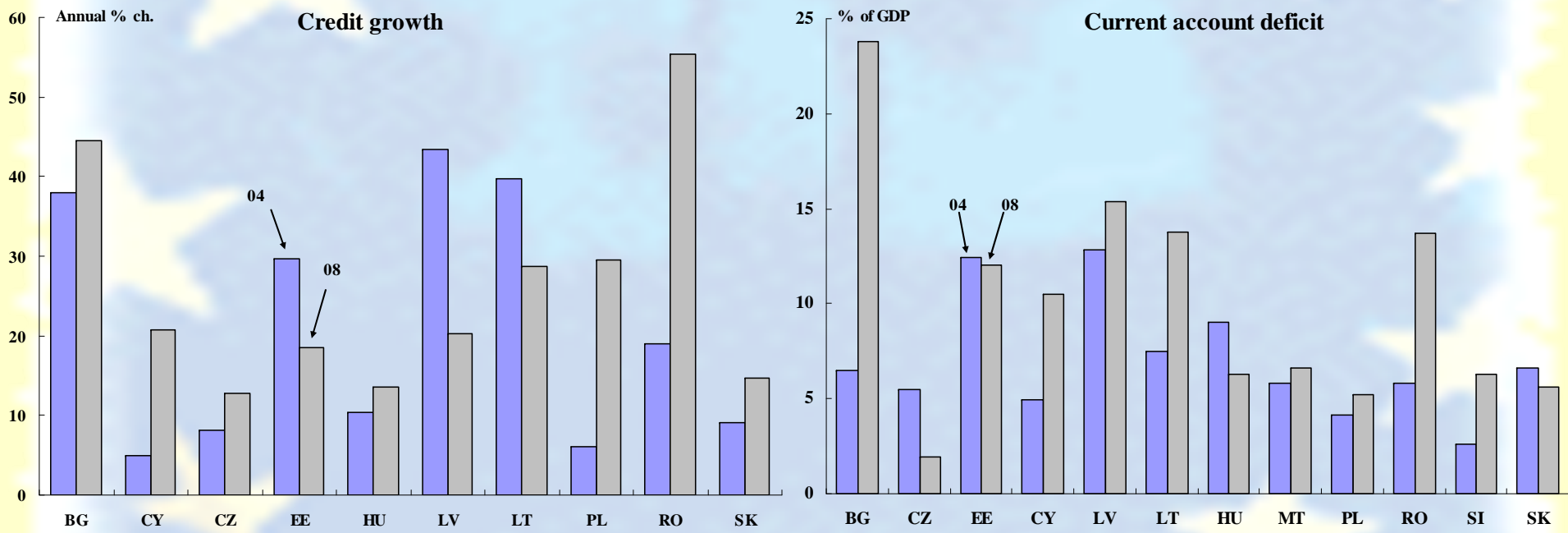
Achievements (8): New investment and export opportunities for old Member States, securing jobs and growth at home (*continued*) – thus President Sarkozy got it wrong ?

- “If you build a Renault plant in India to sell Renaults to Indians, that's justified, but if you build a factory, without saying the company's name, in the Czech Republic to sell cars in France, that's not justified.” (Sarkozy questioned by French TV journalists, Thursday 5 February)



- **Protectionism is not the answer**
- **The new Member States should not be specifically targeted in general or in this case. The Renault group has no production site in the Czech Republic (according to their website), the PSA group (also according to their website), jointly with Toyota, has one, which produced about 6% of the car output of the whole group in 2007 and employed about 2 1/2 percent of their work force in car production. They employed four times as many people in Spain than in the Czech Republic, and about twice as many in Italy.**

Challenges: Macro-financial vulnerabilities: Financial over-exuberance threatens catching-up achieved



Policies to Address Challenges

- **Fiscal policy and SGP**
- **Lisbon Strategy**
- **Enhanced country surveillance**
- **EU cohesion policies**
- **EU financial institutions: European Investment Bank, European Bank for Reconstruction and Development**
- **Balance-of-Payments Facility**

Conclusion

- **Enlargement has been a great success for all Member States.**
- **However, the achievements cannot be taken for granted: further reforms are essential to maintain them and ensure continued integration and income convergence in the EU.**
- **The current crisis may not only pose challenges but also offer opportunities for implementing such deep growth-enhancing reforms.**