

Principal Challenges to Central Europe and to its social cohesion

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What is the meaning of the enlargement for the EU and for the world, the situation before and after the enlargement? The 10 new countries are less than 10% of the GDP of the EU and they will have 3% or 4% of the EU budget for 2006. The positive effects for the new countries and for all EU countries, new way of thinking, well trained labour force, high level of education, low migration. The enlargement of EU is crucial for the strength of united european market, the only way how we can be competitive.

The main challenge for all the 25 EU members:

- 1) From Western European format for all Europe, is no more divisions;
- 2) Increasing globalization, in particular in trade and economy;
- 3) New security situation, not only because of 11th of September, but also due to new geopolitical situation.

Those challenges – especially the globalization reveals the strong and the weak points of EU. Why? The globalization is increasing the new dependences and is limiting the trade possibilities of individual countries, the only exception is USA, that is quite independent in taking decisions.

For the EU the best response and only one is the integration, a new kind of integration. EU is quite successful in economy, fiscal policy. The best example is the Euro, the currency was not affected by the financial turbulences in Asia, Russia, Latin-America.

Let's say why the new members joined the EU: from my point of view not because of the EU budget, financial attractiveness, economy and political strengths, stability, security and the way how to increase economic property. The EU members are sharing the same values, which are based on equality, solidarity, welfare, justice. We have a common past and also a common future.

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We can divide in groups the challenges for the new EU members:

- One year after enlargement we see the new EU countries, facing the majority producing the limits and their competitiveness, because of the system of subsidies in the old EU, so far we are handling the problem, we have cheaper labour, but in less than 2 or 3 years, hopefully we'll see the new issue settled in the New Financial Policy.
- Some of the new members have the problem with agriculture, again the subsidies, where they are not able to compete and also is a big issue for the EU budget.
- All the new EU members are passing through reconstruction of economies, the similar as it was in Ireland, Portugal, Spain, Greece in the end of 70's and 80's. The economies are vulnerable as they were before 20 years ago, the new EU members are simultaneous show fast growth of GDP. The prevision of GDP for 2005/2006 for Slovakia is almost 6%, for Poland 5,2%, for the Baltic countries 5-6%.
- The new EU members are becoming very attractive destinations for FDI, but we have to take a lesson, one day the FDI will slow down and we have to use this period of 5, 6, 7 years to increase the productivity, our labour, effectiveness, introduce new technologies, produce products with a very high additional value.
- New EU members must be concentrated in new items of additional values, the only way how we can be competitive.
- We are now in the cycle when the growth of the economy of the new countries is 2-3 times faster than all EU members. We attract a huge volume of FDI, but one day the cycle will slow down and it could move, perhaps, to the Balkans, Ukraine or another region.
- Definitely some other challenges in other areas of policies like social affairs and culture are much less complicated than the area of economy.

The politicians, diplomats and the private sector have to try short that period of catching up and to short the gap between the members in GDP per capita, salaries, labour production, effectiveness and cohesion.

It is also inevitable to be frank and very open, according the statistics, the countries like Slovakia, Czech Republic, Slovenia, will reach the level of Portugal in terms of GDP in less than 3-5 years.

The principle of solidarity in the EU is the basic and it is important for all EU to grow together.

The new members are bringing many positive values and inputs to the economy, policy, culture, development, they already enriched the 25 EU members, they are coming up with new ideas, new thinking, more courage and this is a very good signal for the EU as whole.