

FIVE YEARS ON AN ENLARGED EU – A WIN-WIN RESULT

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CHECK AGAINST DELIVERY

The 2004 and 2007 enlargements were a huge historic step.

They put an end to the division of Europe, helped consolidate democracy and brought economic benefits for all EU countries – as a citizen who lived under a dictatorship during the best of my young years and who remembers well the fears and misgivings triggered by the membership talks of Portugal and Spain, during the first half of the 80s, I understand perfectly what this means.

But that's not why I'm here with my friend Olli.

I'm here to presently briefly the economic benefits of the EU's biggest enlargement ever, that we will be celebrating next May.

The last two enlargements were a milestone in the process of unifying Europe and have brought benefits to citizens throughout the Union. Economically:

Enlargement has led to higher growth and increased living standards, more so, of course, in the new Member States, which are in a catching-up process. Income per capita was only 40% of the old Member States' average in 1999. It climbed to 52% in 2008. Growth averaged 5.5% from 2004-2008 compared to 3.5 % in 1999-2003.

But this has not been at the expense of old Member States, whose growth was around 2.2% annually from 2004-2008, with a similar figure for 1999-2003.

Enlargement particularly increased trade opportunities. In 2007, almost 80% of exports of the new Member States went to the rest of the EU. Old Member States also saw their sales to the new members increase significantly to around 7.5% of their total exports in 2007, from 4 ³/₄ % a decade ago. Given their economic size, the old Members States export a lot more to the rest of the world, of course.

It is perhaps more telling to know that Danish exports to the 10 new MSs have been growing by double digit growth rates since 2004. You can also look up an interesting chart p91 of the report that accompanies the Communication – I believe you have received both – that shows by how much German exports to the region have increased in the last 10 years. The benefits of enlargement, as you know, do not wait until accession day, but start well before that.

The EU integration was also crucial to reduce unemployment in the new MSs that was much higher than in the EU15 as a result of having to go through a difficult transition to becoming free-market economies for most of them.

On the international scene, an enlarged EU carries more weight when addressing issues of global importance, be it climate change or the world economy and its governance, which we will be discussing this week-end in preparation of the G20 Summit on the 2nd of April.

The EU, let's remember, is now the largest integrated economic area in the world, with 500 million people and accounting for more than 30% of world GDP and more than 17% of world trade. You can see p21 how it compares with the US and other big world players.

We should not forget this, especially in the particularly difficult times we are living through at the moment. One of the biggest challenges we face presently, and not just in Europe, is to be able to resist every protectionist trend or we would risk destroying the huge benefits for citizens brought about by the creation of such a big border free single market.

The current global crisis is creating difficulties for all countries throughout the world, and unemployment is rising everywhere.

But a big, united EU is better able to address this and other challenges than if its member states act alone. Together and united we can overcome this crisis. Divided we will achieve nothing.

The EU has taken coordinated action to stabilise the banking system and to help the economic recovery. And we are working hard to help restore the crucial credit channel to the economy.

New Member States currently experiencing a sharp growth slowdown are being supported by the significant funds available under the EU's structural funds and by other instruments and EU institutions. Let me state a few numbers:

- In 2009 they will receive €7 billion from all the EU funds. This is more than what had been foreseen before adoption of the EU Recovery Plan.
- The European Investment Bank will also lend a total of €11.5 billion, €3.3 billion more than in 2008.
- The Balance of Payments facility to support countries with severe financing problems was increased to €25 billion from €12 billion at the end of 2008.

On top of this, some Member States either directly or through financial institutions are also lending support. Some western banks are now starting to recapitalise their subsidiaries (*reference to announcement by Unicredit of Italy, Raiffeisen of Austria and Germany's Commerzbank of recapitalisation of their subsidiaries in Ukraine*).

I am not saying this is enough. I am saying that this is a matter for all involved to monitor and to take action where necessary, including at the level of the international financial institutions.

Let me give the floor now to Commissioner Rehn