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CHECK AGAINST DELIVERY

**European business strongly supports
enlargement of the European Union**
- opportunities and challenges -

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Your Excellencies,
Senators,
Presidents,
Ladies and Gentlemen,

Enlargement of the European Union is a project of historic importance for the whole of Europe. It is a unique opportunity for us to strengthen stability and security in Europe. It arouses both hopes and fears across Europe, and at all levels of society: political, economic and in public opinion in general. Therefore, it is a great honour for me to address such a distinguished audience on this theme at this Industrial Forum on Enlargement, from the angle of business.

Before I start my address, I would like to give my special thanks to MEDEF for having taken this initiative and for having taken care of the organisational side of this meeting. I would also like to thank the European Commission which has given its support to this event, and more particularly DG Enterprise which has provided us with all its expertise on the items which companies from the EU and the candidate countries have placed on the agenda for this forum.

My thanks also to the French Presidency for its valuable support of this meeting, and for having placed at our disposal such a prestigious venue, which has witnessed major moments of French history, and which will in the future be debating the subject of enlargement which brings us here together today. Lastly, I thank you all for your numerous presence here today, to debate and together define concrete proposals which, in the view of business, will help to facilitate the adaptations which enlargement involves.

Ladies and Gentlemen, I would like today to outline some of the opportunities and challenges enlargement brings with it, from a businessman's on-the-ground perspective. I shall then look at the conditions that UNICE has identified for a successful enlargement, before responding to some of the fears most frequently expressed when EU enlargement is under discussion. Let me start with the opportunities.

Throughout their history, the democracies of Western Europe have developed close political, economic and cultural links with the countries of Central and Eastern Europe. Over many years, they called for the Berlin Wall to come down and for the economies of these countries to be liberalised. Now that these wishes have become a reality, EU countries have rebuilt their links with these countries. It is now their responsibility, and in the mutual interests of both parties, successfully to complete the enlargement process under way.

In particular, it is essential to confirm and consolidate extension of a political and economic system that has given the Union its present, and unprecedented, stability and prosperity. For Mediterranean candidate countries, the situation is somewhat different. EU accession is an important step in their modernisation.

For the European business people whom I represent, enlargement is not only about historical and political events, but also about business, i.e. trade and investment. The Europe Agreements, signed between the EU and candidate countries, have resulted in deep economic integration between the EU and candidate countries.

The EU is by far the biggest trading partner of candidate countries, with exports of goods and services worth €94 billion, increasing by 20% every year. EU companies have invested €31 billion in candidate countries since transition started. These figures show that business has already largely anticipated enlargement.

Why then, since economic relations are already so well developed, would business press on actively and strongly for accession? Is business not happy just the way things are now?

The answer is simple. Enlargement will provide a number of additional economic benefits, mainly related to full extension of the Internal Market:

1. 170 million new customers in the Internal Market;
2. Higher productivity through optimisation of production capacities and economies of scale;
3. Abolished border controls;
4. Improvement of investment climate through extension of the legal framework in place in the EU. For investors, that means increased stability and transparency, and thus predictability.

It is for all these reasons that UNICE, on behalf of European companies, actively supports enlargement.

Business, in both member states and candidate countries, has a pivotal role to play in the enlargement process. There are two main reasons:

1. candidate country companies are going to apply much of the *acquis communautaire*;
2. companies, through their experience on the ground, are best placed to assess the real situation in these countries, progress made but also the remaining problems.

The business communities of the EU and candidate countries, notably through their professional organisations, as their numerous presence here today demonstrates, want to share their concrete experience of business in the candidate countries. By so doing, they hope to provide negotiators on both sides with a valuable contribution in the quest for appropriate solutions and measures to help move the enlargement process forward.

With this in mind, UNICE has developed an enlargement strategy which has three main strands:

1st strand: formulation of conditions that business considers essential for the success of enlargement. UNICE has developed detailed positions on business-related aspects of enlargement. These serve as the basis for dialogue with negotiators on both sides. The most recent is dated 2 October and is available for those of you who have not yet received it.

2nd strand: strengthening business federations in candidate countries, notably through exchanges of experience. UNICE already has 13 members or observers from candidate countries.

I think it is very important that candidate country business organisations receive the support they need, not least to assist their member companies in implementing the EU rules and regulations that enlargement involves. Some of our members went through a similar process a few years ago. Thus, exchange of experience and good practice is at the centre of our activities.

Some examples: round tables bringing together employers from the EU and candidate countries are organised each year on the social aspects of enlargement. Social partners' conferences on enlargement also form part of this approach.

3rd strand: identification of specific problems on the ground regarding adoption and implementation of the *acquis communautaire*. UNICE has set up a Task Force on Enlargement with a rapporteur for each candidate country. These rapporteurs are business representatives using their experience from, and network of, business operators in the

country in question to assess the real situation on the ground and to suggest solutions for the problems encountered. The Industrial Forum on Enlargement is an exercise of this type, seeking to analyse specific questions and identify practical solutions.

So much for the opportunities and UNICE's activities. Let us talk about the challenges. In the light of what I have just said, about the historical developments and the economic opportunities, comments about the specific problems of enlargement may seem secondary. However, that is not the case: it is essential that enlargement should be the culmination of a dynamic process with a solid base. To that end, both sides must actively pursue and finish the necessary reforms. Otherwise, successful integration could be seriously delayed and even threatened.

Let me point out the main conditions business has identified for enlargement to be a success:

The first condition is maintenance of a well functioning internal market. Transitional arrangements that risk distortion of competition should be avoided. However, it would be unrealistic to imagine that enlargement can take place without transition periods. It is therefore essential to ensure that they are as limited as possible, in time and in scope.

A maintained, well functioning internal market also means that candidate countries have not only the will to apply and enforce the *acquis communautaire* but also the capacity to do so at all levels, hence our insistence on improving the capacities of some administrations in candidate countries.

The second condition is completion of reform of the EU institutions - the European Commission cannot work with 34 or 35 Commissioners, and it would be impossible to reach Council decisions with the present system in an enlarged Union. The Nice European Council,

under the French Presidency, is therefore of particular importance. UNICE has sent the EU institutions specific recommendations on the various subjects under discussion, designed to ensure that the enlarged Union will be efficient and capable of action.

The third condition is a constructive partnership between governments and business

– companies are the driving force behind growth and employment creation. Furthermore, they are going to apply much of the *acquis*. That is why active dialogue between administrations and companies is essential. Such dialogue not only facilitates implementation of the *acquis* at company level, it also makes it possible to improve mutual understanding and to put in place a legislative and regulatory framework which is geared to business realities.

To realise these objectives, in its 2 October position, UNICE makes the following appeals:

. **first, to the EU**, which must:

1. Successfully conclude the Intergovernmental conference at the Nice European Council;
2. Monitor implementation and enforcement of the *acquis* in candidate countries;
3. Go ahead and show its cards so that real accession negotiations can start as rapidly as possible.

. **second, to the candidate countries**, which must:

1. Accelerate work on harmonising national legislation with the *acquis communautaire*;
2. Further build up administrative structures and capacities for implementation and consistent enforcement of EU law;
3. Further enhance dialogue with business.

If meeting these conditions is necessary for the success of enlargement, it is not sufficient to guarantee it. Enlargement will not be successful unless and until this huge project has the full support of public opinion in both halves of Europe. We have seen some worrying public opinion polls. They suggest a marked decline in public support for enlargement is declining, in some candidate countries as well as in some member states. Since the accession treaties will have to be ratified by national parliaments, there may be major difficulties in the absence of strong support from civil society.

Hence, UNICE has on many occasions called on both member states and candidate countries give more visibility to enlargement in the domestic debate, explain clearly the benefits and challenges of enlargement, and address legitimate concerns. It is pleased that a communication strategy has finally been adopted. UNICE's member federations are willing to play an active role at national level.

I would now like to address two of the concerns most frequently expressed in the enlargement debate:

1. the fear that large flows of migrants come from candidate countries once free movement of persons is applicable;
2. the fear that workers in present member states lose their jobs because industries will move their production to new member states where production is cheaper.

I will try to give some answers. Migration first. This is obviously a very sensitive issue and it cannot be denied that there are incentives for migration. However, recent serious studies indicate that the fears of large flows of migrants are largely unjustified. The estimates advanced are around 335,000 persons a year, which would represent 1.1% of total EU population 35 years after accession.

It should be recalled that, when Greece, Spain and Portugal joined, similar fears proved to be unfounded. Furthermore, the EU, for longer-term demographic reasons and shorter-term competitiveness reasons, needs more workers.

Regarding the second fear, that enlargement will cause unemployment in present member states, because of increased investments by EU companies in candidate countries once they become members, the response is unambiguous. True, some dynamic effects of enlargement are to be expected, not least in the short term. Activities already have, and other will in future, relocate to candidate countries, and some sectors could be more affected than others. But it is important to look at the overall situation.

- First of all, the EU's trade surplus with candidate countries demonstrates that economic integration has already created jobs in the EU.
- Second, the bulk of EU FDI goes to the US and other high-cost countries, which contradicts the argument that investments are ineluctably drawn to low-cost countries;
- Lastly, the EU's unemployment has not been caused by the fact that European companies invest abroad, but primarily because European labour markets are not functioning well. That is a completely different debate, on which I shall not dwell here, but which is at the centre of UNICE's activities in Brussels.

Finally, let me comment on the most frequently asked question regarding enlargement. When will or should the first candidate countries join the Union? There are a number of dates circling around in the debate. The EU has committed itself to be ready by the end of 2002, the European Commission wants enlargement by the end of its term in 2004, Commissioner Verheugen has said 2003 and Prime Minister Blair 2004. Candidate countries themselves have set target dates for themselves from 2003 and later.

For European business, the answer is simple. Candidate countries should join the EU when they meet all the Copenhagen criteria and when the Union has completed its internal reform and put in place the financial framework needed for enlargement. No sooner and no later.

Ladies and Gentlemen,

Enlargement is an historic opportunity which must not be allowed to escape us. The challenges are many but the results booked to date show that we are moving in the right direction and that we must push ahead with the process. I firmly hope that the impetus will be maintained at political level.

As witnessed by their numerous presence at this industrial forum, for their part the business communities of the EU and candidate countries are determined to pursue their actions separately and jointly to ensure that enlargement is a success.

The Industrial Forum on Enlargement is an important link in this chain. I wish you fruitful discussions and constructive recommendations, which I hope will help to move the enlargement process resolutely forward.

Thank you for your attention
