

“The coming accession of Romania: what economic and security role will Romania play in an enlarging EU?”

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I should start, perhaps, by reminding something you probably know very well, notably that the accession of Romania and Bulgaria on 1 January 2007 will conclude what is usually referred to as the fifth enlargement of the EU, a process which started in 1993 with the definition of the Copenhagen criteria and continued with the launching, in 1998, of accession negotiations with 6 candidate countries and in 2000 with the other 6 candidates.

Therefore, it cannot be a question of evaluating the incremental costs or benefits for the EU, with the passing from 25 to 27 Member States, but rather to assess the benefits for the EU of the successful completion, in 2007, of this truly extraordinary project and, arguably, Europe's most important ever achievement.

A. Enlargement benefits, in general

The 2004 enlargement was seen, and some still see it, as a formidable challenge. It implied an unprecedented increase in the Union's diversity. It took place in a difficult political atmosphere in Europe and in the world. This explains why before 1 May 2004, and even after, there was no shortage of **doomsday scenarios** but none of the catastrophes materialized. The Union's institutions were not paralyzed. The budget has not collapsed. Economies of the “old” Member States were not damaged by unfair practices of the newcomers and the economies of the new Member States did not collapse under the pressure of competition.

On the contrary, as substantiated by several studies, like the one published by the European Commission in May 2006, EU eastward enlargement has brought positive economic effects on both new and incumbent member states, and convergence between them has continued. **The fifth enlargement has been a win-win situation.**

Above all, **the spectacular economic and democratic transformation that has taken place in the last 15 years in Central Europe** is often overlooked. It cannot be contested that EU accession has been the main driving force in this process of transformation. This development, in turn, helped open an important market for the economic operators from the “old” Member States. This market is indeed particularly important if looked at not only in terms of geographical area, but most significantly in terms of potential demand and supply.

On the current background of a certain, and to some extent understandable, enlargement fatigue, it is important not to forget the concrete added value that a gradual and carefully managed EU accession process has provided for Europe, by promoting peace, stability and democracy across a wider geographical area, expanding the EU's ideals of freedom, tolerance, plurality and diversity.

B. Romania's role in the EU, economic aspects

In terms of economics, **1 January 2007 will, obviously, not represent a "big bang"** neither for the EU, nor for the two new Member States, whatever sector we look at, be it trade, movement of labour, competition rules, transportation or others.

That is because accession will not mean starting from scratch: we will build upon a serious, thorough, preparatory effort in the "pre-accession phase", including substantial economic upgrading and institutional capacity building.

In fact, over the last 15 years, we have already achieved a remarkably high level of interdependence between our economies. Trade and investment have been the two main channels of this integration. **From a trade perspective, the fifth enlargement has already taken place in the 1990s, as a result of the Europe Agreements.** More than 90% of trade in industrial and agricultural products between the EU and the future Member States was already duty-free before actual accession.

One should also notice that in the last decade two thirds of Romania's trade was carried out with EU Member States. Trade, trade related practice and business in general played a significant role of "integration engine" all along the accession preparation process.

What will Romania's role in the EU be, in economic terms?

Though, according to statistics, Romania's GDP currently ranks among the lowest in EU-27, I dare say that **Romania is not a poor country, but a country with significant resources** which, **for various reasons, has** been poorly managed for quite a long time. Preparing for accession, in all its dimensions, has gradually corrected this unfortunate legacy and **the current economic figures** clearly show this:

- an economy that has been growing at a rate well above the EU average (over 5% during 2000-2005);
- an economic growth in the first semester of 2006 of 7%, consolidating the positive trend; the overall GDP growth assessment for 2006 stands around 8%;
- a market of almost 22 million consumers (the seventh place in EU in population terms);
- dynamic foreign investments – 4.4 bln. € in 2005 and an increase of 1.5 times in the first 6 months of this year;
- a current unemployment rate of only 5.1 %, less than the majority of the current EU Member States (*by the way, this is also another strong argument against the artificially-built fear of "Romanian migration" after accession*);

- a continuously decreasing inflation passing from 40% at the beginning of the decade to 6 % in September 2006 (year-to-year basis); the National Bank believes that there are grounds for a reduction in 2007 to 3.8 %;

All the above already give a significant indication of the role that Romania is already playing, as future Member State, on the European economic playing field. We surely expect that, as was the case with the other 10, EU membership would consolidate these positive trends and achievements, as well as the opportunities for the European businesses.

Romania will, together with the other “new” Member States, be a dynamic component of the growth engine of the EU and a contributor to its global competitiveness. In this respect, although Romania has come a long way in the last 16 years in economic reforms and growth, there is still **a lot of unused potential**, especially in fields such as agriculture and agro-food industry, tourism, banking and financial services, construction, energy production and distribution, retail, etc. This unused potential has to logically become an asset when we speak about competitiveness, growth and jobs opportunities which are the main principles and objectives of the renewed Lisbon Strategy.

All these represent, in my view, credible arguments that there is genuine **economic added-value in Romania’s contribution to the Union**. Besides the “traditional” ones - geographic location, the educational system, the quality and competitive cost of labour and experts (for instance in IT area), good relations with neighbouring and Middle East countries, developed entrepreneurial spirit, industrial and craft tradition etc – allow me to point out the fact that in the 2007-2013 period, Romania shall benefit of a global sum of 31 billion € European funds (structural, cohesion, agricultural and fish) and in order to make good use of these funds the European companies expertise will be certainly welcomed.

And since we are in France – one of our most important economic partners and political „sponsor” of our EU accession, allow me to point out an example of success business in Romania, but with clear benefits for France, as well. The group Renault took over Dacia Automobile plant in 1997 and in only a few years re-organized it and re-oriented its production towards genuine new Renault models – the well known **LOGAN**. Dacia is now an important asset for Renault and a platform of developing its spare parts and assembling activity in neighbouring East Europe and Southern Mediterranean regions. This „pattern” of co-operation is used by Community companies in other areas – for instance in the detergents industry.

One should not underestimate the opportunities and potential offered by Romania in energy and transportation, through the following elements: the inland **water route Black Sea – Danube – Rhine - North Sea**; the relatively developed **energy infrastructure**; the alternative offered for the energy transportation – **Nabucco gas pipeline project, the Constanta harbour (the most important in the Black Sea), the pipeline Constanta-Trieste, the future possible gas infrastructure links with Hungary (Arad –Szeged); a significant gas storage capacity;- its own oil and gas resources; opportunities for co-operation in the nuclear sector.**

Of course, I will not try to persuade you that everything is bright in Romania or in the Romanian business environment and that we have nothing to improve. We still face challenges such as the need to modernize and develop the infrastructure, to consolidate the institutional capacity in order to cope with the process of efficiently administrating incoming EU funds, or to complete a fine-tuning of the reform of the judiciary.

But overall, Romania's economic reforms and administrative progress were widely acknowledged in the last period in Europe and in the world – in the European Commission's Comprehensive Monitoring Report of September 26, in the last World Bank Report of September called "Doing business 2007 – How to reform" and moreover in the constantly increasing evaluation of the prestigious international rating agencies.

In my opinion, the European business community has understood a long time ago that Romania inside EU would be an important asset. As usual, business is always a step ahead of politics and the increasing presence of the European companies in the Romanian economy is strong evidence. Another proof is the welcoming reaction of the most important European confederations and associations – UNICE, Eurochambres, SME Union – to the conclusions of the European Commission's Report of September 26, namely to the decision to recommend accession on January 1st, 2007. As the privatization process is approaching its completion, it is expected that, in the next period, green field investments and stock exchange transaction shall play a more and more important role on the Romanian market.

C. Foreign policy, security

From a foreign policy perspective, RO's accession to the EU will represent, to a great extent, **continuity**. Why am I saying that?

Firstly, as an associate, candidate and then as acceding country, Romania has aligned itself with all CFSP common positions and statements adopted by the EU. The foreign policy chapter of the *acquis* was, in fact, the first to be closed during the accession negotiations.

Secondly, continuity in Romania's foreign policy after accession is a natural consequence of the high degree of convergence between our foreign policy objectives and those of the foreign and security policy of the EU.

Thirdly, over the years, Romania contributed to the CFSP by either aligning herself or actively helping shape EU policy. Examples include: Romania's Chairmanship of the Organization for Security and Cooperation in Europe (OSCE), in 2001, which was run in close consultation with the EU and in line with the EU's foreign policy; the positions promoted by high-level Romanian officials in fora such as the Stability Pact for South-Eastern Europe; Romania's membership of the South-East European Cooperation Process (SEECP); and Romania's membership of the UN Security Council in 2004-2005.

Fourthly, since long before accession to the EU, Romania has been taking part in ESDP missions and operations such as the **European Union Police Mission (EUPM) and the European Union Military Operation (Althea) in Bosnia-Herzegovina, Concordia in the Former Yugoslav Republic of Macedonia, or the European Union Border Assistance Mission at the Rafah Crossing Point in the Palestinian Territories (EU BAM Rafah).**

That's for what has been so far. What about the future? Romania's geostrategic position will represent an additional capacity for the EU to **reach out of area**, in regions of high interest such as the Black Sea, or the Middle East.

With the accession of RO (and BG), the **Danube will become a "EU river"**, from its origins down to the Black Sea (although in international law terms it will, of course, remain an international waterway).

Significant resources are currently allocated for the support of military missions abroad and programmes are underway for upgrading the equipment of the armed forces. Romania will count among the member states with potential to contribute to the ESDP, including as a provider of "niche capabilities".

As a member state, Romania will bring to the table a **predictable foreign policy with particular expertise on the neighbouring regions.**

It is in Romania's direct interest to participate actively in the CFSP, to contribute to the strengthening of the role of the EU in the world and, in the process, to address her own foreign policy priorities which, as mentioned, largely coincide with those of the EU, especially in the Eastern neighbourhood.

It is in the interest of all European citizens to have neighbours that are stable democracies and prosperous market economies. The challenge for the EU is to ensure a carefully managed process that extends peace, stability, prosperity, democracy, human rights and the rule of law across the whole of Europe and beyond.

As a new member state, Romania will continue to work for a stronger involvement of the EU in the **Black Sea region**, an area of crucial importance for the EU's security in all its forms (energy, organised crime, illegal migration, etc). I share the view that the interface between the Euro-Atlantic community and the Middle East runs across the Black Sea. As regards energy, the wider Black Sea region dominates the entire Euro-Asian energy corridor from trans-Ukrainian oil and gas pipelines running to the markets in Europe's north to the Baku-Tbilisi-Ceyhan pipeline running to the Mediterranean. The right strategy aimed at anchoring and stabilizing the region can potentially bring the vast energy reserves of the Caspian Basin and Central Asia to European markets on multiple, secure and environmentally safe routes, as several studies show.

Relations with the Republic of Moldova will remain a priority of our foreign policy after accession and will work towards a more efficient use of EU's potential to bring about the necessary transformations in this country and consolidate its European vocation. Romania's policy towards the **Western Balkans** is based on

the conviction that the EU will have peace guaranteed and a secure future for its citizens when this region will be part of the prosperous and democratic Europe. We are, therefore, staunch supporters of the reforms taking place in the region and play our part to assist in the continuation of the democratic processes launched.

Strengthening the existing **regional initiatives** and making them more effective is an area where Romania can and already does bring its value added (CEFTA – SEEFTA; SEECF).

The accession of Romania and Bulgaria will have a particular significance for the Western Balkans region's relation to the EU, if only for the fact that they will be geographically drawn "closer" to the EU (actually "**inside**" **the EU**) by the resulting territorial continuity between Greece and the rest of the EU

Borders

Our geographical position means additional, specific, responsibilities. Romania will not only be one of the "guardians" of EU's eastern border, but will have the responsibility of securing the second largest (after Finland) terrestrial external border (2070 km) which will not be an easy task, given the current patterns of the trans-border criminality.

Romania has made significant efforts to ensure an effective filtering of the risks originating outside the Community area, and to control and stop illicit trafficking, illegal immigration, etc. We will put in place, by 2009, a modern integrated border monitoring and control system. To this end, significant resources are being allocated, in terms of equipment, infrastructure, or the training of border guards. With the same objectives, we have concluded a wide range of police cooperation agreements and readmission agreements and have adapted our visa regime with the neighbouring countries.

Finally, speaking of borders reminds me of the immigration issues. The assessments after the first two years of restrictive measures (after the 2004 enlargement) show that most of the barriers to the free movement of workers have proved ineffectual, and that those three countries (UK, Ireland and Sweden) which have chosen to welcome workers from the new member states have seen great benefits.

Overall, the economic impact of migration from the new EU member states has been modest, but broadly positive. Fears of an influx of cheap labour and welfare tourism had proved groundless and Britain, Ireland and Sweden have enjoyed high economic growth and high employment despite (or maybe partly due to) the opening up of their labour markets.

Labor market developments in Romania have been positive, with unemployment rates dropping. This suggests that there is no reason to expect increased pressure to move outside Romania, especially as the outlook for economic growth remains bright. There is therefore, no reason to fear the "Romanian

plumber". Also, we expect that substantially increased Structural and Rural Development Funds will have their own positive effects in promoting economic growth and employment creation.

D. Other contributions to the EU

Culture, diversity

Our culture, language and traditions can be counted among the significant contributions to the Union and one of our priorities as member State will be that of making us better known. It is not by accident that the first such European project upon accession will be Sibiu – European cultural capital 2007.

The future of the EU

Romania will join forces with those Member States working for a **more cohesive, political, Union, with strong institutions, allowing for the continuation of the process of European integration**, as the adequate response to the present challenges. At the same time, Romania is interested to be part of a Union that is **strong and influential on the international scene** and it will aim to bring its contribution, according to its capabilities, to the strengthening of EU's role as a major global player.

These have been, in fact, the orientations that have guided Romania's participation, as active observer, to the debate and negotiations that have led to the Constitutional Treaty (Convention, IGC) and we continue to be among the supporters of the substance of the Treaty. Romania will seek to bring a constructive contribution to consolidating the EU, along with a new dose of euro-optimism. This approach is based on a significant popular support for the EU which, I believe, will remain high after accession also.

The Union as a model for the rule of law, democracy and prosperity, has been the guiding light and one of the main incentives for Romania on the road of difficult and complex transformations that it has undertaken during the last decade.

Support for EU accession is not, in any case, based on the belief that, from day one of EU membership, the Romanians will have a standard of living comparable with that of the western Member States. Support for the EU is bound to remain high because, among other things, it will continue to be seen as the driving force for a better life for the citizen, in a country where catching up still remains to be done.