

## Nicholas C Garganas: EU enlargement

Remarks by Mr Nicholas C Garganas, Governor of the Bank of Greece, at the panel discussion: "The Future of Europe", at the Cultural Days of the ECB, Frankfurt am Main, 24 October 2007.

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1. I am delighted to be taking part in this discussion on the future of Europe. My remarks will deal with the issue of enlargement.

EU enlargement has been a long and involved process. The EU has expanded on five occasions, growing from six members to 27 members. Beginning with the First Enlargement in 1973, enlargement has been at the core of the EU's development. It has provided both political and economic benefits.

The first four enlargements involved only two or three countries on average and took place every 10 years or so. The fifth enlargement was much larger; it comprised 12 countries and took place in two stages – in May 2004 and January of this year. Although it was larger, it went smoothly and was a success. The 12 countries were integrated into the EU without any problems for the EU or for the countries themselves. It brought over 100 million new citizens, with rising incomes, into the EU.

Politically, enlargement has helped to overcome the division of Europe and succeeded in establishing a regional system based on democracy, and a respect for human rights and the rule of law. It has helped the EU respond to major changes, including the fall of dictatorships and the collapse of communism, bringing stability and solidarity among its members.

Economically, enlargement has helped to increase prosperity and competitiveness, enabling the enlarged Union to respond better to the challenges of globalization. In sum, enlargement has increased prosperity in the Union and has strengthened the security of all EU citizens.

In a continent the history of which had been marked by turbulence and conflicts, these political and economic benefits are not small achievements.

2. Now let me say something about the present enlargement agenda. As you know it covers Turkey, Croatia, and the Former Yugoslav Republic of Macedonia, which are at different stages on the road towards EU membership.

These countries have been given by the Council the clear perspective of becoming EU members once they fulfill the necessary conditions.

However, these countries each face some difficulties, especially since some enlargement fatigue appears to have set in. After growing from six members to 27 members, we should expect some slowdown in the pace and extent of adjustment. Indeed, it is worth noting that the latest enlargement took place after many years of careful preparation.

With regard to Turkey, politically, there has been some opposition to that country's entrance. However, the EU has to honour its existing commitments towards countries already in the process of negotiations, provided that countries can fulfill all the necessary conditions.

Turkey has continued to make progress in reforms. However, the pace has slowed during the past year. Significant further efforts are needed to fulfill fully the Copenhagen political criteria. In particular, concrete steps are needed for the normalization of bilateral relations with all EU member states.

All three countries should ultimately be admitted into the EU but sufficient time should be allowed for the necessary reforms to be implemented. Their dates of entry into the Union depend on the results of their reforms. Each country will be judged on its own merits.

3a. What should be the next round of enlargement? Potential candidates are the remaining countries of the Western Balkans, that is Albania, Bosnia and Herzegovina, Montenegro, and Serbia, including Kosovo.

That the future for these countries holds the prospect of eventual EU accession is widely acknowledged and has been mentioned on several occasions, for example by the European Council in Feira in 2000 and the EU-Western Balkans Summit in Thessaloniki in 2003. Each of these countries will be invited to join the EU once the accession criteria have been met. Nevertheless, this group of potential candidate countries still has some way to go before reaching that point.

The speed of accession is determined by how quickly countries meet the political and economic criteria.

The political criteria require that countries ensure the stability of institutions guaranteeing democracy, the rule of law, the protection of human rights and respect for, and protection of, minorities. The two basic economic criteria are, first, the establishment of a functioning market economy, and, second, the ability to withstand competitive pressure in the Union.

Meeting these basic criteria requires determination and time. Economic reforms have been initiated – and are progressing – in many of these countries. Nevertheless, these countries continue to face challenges. They are, however, making genuine transition efforts and, given sufficient time, I expect they will be able to prepare their economies for membership. The recently acceded Member States have proved that this is possible.

3b. Although the speed of further enlargement of the EU depends on the pace of reforms in candidate, or potential candidate, countries, this process is only one part of the EU's enlargement policy. The other part concerns the capacity of the EU to integrate new members.

In this connection, I believe that the EU should look at its own governance and adjust it where necessary in order to ensure that its institutions and decision-making processes remain effective and accountable, and that it can maintain its capacity to function, for the sake of current Member States as well as in view of further enlargement.

The institutional reform treaty approved by the EU summit in Lisbon on October 19, reshapes the main institutions of the Union – the European Council, the Commission and the Parliament – and takes us a good way toward enhancing the EU's capacity to function. The new reform treaty should be ratified as soon as possible and at least by the time that the next new member is likely to be ready to join the Union.

The prospect of EU accession offered to the countries of the Western Balkans and to Turkey is an important catalyst for reform in these countries. There are clear benefits on the whole for the EU in terms of growth, stability and security. However, these need to be better communicated to the public. It is essential to listen to citizens and address their concerns. Although enlargement has been a success story, in my view we have not done as well as we might have in communicating the benefits that this policy of enlargement has brought to citizens of the enlarged EU. For example, earlier concerns about the effects of enlargement on Labor migration and on wages have proved to be unfounded.

4. What about enlargement beyond the Western Balkans and Turkey? Should there be a further enlargement of the EU after the integration of the Western Balkans and Turkey?

A key issue we will need to address is the ultimate borders of the European Union. This issue is not an easy one to address because European borders are not clearly defined. The European identity combines geographical, historical and cultural elements. Ultimately, the shared experience of ideas, values and historical interactions that contribute to the European identity are qualities that change over time. Therefore, the EU will need to continue to evolve.

The legal basis of the enlargement is Article 49 of the Treaty on European Union, which states that "Any European State, which respects the principles set out in Article 6(1) may

apply to become a member of the Union". However, this treaty provision does not mean that all European countries must apply, or that the EU must accept all applications.

A great strength of the EU has always been its ability to adapt to changing circumstances, and I am confident that it will continue to do so in the future. In this way, the EU will continue to ensure a prosperous and secure environment for its citizens.

Ladies and Gentlemen, thank you for your attention.