

Address given by Günter Verheugen on the enlargement of the EU and the European Neighbourhood Policy (Moscow, 27 October 2003)

Caption: On 27 October 2003, Günter Verheugen, European Commissioner for Enlargement, delivers an address at the Diplomatic Academy in Moscow in which he outlines the implications of the fifth enlargement of the European Union and the principles of its new Neighbourhood Policy.

Source: Speech by Mr. Günter Verheugen, member of the European Commission, at the Diplomatic Academy, Moscow, 27 October 2003. [ON-LINE]. [s.l.]: European Commission, [18.02.2005]. Disponible sur http://www.europa.eu.int/comm/world/enp/pdf/Verheugen-Russia-EU_Enlargement_and_the_Union_en.pdf.

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URL:

http://www.cvce.eu/obj/address_given_by_gunter_verheugen_on_the_enlargement_of_the_eu_and_the_european_neighbourhood_policy_moscow_27_october_2003-en-be19f178-524b-4b69-902c-eb902079f45c.html

Publication date: 02/12/2013

Speech by Mr. Günter Verheugen, member of the European Commission, at the Diplomatic Academy (Moscow, 27 October 2003)

Ladies and Gentlemen,

Let me first thank the Diplomatic Academy for inviting me here today and giving me the opportunity to present the views of the European Commission to such a distinguished audience.

I accepted with pleasure this invitation, because I firmly believe that good understanding of one another's attitudes and views is an essential element in developing the strategic relationship between the European Union and Russia. Such understanding cannot be achieved only around official negotiation tables and meetings. Less formal occasions, where policy and opinion makers as well as the broader public are involved, are equally important.

Today, I propose to brief you first on the state of play of the ongoing enlargement of the Union. I shall then address the implications of this enlargement on the Union's position and relations with the rest of the world. The enlarged Union's relations with its immediate neighbours and our ideas on what we have come to call the 'Wider Europe - New Neighbourhood' initiative will form the third part of my presentation. And I will conclude with a closer look at the relationship between the EU and the Russian Federation, particularly in the context of enlargement and of our neighbourhood policy.

I

Enlargement and Beyond

The European Union is about to conclude its largest enlargement since it was established in the fifties. Ten new countries will join us next May, representing an increase of 23% of the Union's territory, 19% of its population, though of only 5% of its economy. The enlarged Union will cover a population of 450 million with a GDP close to that of the United States.

Politically, the new enlargement is largely already achieved.

- The accession Treaty was signed last April.
- The peoples of the acceding states have demonstrated their clear support for accession through referenda
- The ratification process has been completed in acceding states. It is under way in the present Member States and I do not expect any surprises
- The Commission is monitoring the implementation of commitments by acceding states and will present its reports next Wednesday. However, this exercise does not affect the accession timetable.

Through enlargement, a comprehensive settlement of the *Cyprus* problem has become a realistic possibility. The solution is already on the table since November last year with the UNSG Annan plan. I strongly feel this opportunity should be seized by all the parties concerned the soonest possible. There is convincing evidence that a large majority of Cypriots of both communities want to live together within the Union.

The present enlargement, fifth in the history of the EU, will not be completed in 2004. Accession negotiations with *Bulgaria and Romania* have been making considerable progress, and are part of the same inclusive and irreversible process. It is likely they will be finalised in time for these two countries to join the Union in 2007, thus meeting the objective we have set. I am confident this timetable is realistic, provided of course the two candidates keep up their efforts and the momentum of reforms.

Let me say a few words about *Turkey*. Turkey is a candidate for accession. Last December we decided that by the end of 2004 we will assess if it meets the political criteria which have been set for joining the Union. If our assessment is positive, negotiations will start without delay. It is of course too early to judge what the outcome of this assessment will be. What I can say today is that we are impressed by the progress of political and economic reforms in that country under the present government. Of course, there is still

considerable way to go. And we expect continuing support by Ankara for a settlement of the Cyprus problem.

I should add that the criteria for the accession of Turkey are the same that have applied to the other candidate states. Religion is not part of them. On the contrary, a successful enlargement with Turkey would confirm our conviction that there is no inherent contradiction between Islam and our values. This is particularly important in the post September 11 context, especially for the Union's relationship with its southern neighbours, the Arab and the Islamic world.

To complete the picture, let me mention briefly the *Western Balkans*. These countries, as potential candidates, have been given a clear perspective of membership in the EU, most recently in the Thessaloniki summit last June. Croatia has already tabled its application and the Commission will issue its opinion on it in March next year.

The Western Balkans are gradually leaving behind the bloody conflicts of the nineties. Important steps have been made in terms of political and economic reform. However, overcoming the heritage of this recent past and ensuring there will be no return to it, is still a major challenge for the region. For most of the Western Balkans, the road to the fulfilment of the political and economic criteria for accession seems quite long. Capacity to live in peace with neighbours and among ethnic communities, and combat against organised crime and corruption are key tasks. The Union supports politically and financially the reform efforts and the European aspirations of the Western Balkan countries. It is also playing an increasing role in peacekeeping operations in the area.

II

Far-reaching implications

It has been a long road since the Copenhagen decisions of 1993, when the present enlargement process started. But it has also been a road of *remarkable achievement* by the candidate states, in political, economic and administrative reform. It is *this* achievement that allows us to be confident that the enlargement will be a success, both for the new members and for the Union as a whole.

Nonetheless, the 2004 enlargement - as well as the next steps - will undoubtedly pose *a challenge to the Union*. Absorbing such a large number of new members will put strain on our institutions and our policies. Economic and social disparities within the Union will increase. Greater diversity will be a source of enrichment, but will also increase the need for cohesion.

We are addressing these challenges through further institutional and policy reform. A Constitution for the Union is presently under discussion at the Intergovernmental Conference on the basis of the draft submitted by the Convention last June. We will also be addressing the implications of enlargement within the framework of the forthcoming discussions on the financial perspectives of the Union for the period after 2006.

Enlargement will also affect the *European Union's role in the world*.

- The bigger the Union is, the greater its global interests will be. We will have new neighbours and longer borders with old ones. At the same time, we will be getting nearer to zones of present or recent instability.
- Our weight on the international scene will increase and we will benefit from the foreign policy and defence assets of our new members.
- Greater diversity of interests and approaches among Member States will put greater demands on us in shaping and implementing a common foreign, security and defence policy.

Speaking with one voice and being capable of acting coherently and efficiently in foreign policy is a major

imperative for the Union. This was shown in the most dramatic way last spring with the Iraqi crisis. It then became clear that this issue was also related to enlargement. We are presently digesting this crisis and seeking ways to move ahead. I am confident we will succeed in this, as has happened many times in the past. There is greater awareness today, among both old and new member states, that we simply have to move forward in the fields of foreign, security and particularly defence policy.

Enlargement will benefit not only the acceding states and the Union as a whole, but also our neighbours and our other partners:

During the past fifty years the European Union contributed decisively to transform a large part of our continent, previously ravaged by devastating wars and nationalist divisions, into an area of peace, freedom, integration and prosperity. This major achievement was accomplished in full respect of the identity of our peoples and nations. This is why the EU is arguably the greatest success story in the second part of the 20th century.

The present enlargement will extend this area to cover ten and eventually more countries. In fact, this extension has already been broadly achieved during the run up to accession, though a major remaining task is the economic and social catch up of the acceding countries.

Expanding the area of peace and stability in Europe can only affect positively our broader neighbourhood and international security. Experience has shown that EU membership has a positive impact on relations between Member States and neighbours, not least by reducing uncertainty and insecurity. The European Union is a reliable and respected partner.

Increased prosperity in an enlarged Union, based on functioning and open market economies, will generate opportunities for trade, investment and all-sided economic co-operation with third parties, first and foremost with neighbours.

This is the broad picture we must keep in mind. We shall work together with partners to ensure that the opportunities presented by enlargement will be seized. These opportunities are real, as has been shown also by previous enlargements. Within this framework we should also address problems arising from enlargement in our relations with the rest of the world.

III

The Wider Europe - New Neighbourhood Initiative

Enlargement is the starting point for a new approach towards our relations with our neighbours. This is the Wider Europe - New Neighbourhood concept, to which I now propose to turn.

Why a neighbourhood policy

Why do we need a new neighbourhood policy and why is this issue of actuality today?

I already stated that enlargement is proving a success in expanding the area of *stability and prosperity in Europe*. However, this area can only be sustainable if it also extends to our neighbourhood. Achieving this is a crucial EU interest, just as it is of crucial interest to our neighbours.

We believe we can reach this goal by *promoting our shared values*, including those of rule of law, democracy and human rights, and by *enhancing economic development, interdependence and cultural links*. But also by *jointly addressing threats* - regional conflicts, terrorism, organised crime, illegal immigration.

Enlargement must not create new dividing lines in Europe. This is a central element in our thinking and a solemn commitment. It reflects our own interest and not only that of our neighbours. So we will need to develop a policy that will allow us to seize the opportunities and address the challenges from the ongoing

enlargement in our relations with our neighbours.

The content of the Wider Europe - New Neighbourhood Initiative

What is the content of our new Neighbourhood policy?

Let me first explain that this policy concerns relations with all the Eastern and Southern neighbours of the enlarged Union: In the East, Russia is of course much *more* than a neighbour, since it is a strategic partner; but it is *also* a neighbour; and then Ukraine, Belarus and Moldova. In the South, the 10 countries of the southern Mediterranean, including the Palestinian Authority.

Relations with Bulgaria, Romania and Turkey are not included, since these are candidate countries. The Western Balkans are also excluded, since, as mentioned, these countries too have been offered a clear accession perspective. At a later stage, we could consider including the countries of the Southern Caucasus.

The countries concerned by our Wider Europe initiative form an area with close to 400 million inhabitants, i.e. of the same order of magnitude as the Union of 25. They represent a GDP that is roughly double that of the 10 acceding states, though less than 10% of the GDP of the Union of 25. In terms of standards of living, the average level of our neighbours is much lower than ours. Indeed, with the exception of Israel, all other countries concerned lie below the least prosperous of the acceding states.

Our aim is to build *special relationships with our neighbours, based on shared values and common interests*. The depth, quality and momentum of these relationships will reflect the will of both sides to promote these values and interests, as well as the interest and capacity of partners to meet requirements for economic integration. From our perspective, values such as rule of law, democracy, human and minority rights are fundamental; they constitute the ground for our special relations with our neighbours.

We are prepared to work with our neighbours to *fully tap the potential of existing agreements, but also, where appropriate and mutually desirable, to go beyond them*. In the field of economic co-operation, we would be offering a stake in our *Internal Market*, i.e. the extension of the 'four freedoms', goods, services, capital and labour, as a long-term objective. Other priority areas, in our view, would be *Justice and Home Affairs, infrastructure networks and environment, and people-to-people contacts* in areas such as research, culture and education. The opening of certain *Community programmes* to citizens and institutions of neighbouring countries is also a possibility to be looked in.

Our idea is to prepare *Action Plans* with those of our neighbours that would so agree. The Action Plans would set the objectives for the development of our relations, short- and medium- term. They would include clear indications of the prerequisites for each step, and of the commitments by each side. A first group of Action Plans could be agreed in the first half of the coming year. Our assistance programmes to neighbouring countries could then be adapted to reflect the priorities set out in the Action Plans.

An important component of the neighbourhood policy is *co-operation at the enlarged Union's external borders*. The Union of 25 will acquire two new neighbours to the East, Belarus and Ukraine, while a third one, Moldova, will be added, with Romania's accession. Russia's border with the EU will almost double in length. On the whole, the Union's land border with the countries covered by the Wider Europe - New Neighbourhood initiative will pass from 1300 to 5100 kilometres. Moreover, the accession to the Union of the two island states, Cyprus and Malta, will bring a number of Mediterranean countries closer to the EU territory.

In most of the enlarged Union's external borders, there is a long tradition of cross-border contacts and interpenetration. Ethnic and linguistic kinship, close links based on geography and history are an important part of life in these areas. In many places, a vibrant, if not always orderly, transboundary economic activity has grown over the last years, and contributes substantially to the budget of households. Politically and economically, but also from a human dimension, it is important to maintain and manage these transboundary contacts and to develop new ones.

The Union has already been financing cross border co operation on both sides of its borders. However, enlargement sets new demands upon us. We must make an additional effort in this area. A wide range of activities could be supported: from interconnection of networks at the micro-scale of border areas, to support of economic co-operation, contacts between local authorities and NGO's, and establishment of border region partnerships.

We are presently exploring ways to improve co-ordination between various Community programmes involved in such activities. We are also exploring ways to facilitate local border traffic, while maintaining the high level of border security required by our Schengen acquis.

For the period after 2006 we are considering an increase in our financial support and a substantial reform of the framework of cross-border-co-operation. This would improve the planning, co-ordination and implementation of co-operation on both sides of our borders.

Differentiation and Coherence

Our Wider Europe - New Neighbourhood policy will take full account of the differences in relations with each of our neighbours. At the same time, it should also ensure coherence and include the regional dimension. Let me elaborate briefly on this issue.

It is obvious that our neighbours differ largely. So do their relationships with us. Ukraine is not Egypt and Israel is not Moldova. Russia is a strategic partner. Hence differentiation is a key notion in our neighbourhood policy. Our relations also reflect different sets of common interests, and a different extent of values shared. With most of our neighbours there is a large specific 'acquis' of relations, which will be respected, not least because, as a rule, its potential is far from fully exploited.

At the same time, there are issues related to proximity which are largely common, or have a regional dimension. Ensuring that enlargement will not affect negatively human contacts along our borders is a task we face with practically all of our neighbours. The same is true for co-operation in the area of border management. Interconnection of energy, transport and telecommunications networks has strong regional aspects.

In our relations with neighbouring countries, our approach towards values such as rule of law, democracy, human rights and economic reform is and should be consistent. The role of this dimension will of course depend on the nature and extent of our common commitments, multilateral and bilateral; it will also depend on the ambitions of our relationship. Nonetheless, there is a fundamental common element in our approach.

Neighbourhood and further enlargement

The Union's neighbourhood policy is distinct from the issue of possible further enlargement. It concerns countries for which accession is not on the agenda.

Our neighbourhood policy does not close the door to the European aspirations of any country. On the contrary, by enhancing co-operation and encouraging reform, it should be of great help in supporting such aspirations, where they exist and are pertinent. On the other hand, it is clear that the Union's neighbourhood policy cannot be based on the prospect of successive accessions of its neighbours.

State of Play

Where do we stand today in the Wider Europe-New Neighbourhood initiative?

Last March, the Commission prepared a Communication exposing our concept. This approach was broadly endorsed by the Council and by our Heads of state and government in June.

In July, we presented another *Communication on cross-border-co-operation* at the enlarged Union's external borders and on the establishment of a new neighbourhood financial instrument. The Council welcomed our proposal a fortnight ago. Work on its implementation is already under way.

Recently, the Commission tabled proposals for *new regulations aiming at facilitating local border traffic*. The establishment of a special 'local' visa regime is envisaged.

Preparation of the *Action Plans* has already started. Within the Commission we have taken some measures to better organise our work on Wider Europe, which has been placed under my political responsibility. My colleague Chris Patten remains of course responsible for bilateral relations with neighbouring countries, and for external relations in general.

Ten days ago the *European Council in Brussels* welcomed progress made on the Wider Europe New Neighbourhood Initiative. It urged the Council and the Commission to take forward work in implementing this initiative with a view to ensuring a comprehensive, balanced and proportionate approach. This would include the establishment of a financial instrument, responding to the needs to promote cross-border and regional/ transnational co-operation on the external borders of the enlarged Union.

Joint ownership

As I already mentioned, the Wider Europe - New Neighbourhood concept is based on joint ownership. Hence consultation with our partners, and agreement on the Action Plans is a central element of the exercise. This is the main purpose of my visit to Moscow today. To present our ideas and to discuss them with your authorities, as well as to explore how better this initiative can fit in our broader strategic relationship. I have already been in Ukraine and I intend to visit gradually all the countries concerned.

My first impressions so far from partners is that there is considerable interest in the Wider Europe - New Neighbourhood concept and in some cases high expectations, but also, understandably, some uncertainty, questions and concerns, since we are at the beginning of a process. There is broad agreement that we must take full advantage of the potential of enlargement for our relations, while jointly addressing challenges resulting from it. There is also widespread interest in the prospect of participation in parts of the Internal Market. Most partners are particularly attached to the principle of differentiation.

IV

Russia and the Wider Europe - New Neighbourhood Initiative

Allow me now to turn to our relationship with Russia and the place of the Wider Europe - New Neighbourhood initiative in it.

Russia is the eastern neighbour with which the Union has the longest border. With enlargement, this border will rise from 1300 to more than 2200 kilometres. In addition to Finland, four new Member States are your direct neighbours. The Kaliningrad oblast of the Russian Federation will find itself surrounded by the EU. Russia answers for around 40% of the population and the GDP of the countries covered by the Wider Europe initiative. Its weight on our eastern border is of course preponderant. With enlargement, the EU share in Russia's foreign trade will increase from around 35% to 50%.

The Russian Federation is of course much more than a neighbour to the Union. Its geography, its size and potential, and its role in world affairs make that our relationship with Russia has developed into a far-going strategic partnership.

I will not go into the detail of this partnership which has many dimensions. I will only recall the recent *St. Petersburg summit*, where we set the objective to gradually establish four common spaces. In addition to the *Common European Economic Space*, the concept of which will be presented at next month's Summit, we will develop a common space of freedom, security and justice, a space of co-operation in the field of

external security, and a space of research and education, including cultural aspects.

I will also recall the importance of our *political dialogue*, of our *energy dialogue* and co-operation in the area of environment. Russian participation in the Northern Dimension, our co-operation in peace keeping in the Balkans, as well as within the framework of the *Quartet* are other important elements. The EU is playing a leading role in the negotiations for Russia's accession to the WTO.

Our strategic partnership rests on the common values to which we are committed, on our mutual interests as major international players, and, increasingly, on convergent views. The European Union and Russia have been working together on numerous international issues, including on regional ones in areas which are close to both of us. A broad co-operative approach, in full respect of the two parties' interests, positions and independence of action, has replaced reflexes of the past. The importance of our relationship has been repeatedly highlighted in the context of the difficult international problems and challenges we have been facing in recent years.

This is the broader context and perspective of our relationship. Pertaining differences of opinion on one or the other issue, be it in trade matters, or in the perception of specific political questions should be seen in this perspective. The overall picture can certainly not be blurred by debates, sometimes lively, on the organisational structure and formats of our co-operation.

Russia will benefit from the European Union's enlargement:

- As in the case of other partners, Russia will benefit from the extension of the area of stability and prosperity in the European continent, as it is in our vital interest to be an open and reliable partner
- It will benefit from the opportunities created through the enlargement of our Internal Market.
- It will benefit from a European Union that will become stronger and more active on the international scene.

Of course, we are aware that enlargement will also entail a number of challenges in our relations. I would call them challenges of adjustment, which are usual and indeed inevitable, though as a rule secondary, in such processes. We will jointly address them where they exist; actually, we are already doing this. The existing institutional framework of our relations provides ample space for dealing with such issues and it is therefore essential it be allowed to function smoothly.

So, where does the Union's neighbourhood policy fit in our relationship?

From our perspective, our most important neighbour's place in our neighbourhood policy is self-evident, for reasons of coherence and inclusiveness. We have common borders, while many neighbourhood issues have a regional dimension where Russian involvement is important; indeed, it is the absence of Russia from such a framework that would seem odd.

In our relations with Russia, there is a large range of issues which would be relevant to address through the Wider Europe policy, or having this policy in mind: cross border co-operation, border management, transport and energy corridors, Black Sea pollution, fight against drug trafficking and other forms of organised crime are just a few examples. Of course, we should take full account of existing policies and frameworks: for instance, the internal market related parts of a possible Action Plan with Russia would have to reflect the Common European Economic Space concept.

Regions on both sides of our common frontier will benefit from the planned New Neighbourhood Instrument, which is an important element of the Wider Europe approach. I am thinking in particular of the Kaliningrad oblast, but also of the border regions with Estonia, Latvia, and, of course Finland.

We should also explore how regional initiatives such as the Northern Dimension, the Baltic Council, or the Organisation for Black Sea Economic Co-operation could best be served by the Wider Europe initiative and

its instruments.

An Action Plan with specific targets and timelines, setting out the reciprocal undertakings of both sides, that would be agreed between the two parties along the lines foreseen in the Wider Europe initiative would be a useful instrument in moving forward our vision of the Common spaces.

For all these reasons, the Wider Union - New Neighbourhood initiative provides in my view substantial added value to our relationship with Russia.

I should maybe add that we have heard some questioning and scepticism with respect to your country being part of this initiative: some have expressed concern that the participation of Russia could act as a brake to the European ambitions of other neighbours. Others fear that inclusion of Russia in the Wider Europe concept could downgrade or even conflict with our strategic partnership.

So, let me make some remarks to make our position clearer:

- First, there is of course no question of downgrading or abandoning our strategic partnership. This will stay and develop as we both want. Our idea is to integrate the Wider Europe - New Neighbourhood concept into our broader relationship and not the other way round. In our view, as the EU Council put it last June, this will reinforce our partnership.

- Second, we do not intend to abandon or duplicate the rich bilateral framework for our relations, a framework which covers all possible areas. All the less so, since its potential has not been fully exploited. At a later stage, we could envisage upgrading the contractual framework, but we should first see that the present one is fully used.

- Third, the principle of differentiation, which I have stressed is a key notion of our neighbourhood policy, fully guarantees that no special relationship will be harmed, and no country will find its way barred by others.

- Last, but not least, Wider Europe is not a unilateral venture. We will be discussing with all our partners, and of course with Russia on the areas of common interest within this initiative. The outcome will be agreed and therefore balanced and specific to each relationship.

I earnestly believe, therefore, that such concerns, whatever their origin, are ungrounded. The aim is to strengthen our strategic partnership. Wider Europe will enrich and provide focus, and value added to it, while of course it will also benefit our other neighbours. The times of zero-sum reasoning in our region are past. Co-operative approaches are today the name of the game. And Russian participation in our neighbourhood policy forms an obvious and integral part of such an approach.

Ladies and Gentlemen,

I have tried to present you in some detail the Commission's and the European Union's views on the ongoing enlargement and its next steps, on our neighbourhood policy, and on the significance of these to our strategic partnership with your country.

Permit me now to conclude by summing up what I feel should be my main messages:

1. EU enlargement is for all practical purposes already a reality and a remarkable achievement. It will be a success and the Union will come out stronger. There is awareness of the need to match it with reform, so as to maintain the momentum of integration.

2. Enlargement will benefit our partners and neighbours; politically and economically. Possible problems are secondary. They can and they will be jointly addressed. We are firmly committed not to allow new dividing lines to be drawn in Europe.

3. We are presently in the process of defining an ambitious neighbourhood policy for the enlarged Union. Its overall aim is to promote stability and prosperity in our region, based on shared values and common interests. Our policy, while coherent, will also be flexible to allow for differences in situations and relations. We are discussing our ideas with partners.

4. The Union's partnership with Russia is strategic and far-reaching. We have gone a long way in the last decade and we intend to pursue this course. Problems in our relations are being addressed from this perspective. We are convinced that enlargement will benefit our relationship and we will work to ensure that this will be so, by overcoming whatever problems may arise. Within this framework, we feel that Russia's place in our emerging neighbourhood policy is central, to our mutual benefit.

Thank you!