

## Address given by Romano Prodi on enlargement and the prospects for growth (Trieste, 30 April 2004)

**Caption:** On 30 April 2004, Romano Prodi, President of the European Commission, delivers an address in Trieste in which he refers to the enlargement of the European Union and the prospects for growth and considers the new economic opportunities for Central Europe.

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## Enlargement and the prospects for growth

### New economic opportunities for Central Europe

Trieste, 30 April 2004

Ladies and gentlemen,

The process of European integration has deep political, cultural and historical roots that stretch back into the dim and distant past.

For hundreds and hundreds of years we Europeans have dreamed of making something tangible out of our widely shared feeling of belonging together.

Now, for the first time in our history, we are successfully unifying the continent in peace and democracy.

Tomorrow 75 million people from the ten new countries will become full citizens of the European Union.

Although tomorrow's enlargement will be the biggest in our history, it is but one stage in a process that will, in due course, embrace other countries.

The Council will shortly take a decision on Turkey, and if all goes well Bulgaria and Romania will join the Union in 2007.

The Commission has just recommended starting accession negotiations with Croatia and we have already received Macedonia's application for membership.

These latest developments have been a source of particular pleasure for me and I am not just saying this because we are so close to Croatia.

I have often said that the unification of the continent will not be complete until it includes the whole of the Balkans.

So therefore I see the developments with regard to Croatia and Macedonia as the first step in a process that will gradually involve all the countries in the region, each at its own speed.

I believe that enlargement is the Union's masterpiece.

Let us not forget that that not very long ago an Iron Curtain stretched from "Stettin on the Baltic coast to Trieste on the Adriatic" and this evening I will see the symbolic disintegration of the final fragment.

In 1989, the leaders of Western Europe saw a chance to bring peace, stability and prosperity to the whole of the continent.

It is thanks to them and the Community institutions that in a very short space of time we succeeded in developing a coherent policy to address the new situations that had arisen out of the collapse of the Soviet bloc.

But from that moment on, the countries that will join our Union tomorrow had the hardest task.

In but a few short years, all the new Member States have made giant leaps forward. History will record their progress during these years as an epic march.

We have witnessed a silent and patient revolution that has completely transformed the administrative, political and economic structure of these countries.

From Tallinn to Valletta, our new fellow citizens have succeeded in developing market economies and open and democratic societies that meet the high standards we laid down in 1993.

Of course, their progress was guided by the accession criteria, which are political, economic and legal; but it is one thing to set an objective and quite another to meet the challenge and reach the goal.

I must confess that what I have seen in the enlargement countries will remain with me as the most lasting and moving memory of my years in Brussels as President of the Commission.

Their Parliaments have worked night and day to incorporate in national legislation the Community rules and laws that we have developed over nearly fifty years.

It was in fact in one of these Parliaments that I heard the most wonderful definition of the European Union. I was in Bucharest and a Member of Parliament there told me that he was sure that the rights of minorities would be respected because no single population within the Union had a majority.

This Member of Parliament made me realise that the European Union is a Union of minorities. This is important because it offers the best guarantee for preserving and developing the identities of all the different populations that have joined together in the Union.

All the new Member States deserve our applause and admiration. But speaking to you here in Trieste I would like to focus for just a moment on our neighbour, Slovenia, which apart from Cyprus is the new Member State with the highest per capita income.

I see Slovenia as providing continuity between the regions of the Europe of 15 and the socio-economic realities in the new Member States. And I see it having the role of opening up the road to development and economic integration to all the others.

This brings me back to the reason for our meeting today. It is clear that enlargement brings with it great opportunities for production, trade and investment and not just for Central Europe.

Political and structural reform in the new Member States and the introduction of Community law are creating a favourable environment for investment and industry.

The new countries are poorer than the current European average but their economies are growing fast. Over the last few years the average growth rate in the 12 accession and candidate countries has been 4.2% one of the highest in the world.

This potential for growth will continue to be considerable in the future, and enlargement will act as a catalyst, transforming this potential into real development.

Resources will be allocated more efficiently in the new countries; they will benefit from greater investment and increased productivity.

Their financial markets are also expected to grow considerably, and European law will ensure that this growth is structured and regulated, not piecemeal.

Per capita incomes will gradually converge to arrive at the current levels in the Union and the abundance of skilled workers and the modernisation of infrastructures will speed up the process.

Clearly, much depends on each country's capacity to make the most of these opportunities, but we expect that during this decade enlargement will generate additional growth of about two per cent per annum in the new Member States.

Enlargement will offer economic opportunities, and not just for the new countries. It will also generate growth in the fifteen current Members of the Union.

However, as the new countries' economies are not particularly large, it will not have a major impact in quantitative terms.

The GDP of the 12 accession and candidate countries, taken together, is more or less the same as that of the Netherlands.

It must also be said that the impact of enlargement will not be felt equally throughout the Union. The greatest benefits will be felt by the countries in Central Europe.

We calculate that enlargement in itself will increase growth by half a percentage point per year in Germany, Austria and Italy, for example.

I am sure that everyone in this city understands the political significance and sense of these developments.

Until today, cities like Trieste and Gorizia have paid the price of being situated at borders. From tomorrow these cities will have the advantage of being at the centre of an enormous area of trade and development.

And this is the point of our united Europe: to transform borders from lines that divide into lines that join us together.

In addition to its direct effects, enlargement will also have a major impact on the single market.

Tomorrow almost half a billion of us will be living and working in a single market that has low inflation, sound fiscal policies and considerable potential for growth.

In the age of globalisation, this single market is our real capital and we must do our best to maximise its yield.

This means, above all, that we must make the most of the impetus and enthusiasm generated by enlargement to give the Lisbon strategy fresh momentum.

As you know, the Lisbon strategy was developed four years ago to reform the Union's economy to turn it into the most dynamic knowledge-based economy in the world and to increase growth and employment.

Four years on, while progress has clearly been made, at the current rate we will not achieve the objectives we have set ourselves.

It seems that the Member States do not realise that 2010 will soon be upon us and we are in danger of missing the train.

Of late, we have heard grim warnings about the risks of enlargement.

There is a risk in everything we do. But we at the Commission have made careful preparations, as have all the new Member States. This is the most thoroughly prepared enlargement in our history.

In reality, the gloom-mongers who are warning that enlargement will lead to job losses and transfers are working to a different agenda.

They are trying to create the impression that enlargement is responsible for certain social and economic situations that are currently weighing heavily on people's minds.

But we have seen that while unemployment and de-industrialisation are real problems, enlargement is not

the cause.

Far from it. As I pointed out earlier, a single market of half a billion people will be good for our economy.

In this globalised world, to close ourselves off to the new and defend what we have would be altogether too defeatist.

The process of European integration is our response to globalisation. Tomorrow's enlargement and those that will follow in the years ahead will strengthen and lend conviction to this response.

We cannot fool ourselves that we can halt the historical trend towards globalisation. That would be like rebelling against the laws of nature.

However, if we remain united we can harness its energies in the service of our interests and principles. The integration of Europe is a way to manage globalisation peacefully and democratically. And everyone agrees that this is the only attempt that has ever succeeded in the history of the world.

Let us have no illusions: Europe will be able to maintain its levels of prosperity, to defend its fundamental values and retain its independence in the world only if it can reunite the whole continent in peace and democracy.

Thank you.