



CENTER FOR TRANSATLANTIC RELATIONS

**The Enlarged EU at a Crossroads:
Making Europe into a Truly Global Partner**

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Ladies and Gentlemen:

Let me first of all express my gratitude to the Center for Transatlantic Relations, at the School of Advanced International Studies, for inviting me to come here today. It is a great privilege to speak before such a knowledgeable and distinguished group. I believe this center plays a crucial role in fostering mutual understanding and respect across the Atlantic.

I will today outline my vision for European integration and its challenges from a regional and global perspective. And, on the basis of that vision, also try to give some brief remarks on the future of transatlantic relations.

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A few weeks ago I was in Davos, attending the World Economic Forum. On the agenda, there were pertinent issues such as global security, growth, innovation, diversity and inequality. Strikingly enough, however, in all the discussions that I attended, there was no vision on the role and contribution of Europe.

Yet, for Europe, the year 2004 will be one of crucial importance. On May 1st, ten new members join the European Union in the single largest accession to the Union ever.

The European Union is already the largest trading partner in the world. After enlargement, the EU's share of world trade will be 22 percent and it will account for almost half of the world's development aid. The EU will have a common market of nearly 500 million consumers and its share of global GDP will be close to 30 percent.

This enlargement will not only shape the future of Europe. Due to the sheer size and economic weight of new EU, it will also influence the world at large. Whether we like it or not, the choices of the new EU will be felt everywhere. It is therefore in everybody's interest that the enlarged EU becomes a truly global partner in promoting world growth, stability and development.

I strongly believe in the great potential of the enlarged EU.

But, in my view, this requires that the new EU dares continue to build on its impressive history. The EU has a history of turning ideas into concrete action. Economic integration has been successfully used as a means to promote peace and prosperity. And the EU has stretched its inclusion zone to ever more countries.

The new EU must now try to translate its internal and historical experiences into a forward-looking strategy for the global arena. This is my vision for making the EU a truly global partner.

I say vision. Because in spite of the impressive history, much remains to be done.

Let me here sketch my thoughts on what is needed.

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Enlargement provides a much-needed vitamin injection, not only for the accession countries, but also for the “old” EU. Most new member states are developing in an impressive manner. The Baltic Sea Region is now the most dynamic growth region in Europe. In fact, one of the fastest growing in the world.

For Sweden, with its strategic location at the centre of the Baltic Rim, the enlargement process has offered great potential for investments, exports and imports. And Sweden has successfully explored this potential for more than ten years. It has paid off well. Today, the new EU members around the Baltic Sea represent a larger share of our total exports and imports than Spain, Portugal and Greece taken together. And this important development around the Baltic Rim has contributed to Swedish growth rates that outperform the rest of the “old” EU members and much of the OECD.

The new EU must keep nourishing the momentum for integration in order to create growth and raise standards of living. Enlargement is not a single step, but a process that requires ongoing changes from all European countries. Much remains to be done if Europe is to create a genuinely integrated market. Various rules, standards and practices still hamper cross-border flows in Europe. The whole of the EU has a lot to gain from the push for modernization and growth that enlargement entails. The new EU cannot afford to waste this opportunity.

Keeping the momentum for integration also means that enlargement must go on. A number of countries are already at the doorstep of the EU. Bulgaria and Romania are on track. And in the future, enlargement may include Turkey as well as the countries on the Balkan.

For some of these countries, the enlargement process will be a burdensome endeavor, much like what the EU’s newest members have gone through over the last ten years. But just like the countries that join the EU this year, these potential new members should feel confident that the

EU welcomes all European countries that have fulfilled the criteria of accession. A future EU should be able to set an example by showing that political, economic and societal integration can transcend differences in traditions, cultures and religions.

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Open borders have been the strategy behind the creation of the Union. But open borders are more than tariffs and quotas. It involves developing common regulations and standards that make economies – and economic destinies – truly intertwined.

I believe that this ideal of openness should now guide the Union's relations with its neighbours and the rest of the world.

Countries that used to be far away come closer after May 1st. To them, access to the EU market will be a priority. The EU should therefore have a proactive policy to widen the internal market inclusion zone, and avoid creating new divides between recent EU members and their old neighbours.

East-west trade has an enormous unleashed potential, and trade will be the most effective way to raise the standards of living east of our new border, in countries like Russia, Ukraine, the Belarus and Moldavia. This instrument should be used to build relations based on trust and cooperation, just like Europe's past generation built a foundation for peace and stability by integrating industries and markets, from coal and steel to food and textiles.

If we look south, the EU has another great opportunity. The decision has already been taken to create a free trade area around the Mediterranean by the year 2010. By allowing the countries south and east of the Mediterranean access to the European market, the EU could help improve employment and living standards. And through economic integration, the EU can promote a stable and peaceful modernization of these societies.

If the EU succeeds to extend its internal market inclusion zone to the east and to the south, as I have sketched here, Europe is on its way to creating one single market for nearly one billion people. One billion people trading freely and peacefully with each other, contributing to each others' growth and development – from Greenland in the west to Vladivostok in the east, from Cape North in the north to the Tropic of Cancer and the Sahara Desert in the south.

By establishing a closer economic relationship within such an enormous area, our generation has an opportunity to break with historical divisions of the European continent. Divisions that were created centuries ago and that are still present today. Indeed, this is what the European Union is all about – to continuously strengthen the ties between countries in order to build prosperity and thereby advance mutual trust and security.

The EU has every reason to speed up the work to achieve this vision of a “one-billion-market”. And the process of economic integration has already started. But progress is too slow. There is much more to do and it can be done faster. Not least towards our neighbours in the south. Further delays are no option.

What is more, this giant market will have borders with many of the most crises-riddled regions in the world –countries like Iraq, Iran, Georgia, Armenia, Sudan and Mauritania. Some see this as a threat. I disagree. It will, no doubt, require a new and strong presence of the EU in those quarters of the world. It will require political will and courage. But the sheer attractiveness of the extended European market will, in itself, constitute a major push for economic, political and societal changes. Changes that the populations of all of these countries desperately want and need. To me, this is not only an opportunity, it is a responsibility.

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It is a matter of enlightened self-interest to translate the benefits of open borders within Europe into a policy for more open trade between the EU and the rest of the world. This holds true also for bilateral agreements with faraway markets and multilateral negotiations in the World Trade Organization, the WTO.

Since the mid-1990s, the EU has been a driving-force for the WTO-round. The EU was among the first to propose the launch of a new round of negotiations in the WTO. At the same time, the EU has managed to conclude ambitious, and NAFTA-like, agreements with Mexico and with Chile. The EU is on the verge of finalizing an agreement with Mercosur. And the EU has started negotiating free trade agreements with 76 developing countries in Africa, the Caribbean and the Pacific.

No doubt, this web of agreements will strengthen the EU's position as key trading partner and market for developing countries around the world. Yet, European policies sometimes seem strikingly at odds with these positive developments. One problem is lack of coherence. Another problem is special interests. Narrow interests are often allowed to determine policies to the effect that agreed long-term and overall objectives are overruled. The persistence of export subsidies and high tariffs in agriculture is perhaps the most provocative illustration of both these problems.

To me, these examples signal an unsatisfactory commitment to an ambitious future.

For one, it prevents the EU from realizing its full potential. What is more, it is the wrong kind of leadership from the world's largest trading partner. Many developing countries are turning to Europe for the attractiveness of the EU market, for Europe's advice on economic integration, and for development assistance.

The European Union needs to show that it is worth looking up to. With enlargement, the EU must now – more than ever – step up to its global responsibilities. The EU must do better in the future. And it can.

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Finally, let me say a couple of key points on the transatlantic relations on the basis of my vision for the EU.

My vision of the new EU is non-adversarial and non-exclusionary. This holds true for the relationship with the US, just as it does with Canada, Japan, China, India and Brazil, and other major economic partners.

With the new EU becoming an even larger economic actor in the world, the success of the EU would be in the interest of the US and everybody else. Just as the success of the US is, and will continue to be, central to EU interests.

With the new EU following a strategy of openness and integration with the world, the EU and US will have strong incentives to make our economies ever more closely intertwined, abolish tariffs and harmonize regulations and standards.

With the new EU feeling confident in its own past, the EU and the US should build on existing partnerships to share the burdens of leadership.

I'll give you one example. With the vision of a one-billion-market, the EU will play an instrumental role in modernizing the societies in the Middle East and setting the region on the path to stability and development. It will be to the benefit of Europe's own interest, to the interests of the peoples in the region, as well as to the US. And the EU should therefore be a crucial partner to the US.

This is why I strongly believe that when the EU becomes a truly global partner, the relationship between the EU and the US will gain new momentum.

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Ladies and Gentlemen,

In my view, the enlarged EU's next agenda – its new political challenge – must now be to translate its internal experiences of economic integration into a forward-looking strategy on the global arena. To turn an impressive history into an ambitious future.

By building on the new opportunities that will open up by enlargement, this is within reach. The potential is enormous. For Europe as a whole, for our new neighboring countries and for our trading partners around the world.

Europe has all the reasons, and all the means, to make this vision a reality as soon as possible.

Thank you.