



# EUROPA LECTURE



**The Annual Lecture to the National Centre for Research on Europe**

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**“EU- New Zealand Relations after Enlargement”**

**By: Chris Patten, EU Commissioner for External Relations**

As part of my preparation for this trip I naturally read with interest Prime Minister Helen Clark’s Europa lecture which she delivered last November at the University in Christchurch. What struck me particularly about her remarks was the clear interest at the highest level in New Zealand in developments in the EU and in Europe generally. I was delighted to see that she clearly wished to strengthen the EU-New Zealand relationship further, but I also sensed some anxieties that the EU might be so preoccupied with its own internal concerns that it might have not so much time to devote to developing links with a geographically distant partner like New Zealand.

Nothing could be further from the truth. I am visiting New Zealand now precisely to discuss with the authorities here possible ways in which we can bring forward the bilateral relationship, building on the existing healthy foundations.

Let me say something about the State of the Union - the European Union today. The media in Europe has insistently flagged up internal EU disagreements, for instance about the American military intervention in Iraq or about future constitutional arrangements for the Union itself. I can well imagine that here in New Zealand you might have the impression that the Union is sunk in stasis and that nothing constructive is being achieved. On the contrary. The reality is that quietly in the background the work of building a well integrated, economically successful and externally effective Europe is going on steadily.

Enlargement will shortly become a reality. The Accession Treaty was signed in Athens on the 16<sup>th</sup> of April. If all goes well, the new Member States will enter the Union in May 2004. The decision by the Union in the early 1990's to go for a fast enlargement took political courage, but, it demonstrated political wisdom. Left alone to drift for an indefinite period the countries of Central and Eastern Europe might have slipped back into instability. On the other hand, offering them the prospect of entering the Union helped to consolidate their historic transition to democratic societies and market economies. The experience of the accession of Spain and Greece had amply demonstrated that membership of the Union was a powerful force in consolidating democracy and a liberal society.

Considerable courage was also required from the candidate countries. They had to embark on a unique transformation of their societies. Modern democracies with the institutions of the rule of law as well as modern administrations had to be built out of literally nothing. Floundering economies had to be restructured into competitive market economies. Over a relatively short time span, most of the future Member States had mastered this process to such an extent that their integration into the European Union became possible. We need to appreciate just how remarkable the reforms carried out and being carried out by Central and Eastern European societies actually are. Problems and weaknesses quite understandably remain in these countries, but we must not overlook the enormous progress made.

Enlargement has already entailed an unprecedented transfer of legislation (the *acquis*) from the Union to the candidate countries. Substantial financial resources were found by the EU to help prepare the candidate countries for accession through training, technical assistance and essential investments. The process of negotiations for enlargement also involved a major organisational effort in order to handle systematically all the wide-ranging technical issues involved and to ensure that all candidates were treated on the same basis. Hard decisions on reining in spending under the Common Agricultural Policy were also taken recently by the EU in order to be able to match the agricultural financing demands of Enlargement to available budget possibilities and make it feasible to take in ten new countries.

All of this has been achieved successfully and it is a demonstration of what the EU can achieve once it sets itself seriously to the task.

But, major challenges still lie ahead. The candidate countries will need to push ahead with vigour and determination with preparations for accession. The European Parliament, national parliaments and people in the accession countries will need to endorse the Accession Treaty.

Enlargement has also brought to the fore the need to overhaul the internal working methods of the Union and to give a more democratic and less technocratic character to its constitution. The Convention which is due to report by the summer will make recommendations in this respect to be considered by an inter-governmental conference. The Convention is also considering future arrangements to make the external action of the Union more effective.

But there have been other notable advances in EU integration. First, the introduction of the Euro has been a great success. The single market is already ten years old. We are pursuing further measures to enhance Europe's economic performance under the so-called Lisbon process. These include liberalisation measures in the financial services, telecommunications and energy market as well as labour market reforms. In addition, important common rules are being adopted in the EU for registration of companies, M&A activity, corporate tax, registration of patents etc. On the budget side, the large public deficits and borrowing levels that characterised the 1980's and end 1990's have been generally brought under control. Further consolidation of Member States budget positions is being sought under the Stability Pact, bearing in mind that the dramatic ageing of the EU population in the coming decades will make large demands on public spending.

Considerable further efforts are needed certainly to tackle economic structural rigidities in our Member States, but the considerable achievements already made will eventually produce substantial cumulative benefits in terms of a much more flexible, efficient and productive European economy.

One thing is crystal clear. Europe will not turn inwards. That battle was fought out in the late 1980's when the idea of Fortress Europe was decisively rejected. Europe remains open to and engaged with the outside world. The reasons are easy to see.

Foreign trade and investment is crucial to the economic well being of all the EU countries. It is estimated that US companies employ some 3 million people in the EU

and European firms employ a similar number in the US. The new Member States in particular will need actively to foster international trade in order to grow their economies and will actively seek foreign direct investment inflows from the US, Japan and elsewhere.

The EU will continue to have extensive global interests and commitments. We will continue to have a huge stake in global political stability and in an effective United Nations' organisation. We have a major stake in the health of the multilateral trading system and in particular getting a successful outcome to the current round of trade liberalisation talks in the WTO. We have a crucial interest in the international financial system, given the role of Europe as a major international investor. Moreover, a larger Europe will still not be able to ignore global challenges like environmental degradation, terrorism and drugs which one way or another will wash up on our shores. We will want to continue to work therefore with like minded partners to deal with these problems. In short, Europe does not want and cannot afford to stand apart from the outside world.

Enlargement will in fact reinforce our external policy. We cannot for example afford a sharp divide in political character or economic well-being at the eastern or southern borders of the Union. Over the coming decade and beyond, the Union's capacity to provide security, stability and sustainable development to its citizens will no longer be distinguishable from its interest in close cooperation with the neighbours.

Interdependence - political and economic – with the Union's neighbourhood is already a reality. The emergence of the Euro as a significant international currency has created new opportunities for intensified economic relations. Closer geographical proximity means the enlarged EU and the new neighbourhood will have an equal stake in furthering efforts to promote trans-national flows of trade and investment as well as even more important shared interests in working together to tackle trans-boundary threats – from terrorism to airborne pollution.

In return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, including in aligning legislation with the *acquis*, the EU's neighbourhood should benefit from the prospect of closer economic integration with the EU. To this end, the Commission in a recent

Communication has proposed to the Council of Ministers that Russia, the countries of the Western NIS and the Southern Mediterranean should be offered the prospect of a stake in the EU's Internal Market and further integration and liberalisation to promote the free movement of – persons, goods, services and capital (the so-called four freedoms).

Moreover, whatever may be said by some about the Old Europe/New Europe dichotomy, it is clear that the countries of Central and Eastern Europe have particular feelings of friendship for the US which they see as having rescued them from the Soviet Union. This should help reinforce transatlantic links in the future.

The enlarged EU should thus be much more attractive for New Zealand both as a political partner and as a business partner.

People might short-sightedly ask whether an EU-New Zealand political partnership is particularly important given the vast difference in size of the partners. They would be quite wrong to do so. The reasons are plain. New Zealand shares the same values as the EU and has many of the same policy reflexes in international relations. In particular New Zealand is committed to ensuring the continued health of the multilateral system and its well functioning. Moreover, we have important convergent interests in promoting stability and sustainable development in the developing countries in this part of the Pacific region. This gives us a good basis on which to start.

Enlargement will also bring considerable economic advantages for third country partners of the EU in terms of a much larger and growing market. New Zealand should begin to prepare itself to take better advantage of these opportunities which should in turn help to support the efforts New Zealand itself is making to diversify and restructure its economy.

A word of caution though. Enlargement will add 70 million people to the population of the EU or 20%, but the relative addition to the EU economy is much smaller. That reflects the fact that GDP per head on average in the accession countries is less than one half the EU average. The good news, however, is that countries like Ireland, Spain and Greece have achieved remarkable progress in convergence of income and standards of living (towards the EU average) following their accession. In actual fact,

the accession countries have in recent years been growing at a noticeably greater rate than the EU average and this is expected to continue in the coming years, thus providing a steady dynamism in the EU market.

What can we do to strengthen the EU-New Zealand relationship in the coming years? We can start by building on healthy foundations.

New Zealand's relations with the European Community underwent dramatic changes at the time of the United Kingdom's accession, due to the major adjustments to market access for agricultural products that the event brought about in the United Kingdom. Later, for several decades, agricultural issues have dominated bilateral relations as New Zealand sought continuously through pragmatic, sober and effective discussions and negotiations to compromise with the Common Agricultural Policy and to improve its access conditions to the EU.

But, bilateral relations reached a turning point with the successful conclusion of the Uruguay Round which ensured permanent access to the EU market for butter and sheep-meat.

Subsequently, a Joint Declaration on Relations between the EU and New Zealand was signed in May 1999. The latter underlined the close ties between the EU and New Zealand and expressed the determination of both sides to strengthen them further. It proclaimed a number of common goals, such as the support of democracy, the rule of law and respect for human rights, to promote the effectiveness of the United Nations, to cooperate on development issues relating to countries in the South Pacific and to promote sustainable development and the protection of the global environment.

As agreed in the Joint Declaration, regular political dialogue, including consultations at Ministerial level between the Presidency, the New Zealand Minister of Foreign Affairs and the Commissioner responsible for External Relations take place mainly in the capital of the Presidency. The last one was held in Copenhagen on 20 September 2002.

Ministerial Consultations between the Commissioner responsible for External Relations and New Zealand Ministers take place in Wellington, normally every two years. Their scope has widened over the years from bilateral trade issues to

multilateral trade matters, international relations and bilateral cooperation. Such dialogue is reinforced by periodic visits by Commissioners to New Zealand – Commissioner Lamy was in Wellington last July and Commissioner Nielson last October – and visit by New Zealand Ministers to Brussels. Indeed, Prime Minister Clark is visiting Brussels this week for meetings with President Prodi and Commissioners.

Two way trade between the EU and New Zealand totalled a healthy €5 billion in 2002. Bilateral agreements were negotiated, in 1997 on sanitary measures applicable to trade in live animals and, in 1998 on mutual recognition in relation to conformity assessment and standards certification. Both were the first such agreements the EU ever signed with a third country. The veterinary agreement aims at facilitating trade in live animals and animal products while safeguarding public and animal health and meeting consumer expectations in relation to the wholesomeness of food products. The mutual recognition agreement facilitates trade in industrial products in the sectors of medical devices, pharmaceutical goods and telecommunications terminal equipment and covers exchanges estimated at more than €500M.

When I look at how we can bring forward the bilateral relationship building on this foundation, I have the following impressions.

It is important to increase awareness of the EU in New Zealand, what the EU is about and what opportunities the EU offers. This is important not only for the general public, but, particularly for the New Zealand business community. In this regard, I put a special emphasis on the role of the Europe Centre at Christchurch. The Center was established just over a year ago with joint financing from the European Commission and the University of Canterbury. We hope that it will contribute to enhanced awareness of the EU and developments in Europe, not only through its academic research and teaching activities, but through offering outreach events on EU themes for a wider public.

Bilateral cooperation in the field of education is something which seems to have large potential scope. The Erasmus World Programme will come into operation next year and I hope that New Zealand will be able to take full advantage of that. The programme of courses promotes a one way flow of students, in this case postgraduate

students coming from New Zealand to study in Europe. But, I would also like to develop two way student exchanges such as we are doing at present with a number of partner countries, including Australia. At present we are discussing with the New Zealand authorities how we can do that, beginning perhaps with a pilot project for exchanges of postgraduate students.

We are examining a few other worthwhile areas of cooperation. I would be particularly pleased if we could do more together in the area of science and technology and research and I want very much to see New Zealand researchers taking a full part in activities under the European 6<sup>th</sup> Framework Programme. Moreover, given our similar concerns about environmental issues, particularly climate change, I am anxious that our officials begin to talk to each other a lot more in that field. I know that Prime Minister Clark during her visit to Brussels will be meeting Mrs Wallstrom who is my colleague responsible for environmental matters in the Commission. A final area to mention is development assistance. We are already working together in this field to some degree. For example as part of the shared efforts to promote stability in Bougainville, the EU and New Zealand are jointly supporting the policing system, but should consider how we could do more.

There is of course a lot of potential to expand our trade and investment links. The European Commission is therefore anxious to ensure that any reasonable concerns that New Zealand has about its exports, for instance our wine labelling regime or our administration of import quotas for sheep meat, are adequately discussed and dealt with.

It must be said, however, that the best hope for securing a substantial expansion of New Zealand exports to the EU would be to achieve a good and broad based agreement in the current Doha Round of trade liberalisation discussions. This is important for New Zealand. It is important for the EU too. Both of us have every incentive to work together therefore to put more life into the negotiations and make real progress in time for the WTO Ministerial meeting in Cancun.

I mentioned earlier New Zealand's commitment to the multilateral system. The EU hopes to work more with New Zealand and like minded partners to strengthen the functioning of the multilateral institutions like the UN and to establish effective rules

of global governance and address the major challenges that confront us all. None of us benefits from the damage done recently to the United Nations by the splits in the Security Council. It is an absolute imperative that all of us work together to repair that vital institution - which has served us well since 1945 and must, I believe, be the bedrock of our system of global security in the future.

Ladies and Gentlemen any British Commissioner comes to your beautiful country with enormous pleasure. We share so much history. We have so many links, family links, cultural links and our common values which bind us together as close friends. No doubt you are grateful to the British for some things. For instance, we gave you rugby and you have been teaching us how to play it ever since - dare I say it with greater success recently.

But today I am also delighted to come here as a European Commissioner: to be part of a European institution which is living proof of the enormous benefits that nation-states can obtain from working together. As one Union but also working together with our friends all over the world. None is dearer to me than New Zealand.