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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20.2.2008
COM(2009) 79/3

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN
CENTRAL BANK**

**Five years of an enlarged EU
– Economic achievements and challenges –**

{SEC(2009) 177}

FIVE YEARS OF AN ENLARGED EU – A HISTORIC LANDMARK

Twelve countries from Central and Eastern Europe and the Mediterranean joined the European Union in two waves in 2004 and 2007. This was the biggest ever enlargement of the EU and a historic step towards unifying Europe after several decades of division resulting from the Cold War. Five years after the 2004 accessions, the enlargement has emerged as a major success for the EU and its citizens, fulfilling one of the original purposes of European integration.

The new Member States – through their sheer number and dynamism - have made the EU stronger and culturally richer. The enlargement process has helped build and consolidate democracy after the demise of the communist regimes. It has strengthened European security, by providing a crucial anchor of stability in a period of conflicts and upheavals within and around our continent. It has greatly boosted the economies and improved living standards in the new Member States, thereby also benefiting the old Member States notably through new export and investment opportunities. It has strengthened the economy of the Union as a whole, through the advantages of integration in a larger internal market.

The enlargement, by hastening the pace of structural reforms, has also better prepared Europe to embrace the benefits and tackle the challenges of globalisation by making it more competitive in the world. An enlarged EU also carries more weight when addressing issues of global importance such as climate change or the international financial crisis. Overall, the accession of 12 new Member States has increased the weight of the EU in the world and made it a stronger international player, in both economic and political terms.

Together with the accompanying analytical report¹, this Communication focuses on the economic aspects of enlargement, assesses the economic achievements so far and identifies the main challenges ahead. Enlargement has been a win-win situation for both new and old Member States and the EU as a whole. Despite fears that it would entail disruptions for the economic and social systems of the old Member States, the experience proves that none of these sombre predictions were justified.

However, more diversity requires greater coordination and deeper integration. The Lisbon Treaty addresses the institutional impact of successive enlargements. Widening and deepening the EU have always gone hand in hand and will continue to do so. Of course, there will be challenges ahead (including for future enlargements) but we have the means to tackle them.

The latest enlargements of the European Union have brought greater economic prosperity for all EU citizens and made Europe a stronger player in the world economy. The enlargement helped further unleash the growth potential and increase the resilience of the European economy by deepening economic integration and boosting competitiveness. The enlarged EU is now the largest integrated economic area in the world, accounting for more than 30% of the world's GDP and more than 17% of world trade (excluding intra EU trade).

The institutional and legal frameworks and the common policies of the EU played an important role in ensuring this success. Macro-economic stabilisation, institution-building,

¹ "Five years of an enlarged EU – Economic achievements and challenges", European Economy, No. 1/2009

regulatory convergence, improvements in governance, trade integration and capital movement liberalisation took place throughout the accession process, so that many benefits were already visible prior to 2004/2007. EU accession anchored economic policies, created a stable and competitive economic environment and spurred public investment in human capital and infrastructure, thereby creating ample opportunities for private initiatives. Investors from the old Member States, and all over the world, quickly seized these new opportunities, bringing about an unprecedented inflow of private capital into the new Member States. The acceleration in financial integration caused by the introduction of the euro or the prospect thereof and fast-paced globalization created a particularly supportive environment for this process. The full and successful integration of new Member States into EU employment and social policy should also be highlighted. Those impressive results show the enduring value of rigorous reform efforts combined with the EU policy framework.

Entrepreneurs and citizens throughout the enlarged EU have experienced clear benefits.

In the old Member States, export-oriented firms realized important competitiveness gains and labour migration eased bottlenecks in those countries that opened up their labour markets. New Member States experienced rapid productivity growth, falling unemployment and fast income convergence. The four new Member States that joined the euro area since enlargement have benefited even more, as they have eliminated exchange rate risk, reduced transaction costs, and gained access to capital at lower interest rates.

Rapid integration brought many benefits for growth but also created vulnerabilities in some of the new Member States, which have been further accentuated by the current economic and financial crisis.

Foreign investment in the new Member States surged fast and boosted economic restructuring, growth and employment. However, in several countries, rapid and unchecked domestic credit growth, fuelled by foreign borrowing, overheated the economy and led to large external imbalances, sharp increases in labour costs outstripping increases in productivity, and hikes in real estate prices. As a result, in some countries foreign capital was increasingly channelled to non-productive uses. With the large increase in the cost of capital brought about by the global financial crisis, countries with large external imbalances now face major adjustment challenges. These challenges, however, are not unique to new Member States; some of the old Member States face similar problems.

The enlarged EU is now better positioned to address current and future challenges.

The reformed Stability and Growth Pact provides a medium-term anchor that underpins the credibility of fiscal policy, while allowing for sufficient flexibility in the short run. In parallel, the revamped Lisbon process, helps identify and focus on the structural reforms that are necessary to further enhance growth potential and resilience. This process has been supported by the Cohesion Policy, which translated Lisbon objectives into regional catching-up and development strategies. The Cohesion Policy provided substantial support to EU Member States, both in terms of vital financial assistance and much needed expertise, with support from the European Investment Bank and, where appropriate, the European Bank for Reconstruction and Development. The enhanced Balance of Payment facility allows the EU to offer adequate financial assistance to those Member States outside the euro area that need temporary help to smooth adjustment. These support mechanisms are now available to the new Member States and can promote the necessary adjustment.

ACHIEVEMENTS OF THE FIRST FIVE YEARS

The accession process has contributed to significantly improve living standards in the new Member States, fostering economic and social cohesion within the Union. Income per capita rose from 40% of the old Member States' average in 1999 to 52% in 2008. It is estimated that the accession process boosted economic growth in the new Member States by about 1¾ percentage points per year over 2000-08, when growth increased from 3½%, on average, in 1999-2003 to 5½% in 2004-08. Growth in the old Member States also benefited from enlargement (adding up to a cumulative increase in output of around ½% over the same period), in particular in those countries that increased trade with and investment in the new Members. Growth in the new Members was mostly attributable to capital accumulation and productivity increases, each of which contributed more than 2 percentage points per year in 1999-2008. As a result of corporate restructuring, the contribution of labour was negative in 1999-2003. Since 2004, robust growth in employment of about 1½% annually in the new Member States went alongside strong employment creation in the old Member States (about 1% per year since enlargement).

Rapid trade integration has fostered a more efficient division of labour and strengthened competitiveness in the EU. The degree of trade openness in the new Member States has reached a very high level. Their average GDP share of exports and imports now amounts to 56% of GDP, up from 47% before enlargement. This is significantly higher than in the old Member States, where the level stands at 38%. Integration with the old Member States and, in particular, between the new Members themselves, has rapidly intensified. In 2007, almost 80% of all exports of the new Member States went to the rest of the EU, with 19½% of exports to other new Members (compared with 13¼% in 1999). The old Member States sell 7½% of their exports to the new Members, up from 4¾% a decade ago. New Members have gained market shares by increasing the capital- and technology-intensity of their exports, in large part as a result of investments from the old Member States. High-tech goods reached 14% of their total exports in 2006, up from 11% in 1999 and close to the 16% level observed in the old Member States. Improvements on this front have more than compensated for losses in cost competitiveness stemming from real exchange rate appreciation (which has to some extent been recently reversed). Increased trade integration in the EU exploits comparative advantages, and thus strengthens the growth potential and enhances the competitiveness of the EU as a whole. New Member States have doubled their combined world trade share since 1999, to 4%, helping the EU as a whole to contain the reduction in its market share (falling by 3 percentage points to 38¼% in 2007) resulting from the rapidly expanding shares of emerging economies in world trade.

New Member States have been rapidly modernizing their economies. They have developed functioning market economies and the capacity to cope with competitive pressures and market forces within the Single Market. They have also increasingly aligned their production structures with those of the old Members. Agriculture and manufacturing are more important in the new Members (amounting to 4½% and 21¼% of GDP respectively in 2006, compared with 1½% and 16¾% in the old Member States). Nonetheless, the service-based and knowledge-intensive economy has progressed in recent years. The share of services in GDP grew from 56% of GDP in 1995 to 63% in 2006, compared to 72% of GDP in the old Member States. The rising shares of technology-intensive exports and employment in knowledge-intensive sectors (3.5% of total employment compared with around 5% in the old Member States), and increasing education levels also indicate a rapid pace of economic modernization in the new Member States that lays the ground for further swift economic

catching-up. In addition, the new Member States have taken and need to continue taking reforms to strengthen the rule of law and modernise their legal systems.

Investments from old Member States have been a key driver of economic transformation in the new Member States. In the run-up to accession, new Member States made great progress towards macroeconomic stability and rapidly embraced the legal and institutional frameworks of the EU. EU support such as the pre-accession instruments was pivotal in fostering this process. As a consequence, foreign investment surged, boosting growth and employment. The positive impact on longer-term growth potential through knowledge transfer, productivity spill-overs, increased competition, and additional discipline on economic policies was equally important. Foreign investment was particularly high in the financial sector. As a result, foreign ownership in the banking sector in the new Member States now ranges from almost 100% in Estonia and Slovakia to some 30% in Slovenia (compared with below 20% on average in the euro area). Insurance groups from old Member States have also developed a strong presence in the new Member States. The strong financial interdependence between new and old Member States underscores the importance of strengthening the EU-wide cooperation in financial sector regulation and supervision.

Investment and activities funded under cohesion policy were also instrumental to facilitating the restructuring process in the new Member States, while strengthening economic and social cohesion throughout the Union. This policy significantly supported the integration of the new Member States into the world trading system and in the European Single Market and further developed economic links which generated substantial foreign direct investment inflows, creating new jobs and raising living standards. Territorial cooperation programmes also helped to deepen integration between EU regions and promoted knowledge sharing. In addition, cohesion policy enhanced endogenous growth potentials in these countries, improving productivity and competitiveness of their economies. Finally, it eased the transition of workers from traditional to new economic sectors which is inevitable in such rapid restructuring process, thus fostering a sustainable and balanced growth process.

The EU accession process also brought about a new framework for product market regulation in the new Member States, including for competition policies and state aid. New Member States have a higher share of openly announced public procurement (5¾% of GDP against 3¼% of GDP for the EU as a whole in 2007). According to a Eurobarometer survey of 2007, 71% of small and medium-sized enterprises (compared with 63% in the old Member States) feel that there is a significant increase in competition. Available evidence also indicates that competition has notably increased in the telecommunication and postal services sectors, which are subject to sector specific regulatory frameworks. State aid in the new Members has declined as a share of GDP from 1½% in 2000 to ½% of GDP in 2006 (just above the level in the old Member States). Notwithstanding these improvements which have played a crucial role in boosting business activity, the enforcement of competition law remains a challenge in some of the new Member States. Moreover, small and medium-sized enterprises still feel relatively constrained in domains like access to finance, recruitment of skilled labour, implementation of new technology, and availability of infrastructure.

Integration of new Member States agricultural markets and rural economies to the EU was accomplished without any major internal economic or social problems. The carefully designed accession strategy combining significant investments and assistance programmes in candidate countries during the pre-accession period showed its results. Together with a sound and balanced outcome of accession negotiations, which put increased focus on rural development and on shifting from market support to direct income support, this permitted a

smooth integration of the new Member States into the internal agro-food market and the Common Agricultural Policy. An enlarged EU market has brought many possibilities for farmers and agri-food businesses from all Members States and has led to increased intra-community trade and foreign direct investment. Enlargement has also strengthened the EU position on international markets for agricultural produce.

New investment opportunities created by enlargement helped enterprises in the old Member States to strengthen their global competitiveness and safeguard jobs at home.

Enlargement has opened, for enterprises in the old Member States, new markets for exports and foreign investment. It has offered them opportunities to increase their efficiency and competitiveness. With a well-educated labour force and a similar legal, institutional and regulatory environment, new Member States offer ample opportunities in this regard. Although the restructuring involved may imply sizable adjustment costs in the short term, they increase the global competitiveness of EU enterprises and ultimately help safeguard jobs and boost growth all across the EU. Indeed, in several sectors (machinery, furniture, medical instruments, chemicals, wood) investment in new Member States went hand in hand with employment in the old Members.

Workers in the new Member States have profited from improved employment opportunities at home and abroad, although labour migration created economic and social problems in some of the new Member States.

After more than a decade of economic restructuring, labour markets in the new Member States have staged a broad-based recovery that took off in earnest in 2003 and created 3 million new jobs between 2003 and 2007. As a result, unemployment has declined to levels similar to the rest of the Union (about 7% in 2007), while employment rates have increased to about 60%. Nonetheless, persistently high long-term unemployment (at around 56% in 2006, more than 13 percentage points above the average in the old Member States) signals significant skills mismatches. Furthermore, wages have grown in excess of productivity in several countries, thereby leading to competitiveness losses. Outward labour migration has added to these problems in some of the new Member States (in particular in Cyprus, Lithuania, Poland and Romania). Labour migration has also raised concerns about brain drain and waste and labour shortages in specific sectors and professions, although the supply of highly educated people has been increasing and improving economic conditions have reduced incentives to work abroad. Moreover, returning workers tend to bring back new skills that are valuable for their home country's economy. A sizable outflow of workers also led to substantial remittances from abroad (about 5.5% of GDP in Bulgaria and Romania and 1.5% of GDP in Poland) that support the domestic economy.

In old Member States, concerns raised about massive labour migration prior to enlargement have not materialized.

The number of people from new Member States that have migrated to old Member States is on the whole limited (about 3.6 million, up from 1.6 million at end-2003), and is not expected to rise substantially, even after remaining transitory restrictions in some Member States are lifted. The relative weight of these flows in terms of working age population for each country is small (around 1% or less), with the exception of Ireland, where immigrants from new Member States represent 5% of its working age population. In absolute terms, the main destination countries have been the UK (receiving almost 1/3 of migrants since accession), Spain (18%) and Ireland (10%), although with the financial crisis a significant share of these workers may return to their country of origin. While some of these flows have generated disturbances in segments of the labour market and some social effects, their overall effect is positive. Evidence at hand suggests that post-enlargement intra-EU mobility has not led to serious labour market disturbances. Free movement of labour is an important benefit a unified Europe offers to its citizens and

enterprises. It is estimated that the recent level of intra-EU labour mobility adds about 0.3% to the GDP of the EU as a whole in the medium term. Migrants from the new Member States tend to work more in low-skilled jobs (1/3 of migrants compared with 10% of resident workers), although they have relatively high qualifications (40% of migrants fall into the high-skilled category compared with 25% of the workforce in the old Member States). Incoming workers have helped meet labour market demands and reduce bottlenecks (e.g. in the construction and services sectors), without creating major labour market disturbances. Also, temporariness appears to be an important feature of this migration: in the UK, 50% of recent migrants have already returned to their countries of origin. The Commission has called upon Member States to consider whether they need to continue applying restrictions in light of the situation of their labour markets, notwithstanding their rights set out in the Treaties of Accession concerning transitional arrangements².

CHALLENGES AHEAD AMPLIFIED BY A SEVERE GLOBAL CRISIS

The current severe global economic crisis poses major new challenges for national policies. The crisis impacts all Member States through declining trade, reduced availability of financing, plummeting household wealth and deteriorating confidence. Although EU membership, and even more so euro area membership, provides protection and a stability anchor that expands the comfort zone of investors, the crisis puts a large premium on sound domestic policies. All Member States that have experienced a credit boom have developed similar vulnerabilities, such as a high dependence on foreign savings and weak balance sheets in the corporate and household sectors. The EU is working to restore stability, transparency and confidence in the financial sector by addressing not only the most prominent failings but also tackling the need for a more profound reform of the regulatory and supervisory system.

The financial crisis has also exposed other vulnerabilities. In several new Member States, over-optimistic expectations about enterprise profits and household income fuelled capital inflows and credit growth that have surpassed sound equilibrium levels. In many cases, this has led to unsustainably high current account deficits. As regards credit growth, credits to households and in particular mortgage loans have had the most dynamic evolution and often fuelled unsustainable real estate bubbles. Foreign-currency-denominated loans have also expanded markedly in several countries. This has made households and corporations more vulnerable to currency depreciation. Moreover, credit growth in the new Member States has largely been sustained by increasing cross-border lending, which resulted in a high dependence of the domestic banking sector on funding from a group of foreign parent banks.

These recent events underscore that in all new Member States further major efforts are needed to safeguard the achievements of the latest EU enlargements, particularly regarding income convergence, financial integration, and FDI into converging Member States. The EU's policy frameworks are helpful in facing these challenges and enable the new Member States to continue to inject dynamism into their economies in the medium and long run. However, the results will mainly depend on sound domestic economic policies and an appropriate institutional framework. Domestic policies and institutions have not always been adequate in the past and often deviated substantially from the EU's recommendations. In particular fiscal policy could have contributed more to maintaining macroeconomic and financial stability by timely counteracting expansionary pressures stemming from a booming private sector.

² "The impact of free movement of workers in the context of EU enlargement - Report on the first phase (1 January 2007 – 31 December 2008) of the Transitional Arrangements - COM(2008) 765, 18.11.2008.

Completing the Single Market and implementing reforms that further modernise the economy are an on-going task for maximising the benefits from enlargement. Enlargement has enhanced the EU's competitiveness and its attractiveness for investors, making it able to reap the benefits of globalisation to a fuller extent than before. Nevertheless, the gains from enlarging the Single Market, particularly for small- and medium-size firms, can be better exploited by deepening the integration of goods, services, labour, and financial markets. These reforms pay a double dividend: they boost growth and job creation and promote macroeconomic stability by facilitating the better adjustment of wages and prices to shocks. So far, Single Market regulations have been implemented well in the new Member States, but a certain reform fatigue can be observed. Strengthening the rule of law, increasing the efficiency of public administration and judiciary reforms remain challenges with important implications for the business environment, competitiveness, and further growth and integration in the EU. The experience of enlargement has shown that the effectiveness of the public administration, in particular the competition, supervisory and regulatory authorities and the judiciary, and efficient financial control, are key and can considerably accelerate investment. The continuation of efforts in these areas is also important to reap the full benefits of the Single Market.

Successive enlargements of the euro area will also help reap the full benefits of the Single Market but require further reforms. Euro area membership offers numerous benefits such as the elimination of exchange rate risks and lower transaction costs, higher trade and FDI, increased competition, and enhanced financial integration. All new Member States are committed to euro adoption, but follow different strategies. Cyprus, Malta, Slovenia and Slovakia have already adopted the euro, while other new Member States have made less progress in nominal convergence; some have even temporarily backtracked. The goal of euro adoption also provides strong incentives to pursue policies necessary to promote rapid nominal and real convergence, and helps counteract reform fatigue.

ADDRESSING THE CHALLENGES

Sound fiscal policy is essential to maintaining macro-financial stability and promoting integration and income convergence. The new Member States became subject to the Stability and Growth Pact upon accession and six of them were included in the Excessive Deficit Procedure in 2004. By mid-2008, thanks to strong growth, lower interest rates and the increased EU transfers brought by enlargement, the procedure was abrogated for all except Hungary. The financial crisis is however taking the toll on public finances. Looking ahead, new Member States can avoid a trade-off between maintaining fiscal prudence and making sufficient funds available for growth-enhancing public expenditures if they follow best practice for fiscal governance (including transparent and credible medium-term budgetary frameworks) and increase the quality of public finances. Reforms of health care, pension and education systems are also crucial to ensure long-term fiscal sustainability and to improve economic efficiency. The reformed Pact provides the necessary flexibility for converging economies to absorb the deterioration of the fiscal position during a crisis, as long as sufficient efforts are made to achieve a strong fiscal position prior to the crisis. Ensuring ambitious consolidation efforts and a proper assessment of the underlying fiscal position during good times are thus central objectives of fiscal surveillance to ensure that this flexibility is fully available to policy makers.

The Lisbon Strategy for Growth and Jobs acts as a powerful catalyst for structural reforms that are also key to promoting integration and income convergence. Productivity growth remains clearly the EU's key long-term competitiveness challenge. Looking at

structural reforms that have potential to contribute to growth and employment, insufficient progress has been achieved over the past in the area of R&D and innovation. The continuation of efforts to increase the efficiency of public administration and to substantially cut red tape in some Member States is also important to reap the full benefits of the Single Market. In the EU as a whole, there is evidence of structural improvement in the functioning of labour markets. However, while the overall picture is rather positive, there remains considerable scope for improvement in some Member States, in particular regarding issues such as regional disparities and skills mismatches.

Enhanced country surveillance by the European Commission and the Council in the context of the Stability and Growth Pact and the Lisbon Process will be key in fostering the right policy in the short and long run. To this end, macroeconomic imbalances, including in asset markets, policy options to effectively tackle these imbalances, structural reforms critical to the stability and smooth functioning of financial markets and the rule of law, and to enhance adjustment capacity should be identified early in the surveillance process, particularly in the case of countries with major vulnerabilities.

The implementation of cohesion policy and the EU's rural development policy, focused on long-term objectives, helps create conditions for sustainable growth. As with previous enlargements, new Member States greatly benefit from EU transfers, already before accession. Total transfers from the EU budget to the new Member States amounted to around 2% of their GDP in 2007, and are expected to increase to 3% by 2013. In terms of the GDP of the old Member States, these transfers amounted to 0.2% in 2007, increasing to 0.3% by 2013. Cohesion Policy has been supporting the mobilisation of local growth potential, by focusing intervention on priority areas such as research and innovation, ICT, transport infrastructure, the business environment and human capital. Old Member States also benefited from demand in goods and services generated by these transfers. Cohesion Policy has also been helping to create the necessary stable, participatory, transparent and accountable institutions in the management of public funds, thereby improving acceptance by the civil society and increasing the efficiency of public spending in general. Sound management and effective financial control are a pre-requisite for triggering additional private investment. With accession the EU's rural development policies have been extended to the new Member States, increasing the farming sector's competitiveness and contributing to the diversification of incomes in rural areas. In addition, the successful implementation of Stability and Convergence Programs and National Reform Programmes to ensure a stability-oriented macroeconomic policy, a favourable business environment, flexible product and labour markets, and sufficient administrative absorption capacity is indispensable for achieving the overriding objectives of catching up and increasing competitiveness.

EU policies and financial institutions and instruments provide crucial support to the convergence process. While Cohesion Policy provides the large bulk of resources, the European Investment Bank also offers assistance and foresees a substantial increase (close to 40%) of its 2009 lending target in the new Member States to finance small and medium-sized enterprises and projects in key sectors, notably environment and transport. Moreover, the European Bank for Reconstruction and Development, which had gradually reduced its operations in the new Member States after enlargement, has started to refocus attention in the region with its crucial expertise in projects related to the financial sector, including the provision of venture capital.

The recent rescue efforts for countries facing financing needs demonstrate that the risks to achievements accrued since enlargement are clear and present. Vulnerabilities in

Hungary and Latvia had reached levels that made it necessary for these countries to request external financial assistance. The Balance of Payment facility was increased from the original €12 billion to €25 billion at the end of 2008 to make it adequate for this purpose and sizable assistance, flanked by comprehensive policy programmes, was provided to these countries to help avoid excessive output and job losses during the necessary adjustment. The EU support has not only helped the specific countries in trouble but has also contained the potential negative spill-over effects on other new and old Member States.

CONCLUSION

The recent enlargements of the EU were a milestone in the process of unifying Europe and have brought benefits to all citizens throughout the Union. By promoting a more efficient division of labour and improvements in the legal, regulatory and institutional environments, enlargement has enhanced the competitiveness and resilience of the EU economy as a whole. Five years on, the EU is better positioned to face increased global competition and to take a leading role in the world economy and its governance. It is a much stronger player in international negotiations and is capable of reacting quickly, as demonstrated by the recent "gas crisis", which affected some of the new Member States quite severely. In this case, rapid action through a co-ordinated European approach demonstrated solidarity within the Union and restored crucial energy links.

Full integration of national economies and income convergence, however, are still to be achieved. For Member States, including the new ones, to fully reap the benefits of the Single Market, EU legislation needs to be fully transposed into national legislation and product and service markets need to be further integrated. Given its many benefits, financial integration within the EU will have to be further pursued, while simultaneously tackling the shortcomings in regulation and supervision exposed by the financial crisis. In the course of this integration process, Cohesion Policy will continue to play a key role in supporting the economic restructuring in the new Member States.

These reforms are particularly important now, in the wake of the global financial crisis that could slow down the convergence process. But a crisis of this magnitude also offers opportunities for taking measures to mitigate its social and economic impact and carrying out deep structural reforms to underpin a quick and sound recovery, which will enable European economies to fully benefit from the growth opportunities that will emerge in the aftermath of the crisis. Looking ahead, enhanced country surveillance through the Stability and Growth Pact and the Lisbon process will have to play a central role in identifying early on the issues Member States need to focus on in their economic policies and the measures they need to take to tackle the emerging problems. Proactive structural reforms and sound macroeconomic management will be essential to reduce the likelihood of a major financial crisis in the future.

As a result of years of thorough preparation and continued monitoring, the EU continues to operate smoothly after enlargement. Due to enlargement competitiveness in both the new and old Member States was strengthened and additional growth was created. Further reforms and their implementation are however essential to ensure continued integration and income convergence in the EU and to maintain the EU's role in global economic governance. Progress on this front is also necessary to create an environment conducive to further advances in the Union's enlargement agenda, which in turn would further enhance the growth potential and resilience of the EU economy.

Success in tackling the current crisis and preserving the achievements of the latest enlargements of the EU will be essential. As in previous experiences, furthering the EU's agenda will offer benefits that extend far beyond economics.