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Policy

Eastern Partnership - New challenges for EU businesses

**Eastern Partnership Event at the Czech House in Brussels**

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Thank you for your invitation to attend today's meeting. I am pleased to be here and to contribute to advancing an issue of common interest: i.e. to open up business opportunities in the six countries covered by the Eastern Partnership.

Let me put my remarks in the context of our efforts to create growth in the EU. Yesterday, the Commission adopted the Europe 2020 strategy.

In this document, we have for the first time a real external dimension to our growth and jobs strategy.

As Commissioner for Enlargement and European Neighbourhood Policy I believe we should capitalise on the attractiveness of our regulatory environment and expand the area where EU rules are applied. We have policies and instruments at our disposal to do so.

Over the last 5 years, we have seen a steady increase in our trade with both the enlargement and the neighbourhood countries – in absolute terms, but also as a proportion of the EU's world trade. The EU's trade with the ENP region has progressed positively during the 5 year period 2004 – 2008, with EU exports rising by 63% and imports by 91%. Even when energy products are excluded imports from the ENP region grew by 31%. **Many of these countries have a largely untapped potential for growth and as their principal and – due to geographic proximity – obvious trading partner, the EU has a direct interest in supporting their economic development.**

This is also a real opportunity for the Neighbourhood countries as it will help them to better anchor their own reform efforts: it opens a clear path to further extend the reach of our Single Market rules for instance through deeper and more comprehensive free trade agreements.

This needs to be to our mutual benefit. One of the key messages of the neighbourhood policy package (ENP) - which I will present in April - ought to be very clear and unambiguous: The higher degree of co-operation with our partners that we are offering should be accompanied with stronger commitments to the rule of law and fundamental freedoms on their side as this is a pre-requisite for economic growth and prosperity.

**This is also at the heart of what the EU and the 6 partner countries of the Eastern Partnership agreed in the Prague declaration of last May: the further partners can go with their political and economic reform the further the EU will respond through enhanced political association and further economic integration.** In a nutshell we are prepared to offer the partners: new contractual arrangements through the negotiation of Association Agreements, deep and comprehensive free trade agreements when conditions are right, and steps towards the long-term goal of visa free regime. In addition, we have established a multilateral framework for discussing issues common to all partners wishing to move closer to the EU. Four thematic Platforms have already got down to work and five flagship initiatives are being launched.

Let me briefly describe where we have got to and start off with Ukraine.

The election of a new Ukrainian President in February and the likely formation of a new administration provide both an opportunity and a challenge to the EU to exploit the tools at our disposal through the Eastern Partnership. First of all we need to convey a strong sense to the new leadership that the EU is committed to strengthening its relationship with Ukraine. We need to underline that reform is essential to Ukraine's future stability and prosperity.

I would single out two main challenges for Ukraine: political stability and the economic recovery. To address the first issue the new President must be ready to

work with a wide political constituency, including the opposition. Ultimately a sustainable response will depend upon a constitutional reform.

As regards the economic situation in Ukraine, the new administration must implement a raft of reforms. First and foremost Ukraine must get back on track with the IMF programme. It must implement the reforms in the gas sector, adopt a budget for 2010 and continue the work of recapitalising the banking sector. It must make serious efforts to combat corruption.

At the same time we must offer concrete and tangible support to Ukraine in its reform efforts for example by providing macro-financial assistance, continuing support to the reform and modernisation of the gas sector and targeted financial and technical cooperation. On the issue of mobility, I believe we should be ready to discuss further a roadmap approach towards the long-term goal of visa free regime.

The first stage of our engagement has been very fruitful and has evoked positive responses on both sides. During the recent visit of President Yanukovich to Brussels this week, the EU and Ukraine have recommitted themselves to work towards concluding the negotiations on the Association Agreement and the deep and comprehensive free trade agreement. Our research shows that the DCFTA will bring substantial economic gains to both Ukraine and the EU: Ukraine will double the exports to the EU and gain access to a market of 500 million consumers.

Turning briefly to our other partners. How far Belarus' relationship with the EU develops will depend on its readiness to embark on fundamental democratic and economic reforms.

Negotiations on an Association Agreement with the Republic of Moldova have just started and we are assisting Moldova in preparing itself for possible future DCFTA negotiations. At the same time, the current trade regime based on the Autonomous Trade Preferences is generous and offers a lot of potential for businesses.

The Commission has presented draft negotiating directives for Association Agreements with Armenia, Azerbaijan and Georgia which are now being discussed in the Council and which provide for the establishment or the objective of establishing DCFTAs.

You have asked me to address two specific questions. The first is: How can EU business organisations be helpful in capacity building?

From my point of view, there is a need to see partner countries' business organisations streamlined, as was the case for many of the Member States when they joined the EU.

We have to promote the development of independent business to become a strong interlocutor for the Government and the EU. I am convinced European business organisations can help by sharing their own experiences.

In addition, the improvement of the business climate is one of the key issues of the Eastern Partnership process. And there EU business organisations can also make an important contribution.

Business has already played a valuable role in informing the Commission's messages on economic reform. It is now our intention to invite Business Europe to the next Platform meeting on "Economic Integration and Convergence with EU Policies" which will have a comprehensive discussion on SME policy issues.

Turning to your second question, whether a strengthened dialogue with the Eastern Partnership is an opportunity for EU businesses?

The answer is clearly yes as my remarks on Europe2020 have already suggested.

Open markets and economic integration are central to the Eastern Partnership since they are key for the modernisation of the partner Countries' economies in line with international and EU standards.

At the same time however, EU companies will also be able to take advantage of improved access to the markets of the partner countries. Market liberalisation will increase their export potential and their options for future investments.

We have established a Trade Panel within the Eastern Partnership multilateral platforms to exchange information and experiences. It will promote approximation to the trade and investment related EU *acquis* and will promote consistency of measures taken by Eastern Partner countries at national, bilateral and regional level.

Thank you for your attention and I hope you agree that achieving sustainable growth in the EU requires us to work for stability and prosperity in our neighbourhood. The Eastern Partnership represents a "double win-win" prospect – increased stability and prosperity for both the EU and partner countries; and increased business opportunities for companies.