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“Towards an enlarged European internal market”

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Mister Chairman,
Ministers,
Your Excellencies,
Ladies and Gentlemen,

It is a great honour and pleasure for me to address such a distinguished audience on such an important topic as the risks and opportunities in the enlarged European single market.

The history of European integration has been one of ensuring peace, prosperity and stability through co-operation among nations. Just two generations ago, Europe was torn apart by war, it witnessed the unforgivable and never to be forgotten nightmare of the Holocaust, the concentration camps and millions of victims and refugees. The economic capacities and industrial strength of entire European nations were all but destroyed.

It took these horrors for Europe's leaders to understand that peace, democracy and prosperity go hand in hand. Six countries soon set out to bind their economies together with the aim of ending war between their peoples. Those countries, by choosing to integrate their economies to remove barriers to trade and to work together on issues of common interest, built the foundations for half a century of peace and prosperity.

The internal market was launched on the first January 1993. Although we should not measure the benefits solely in material terms, we, as a continent, are 165 billion euro better off thanks to the single market. For the new members that have joined us later, the promise of prosperity has also been fulfilled. And now we are offering that same promise to 10 more new members by May 2004, and to Bulgaria, Romania and hopefully Turkey a few years later.

Ten years after the creation of a European single market, the results are astonishing. Around 2.5 million jobs have been created thanks to the Internal Market. The European Union's GDP in 2002 was 1.8 percentage points or 165 billion euros higher than it would have been without the Internal Market. Extra prosperity to the value of 877 billion euros has been created since 1992. That means 5.700 euros per household on average.

The next decade will be no less crucial. Nobody in his or her right mind pretends that taking forward the European project with more than 25 countries will be an easy task. But was the establishment of the single market easy to achieve? Or the launching of the euro? These two key achievements in Europe's integration prove that ambition and realism are compatible. Today we must be, once again, both ambitious and realistic. Ambitious because enlargement is a huge operation - never before have so many candidate countries entered the EU at the same time. But we need to remain realistic. The risks are there and we need to address them seriously for us to succeed.

Economic integration with the new member states has already advanced enormously, and as a result the EU is now by far the most important trading partner of all these countries. The ground covered by them has been remarkable.

Politically, enlargement is very nearly a reality. The exact accession date has been fixed for May 1st 2004, provided the ratification process is completed. The European Council meeting in Copenhagen at the end of last year concluded negotiations with Poland, Hungary, the Czech Republic, Slovenia, Slovakia, Lithuania, Latvia, Estonia, Cyprus and Malta, endorsed the roadmaps for Bulgaria's and Romania's accession, and identified the next steps for Turkey's EU integration.

EU enlargement is not however, a foregone conclusion. There is certainly still a lot to be done by the 10 new member states, and it is understandable that some doubts persist over whether everything will work perfectly by 2004. The internal market itself remains a work in progress, and obviously there is still much to do.

Just a few examples of what we now have at hand: we are creating an internal market in services, including financial services; we are improving the tax environment for businesses across the EU; we are opening public sector contracts to goods and service providers from other member states; we are trying to create an affordable Community patent to increase the competitiveness of European research and development, we are working on harmonised take-over rules for businesses operating in the single market, and my list is far from complete.

It is fair to say that the concept of the internal market has been one of the driving forces behind European integration. It has also had important spill-over effects by fostering further integration in many other areas. Think of the launching of the euro, think of the prospects for full European capital market integration, think of the enormous advantages of the EU's so-called "Schengen Agreement" on free movement of persons.

The practical effects of this for EU citizens and businesses are considerable. Let me give you a few examples: doctors can practice their profession in any other member state without major obstacles, citizens can travel throughout the Union without border controls, consumers benefit from lower prices, construction companies can bid for

contracts in other member states, driving down the cost of public works for the taxpayer ... This is what the internal market is about.

The EU internal market and the euro have simplified the business environment for European and non-European investors alike. This is an enormous achievement, and we are proud of the non-discriminatory treatment we provide for foreign investors.

I firmly believe that enlargement will be a dynamic and positive factor for growth, investment and job creation across the Union over the coming years. Enlargement will lead in the long run to higher prosperity through restructuring, reallocation, upgrading of products and skills, industrial specialisation, development of services and inter-sectoral labour mobility.

While any quantification of the economic benefits of enlargement remains speculative, the Centre for European Reform estimates that it will speed up growth in the new member states by 1% to 2% per year as a result of increased foreign investment and trade, while boosting growth in the current member states by 60-80 Billion EURO and creating about 1.5 million jobs.

Other studies suggest that the level of GDP in the EU as a whole will grow by 0.7% on a cumulative basis over the next 10 years due to the macroeconomic impact of enlargement. Hence, enlargement will benefit existing and new member states alike, provided that the rules and principles that we have established are respected by all members.

But it is clear that legislative alignment by the new Member States will only be a first step. Just as important is that these countries ensure effective enforcement of their legislation. Here, additional efforts are required. Adequate administrative structures with proven capacity to function must be in place by the date of accession, if not before. The European Commission has identified a number of areas which still require urgent action in certain countries.

The free flow of goods and rights of establishment are sometimes still hindered by administrative obstacles or technical requirements which are in conflict with EU law.

A stable financial services system, subject to internationally agreed standards of prudential supervision, is a pre-condition for these countries to attract new investment. It is also an indispensable requirement so that, for example, Polish or Hungarian banks will be allowed to offer their services throughout the EU. Some significant progress is being made here, but more needs to be done, for example to guarantee the independence of financial sector supervisors from political interference.

The enlargement process does not end with accession. Commitments made in the context of accession negotiations, for example to adopt legislation or establish appropriate administrative infrastructures, have to be respected and implemented by May 1st 2004. That is why European Commissioner Fritz Bolkestein has suggested a specific temporary guarantee mechanism to be inserted in the Accession Treaty, which will apply in case of a serious danger to the functioning of the Internal Market. Such risk may arise as a consequence of a failure to comply with the commitments made by the acceding countries in the negotiations. The appropriate measures to implement such a mechanism will be taken by the Commission, on its own initiative or at the request of a Member State, during the first three years following accession.

Something else needs to be done and must be done urgently: our populations do not share our enthusiasm over enlargement. Large percentages of public opinion remain sceptical, if not down right opposed to the whole process. As the latest EU-wide opinion poll shows, support for enlargement is decreasing. This is certainly due to ignorance and to the present uncertain economic outlook (to put it mildly). The careful, in depth preparation of the whole process, the long and tough negotiations have gone unreported by the media (long negotiations are very boring), and have therefore remained unnoticed. A huge effort of serious, in-depth information must therefore be undertaken, so that our populations learn to share our ambition, our realism and even our enthusiasm.

The stage is now set for the entry of 10 new members on May 1st 2004. The European Single Market has been a tremendous boost for prosperity and well-being in the European Union. No doubt it will continue to do so after the next phase of enlargement. Today and tomorrow, it will depend on the will and vision of politicians, businesspeople and consumers alike to prove right, once again, the vision of Europe's Founders.

Thank you for your attention.