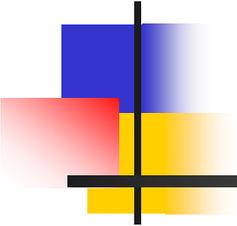
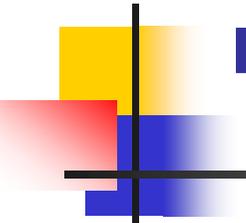


The Implications of EU Enlargement for the Non- Accession Transition Countries



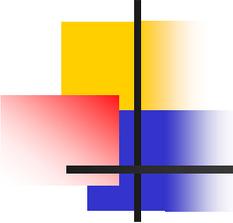
Presented by
Rumen Dobrinsky
UN Economic Commission for Europe

Project LINK Spring Meeting, April 14-16, 2004



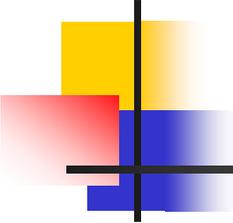
The new geopolitical and economic realities in Europe

- **EU-25**
- **Non-EU developed:** Iceland, Norway, Switzerland
- **EU candidates (accession negotiations):** Bulgaria, Romania
- **EU hopefuls (application for EU membership):** Turkey, Croatia, The FYR Macedonia
- **Potential EU candidates (stabilization and association process):** Albania, Bosnia and Herzegovina, Serbia and Montenegro
- **Aspiring closer links with EU:** Republic of Moldova, Ukraine, Georgia(?)
- **Other CIS:** Russia, Belarus, Armenia, Azerbaijan



EU's relationship with the new EU neighbours

- **Expected decision on the start of accession negotiations:** Turkey, Croatia, The FYR Macedonia
- **Expected stabilization and association agreements** (free trade, except agriculture and sensitive goods): Albania, Bosnia and Herzegovina, Serbia and Montenegro
- **Partnership and Cooperation agreements (PCAs):** (MFN/GSP; WTO rules; exemptions for sensitive goods) all CIS countries except Tajikistan (PCAs with Belarus and Turkmenistan signed but have not entered into force)
- **TACIS programme** (technical assistance)
- **EU's Common Strategy (Russia, Ukraine)**
- **The EU's "Wider Europe" initiative (2003)**



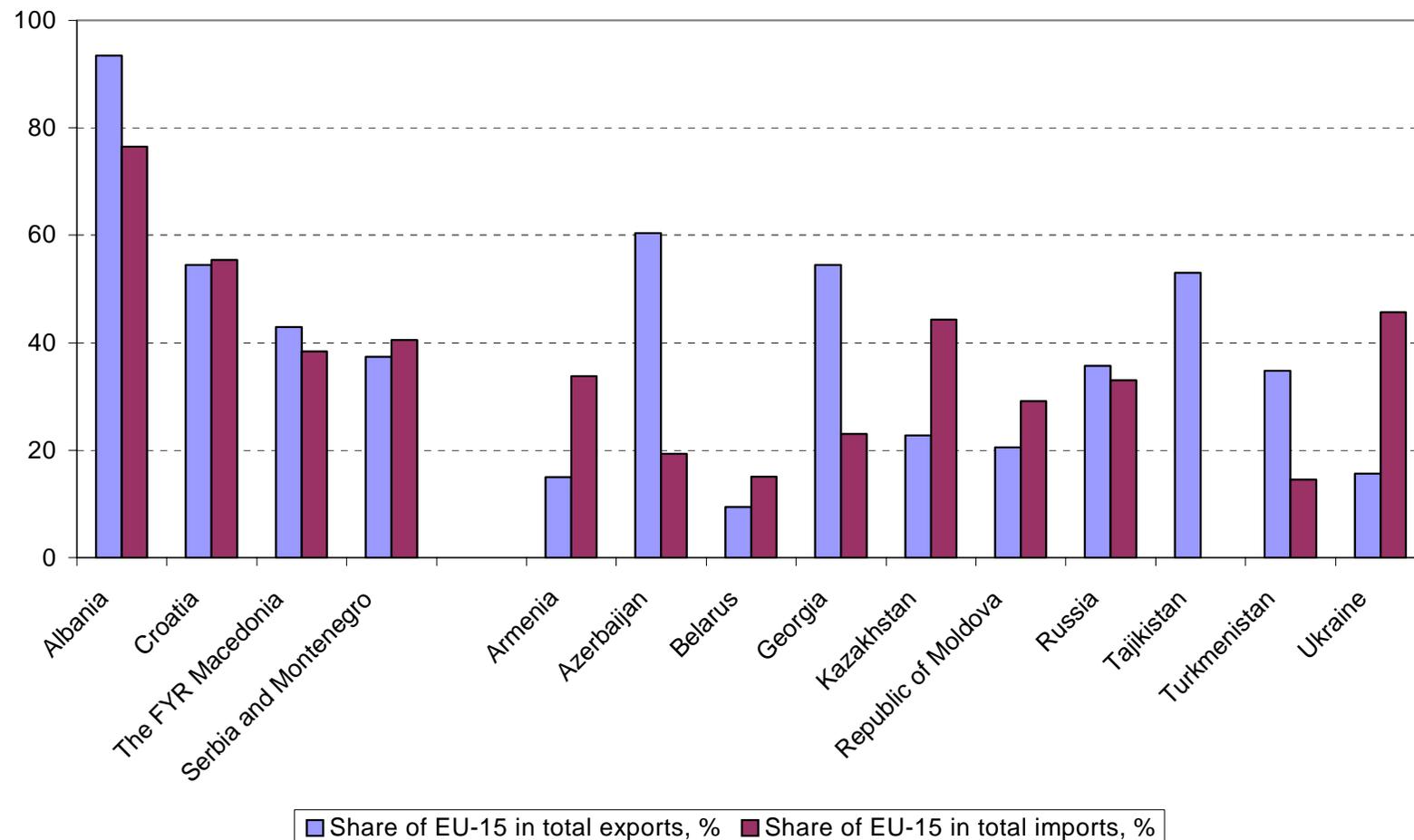
AC-8 relationship with the new EU neighbours

- **Bilateral trade agreements between ACs and CIS countries** (except Tajikistan and Turkmenistan): MFN status
- **Upon accession of some CIS countries to WTO** (Armenia, Georgia, Kyrgyzstan, Republic of Moldova): WTO rules
- **Free Trade Agreements:** Ukraine with all Baltic states; some south-east European countries with some Baltic states (exclude agriculture)

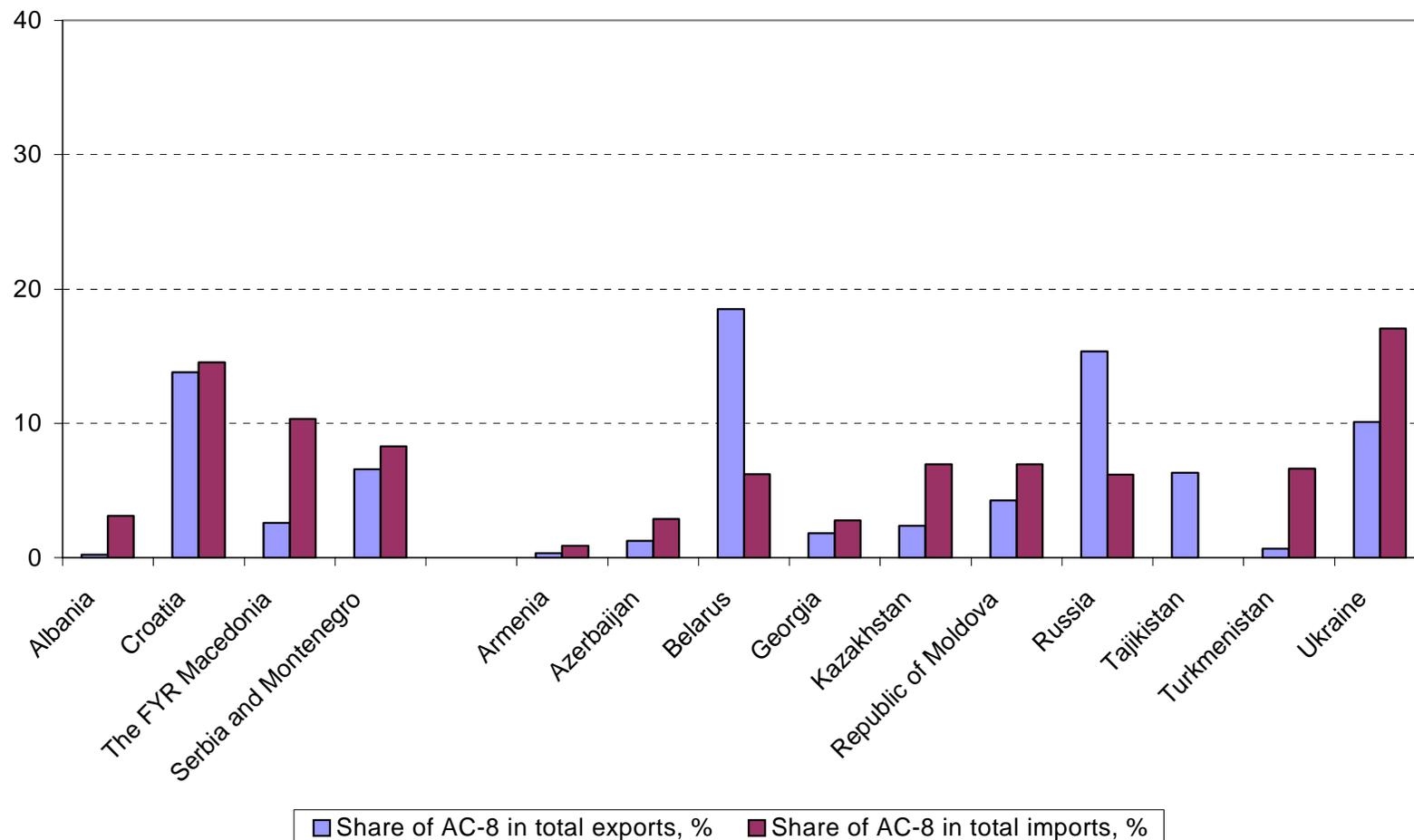
GDP and GDP per capita in the acceding and non-acceding east European and CIS economies relative to the EU

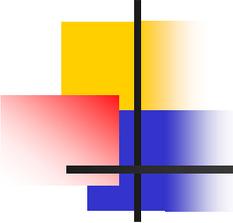
	<i>Total GDP</i>		<i>Per capita GDP</i>	
	<i>As per cent of EU's total GDP</i>		<i>As per cent of EU's average</i>	
	<i>(at current exchange rates)</i>	<i>(at current PPPs)</i>	<i>(at current exchange rates)</i>	<i>(at current PPPs)</i>
8 Acceding Countries (AC-8)	4.5	8.6	22.7	44.0
Central European countries	4.1	8.0	23.3	45.3
Czech Republic	0.7	1.6	26.5	59.2
Hungary	0.7	1.3	24.3	49.9
Poland	2.2	4.0	21.8	38.7
Slovakia	0.3	0.7	18.1	48.2
Slovenia	0.2	0.4	45.1	69.8
Baltic states	0.3	0.6	16.6	32.6
Estonia	0.1	0.1	19.3	39.4
Latvia	0.1	0.2	15.4	30.6
Lithuania	0.2	0.3	16.5	31.3
South-east European economies	1.2	3.3	8.3	22.4
Albania	0.1	0.1	5.7	14.6
Bosnia and Herzegovina	0.1	0.1	5.1	10.8
Bulgaria	0.2	0.5	8.1	25.0
Croatia	0.3	0.4	21.8	32.4
Romania	0.5	1.6	8.5	27.2
The former Yugoslav Republic of Macedonia	0.0	0.1	8.2	19.2
Serbia and Montenegro	0.1	0.4	4.6	14.1
European CIS countries	4.6	15.9	8.3	28.8
Belarus	0.2	0.9	5.8	32.8
Republic of Moldova	0.0	0.1	1.9	9.0
Russian Federation	3.9	12.8	10.2	33.3
Ukraine	0.5	2.1	3.7	16.3

Dependence of the non-accession countries on trade with EU-15



Dependence of the non-accession countries on trade with AC-8

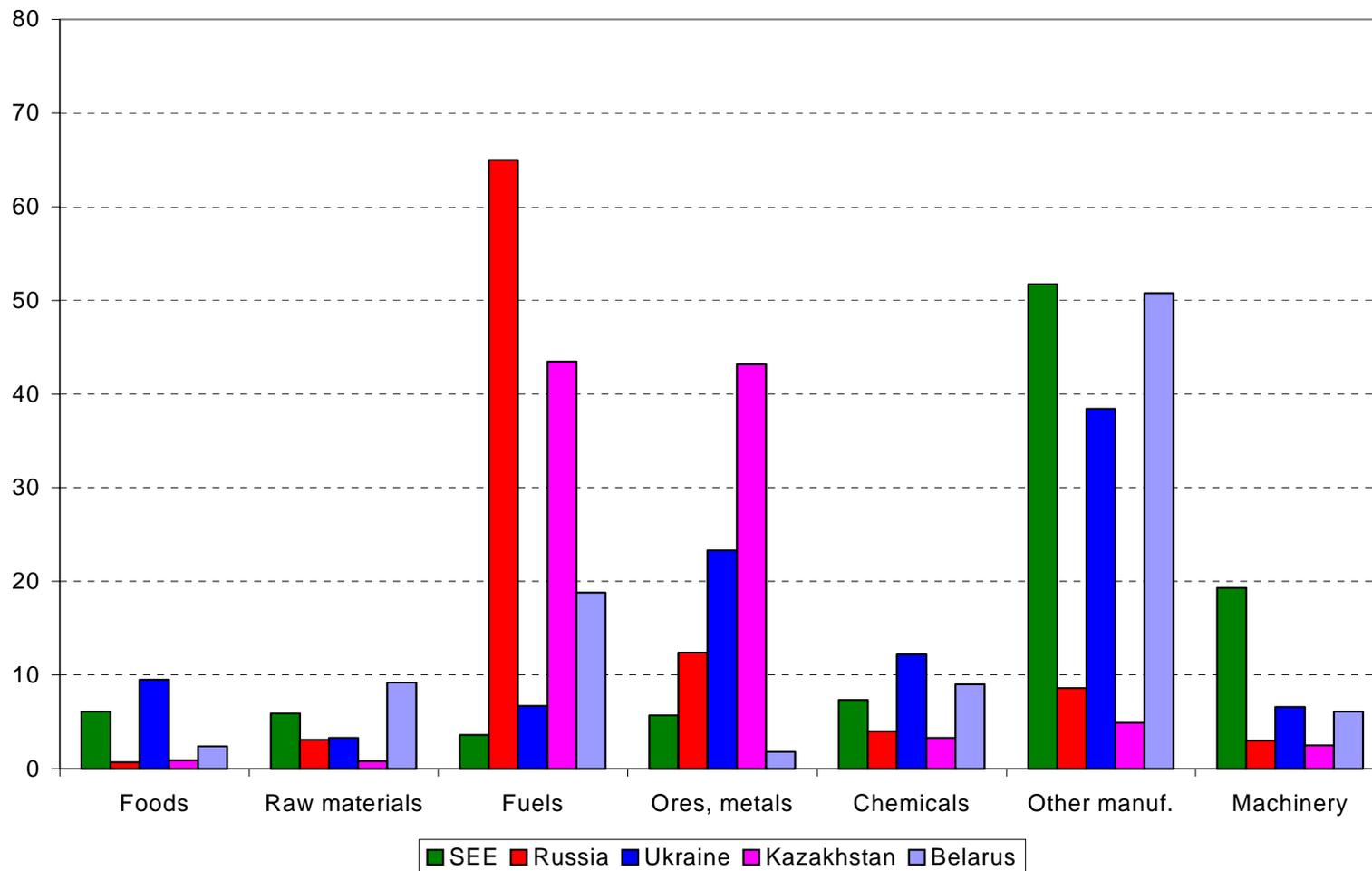




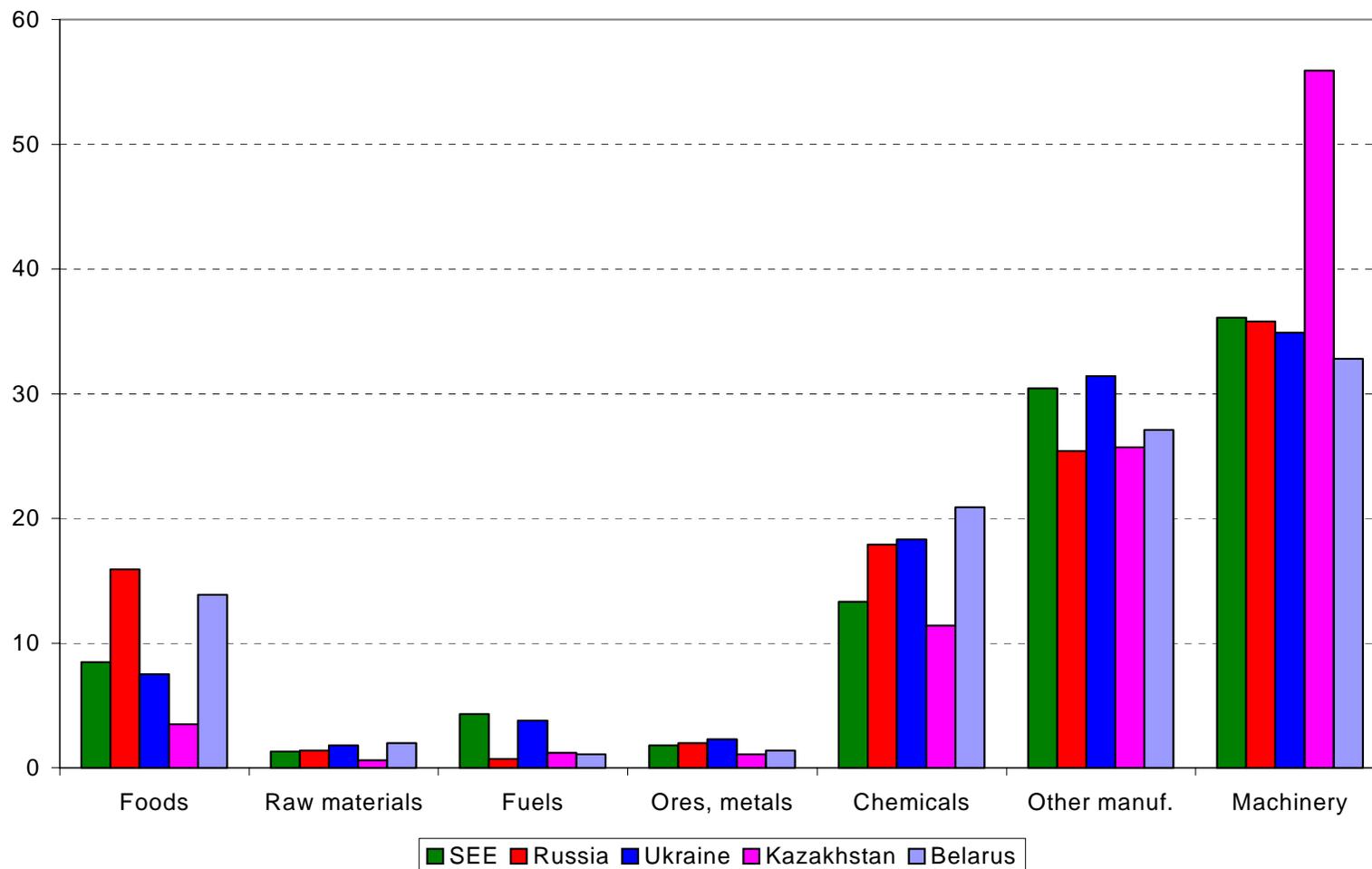
Dependence of the EU on trade with non-accession countries

- **EU-15:**
 - exports to CIS: ~3% of non-EU exports
 - imports from CIS: ~4% of non-EU imports
- **AC-8:**
 - exports to CIS: ~5% of total exports
 - imports from CIS: ~9% total imports

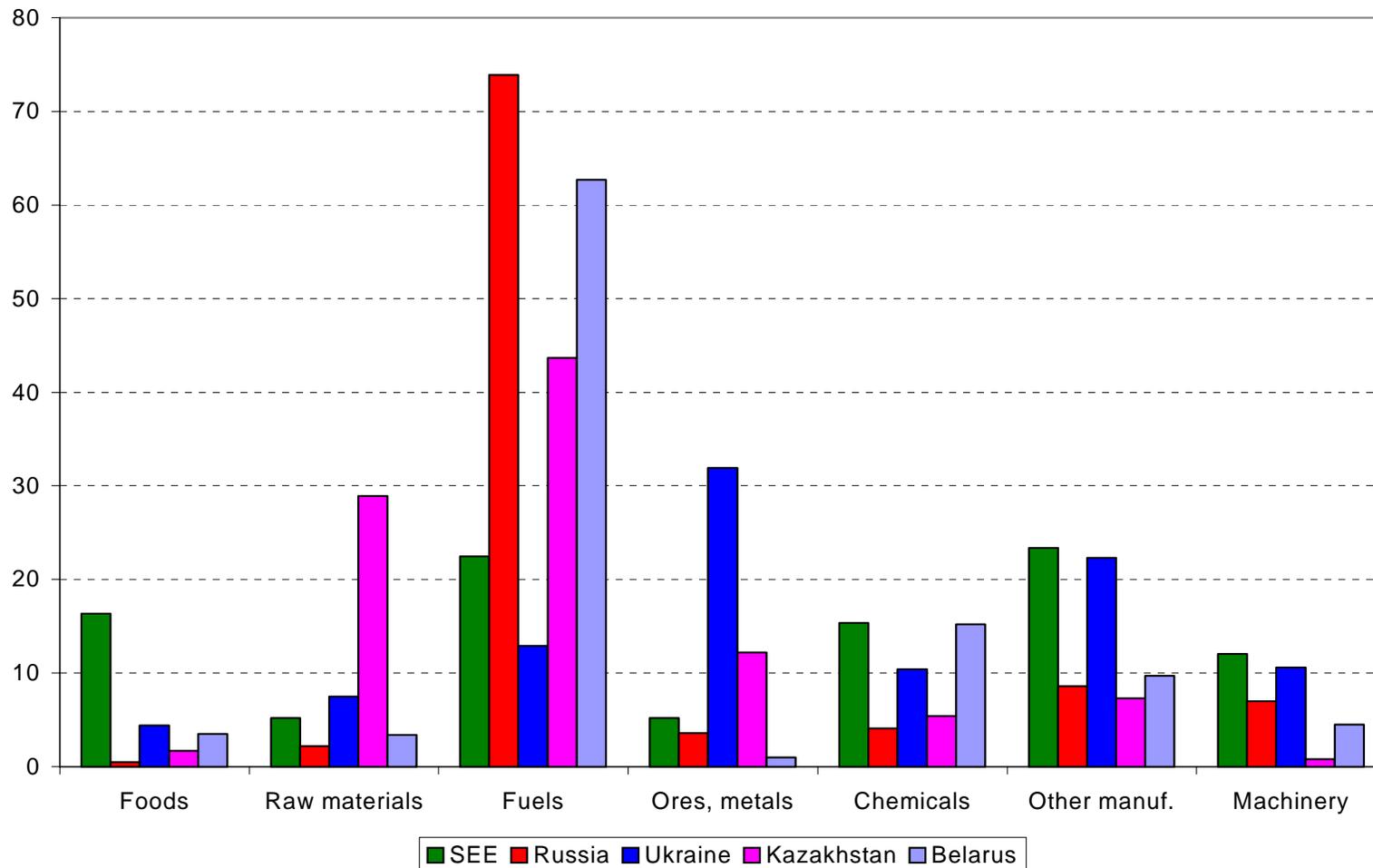
Composition of non-accession countries' exports to EU-15 (% of total)



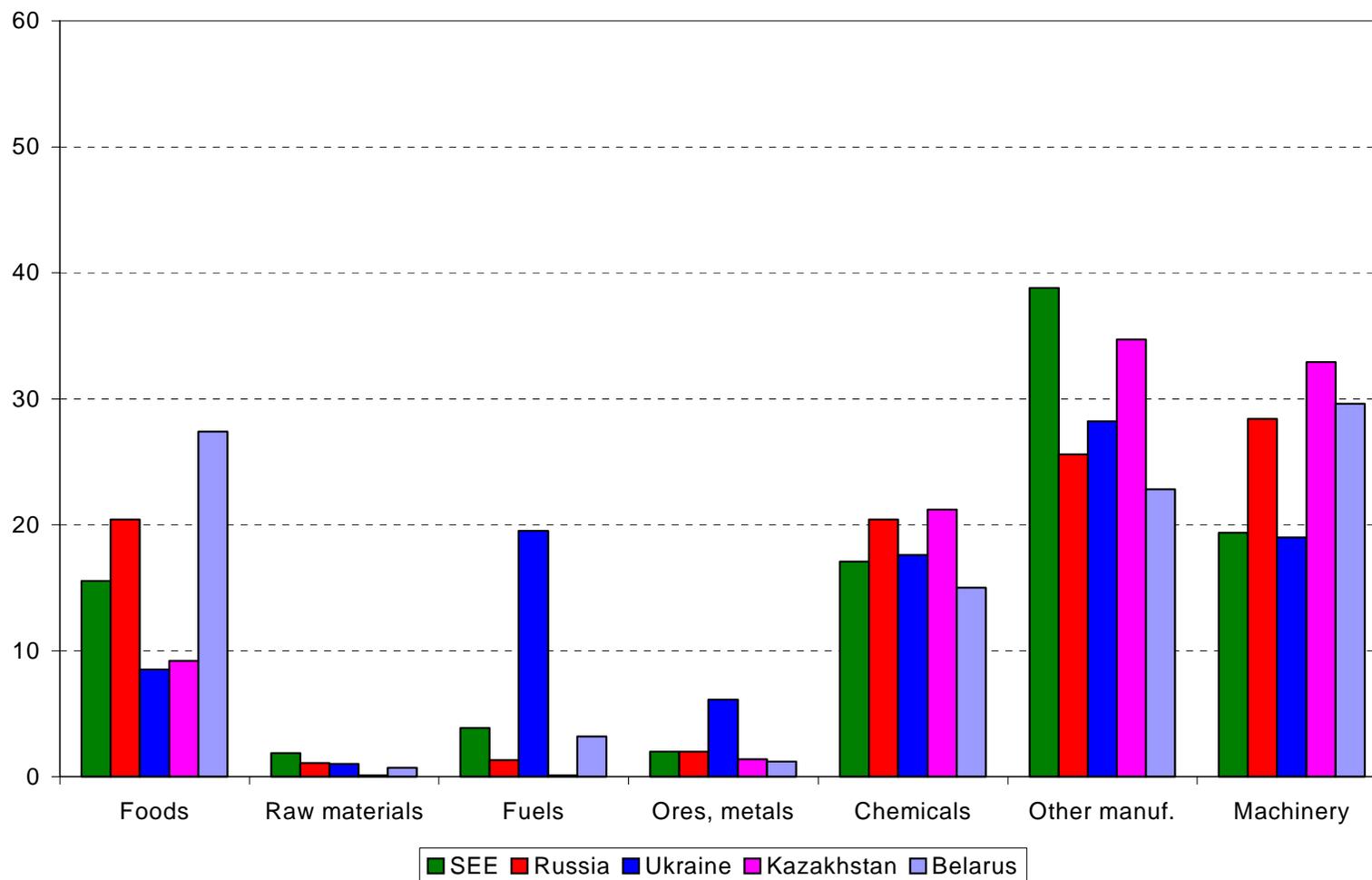
Composition of non-accession countries' imports from EU-15 (% of total)

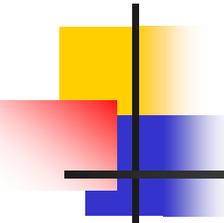


Composition of non-accession countries' exports to AC-8 (% of total)



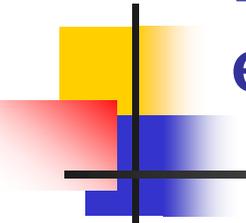
Composition of non-accession countries' imports from AC-8 (% of total)





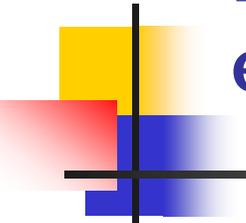
Expected positive trade effects of EU enlargement on non-accession countries

- Reduction in tariff barriers as a result of the adoption of the EU common customs tariff: the average EU tariff rate (4.4%) is more favourable than the AC-8 average (6.5% / 9%)
- GSP treatment of some exports to AC-8 (but coverage is limited)
- Russia's "market economy" status (recognized by the EU) will also be applied by AC-8 (potentially reduces import restrictions on Russian exports to AC-8)
- A single set of trade rules and administrative procedures in a bigger market
- Higher import demand in AC-8 due to the growth enhancing effect of enlargement



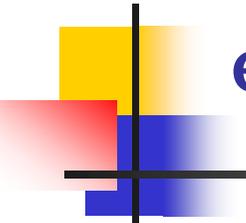
Expected negative trade effects of EU enlargement on non-accession countries

- Existing free trade agreements between AC-8 and non-accession countries are scrapped
- New non-tariff barriers in AC-8:
 - EU **import quotas and regulations**: existing EU import quotas will apply to total non-EU exports to EU-25 (incl. AC-8):
 - Steel**: Ukraine's present EU quota is 118 ths. tons while Ukraine exports to AC-8 some 800 ths. tons;
 - Agriculture** (dairy, meat, grain, etc. exports to AC-8);
 - Enriched uranium** (EU regulations are much stricter than current regulations in AC-8)



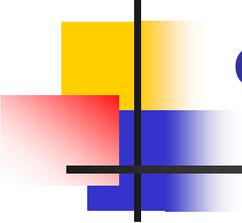
Expected negative trade effects of EU enlargement on non-accession countries

- **CAP** (AC-8 farmers will get access to EU subsidies – unfair competition on local and external markets)
- **anti-dumping** measures may increase (lobbying by new members)
- EU **sanitary and phytosanitary norms and standards** will also apply to the exports of agricultural products and foods to AC-8
- EU's **certification requirements** (technical norms and standards) apply to exports of machines and equipment to AC-8
- Non-WTO members cannot claim compensation for increased trade protection [**against WTO rules!**](agriculture; scrapping of FTAs)



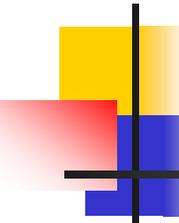
Other economic implications of EU enlargement for non-accession countries

- **EU visa regime (Schengen) vis-à-vis non-accession countries will apply in AC-8 as well:**
 - labour migration to AC-8 will fall (negative effect on non-accession countries' labour markets)
 - negative effect on cross-border trade with AC-8
 - negative effect on tourist flows to AC-8
- **EU policy of diversification of energy supplies**
 - Russia's exports of oil and gas to AC-8 may suffer



Unresolved issues related to EU enlargement

- **Extension of PCAs with EU-15 to EU-25 (Russia):**
 - Russia: the implications of enlargement (14 points of concern) should be addressed by the EU; otherwise Russia may refuse to ratify the extension of the PCA
 - EU's position: PCAs automatically extend to EU-25; points of contention should not be linked to the extension of the PCAs
- **Renegotiation of EU's import quotas** (raised by Russia, Ukraine, other CIS): ongoing discussions
- **Ongoing negotiations for WTO accession (Russia, Ukraine, other CIS)**
 - EU's concern about energy subsidies in Russia is one of the stumbling blocks in Russia's accession negotiations



Closer economic integration in the CIS: a response to EU enlargement?

September 2003: Agreement between Belarus, Kazakhstan, Russia and Ukraine on the establishment of a Single Economic Space (SES):

- Free Trade Area:
 - elimination of all tariff and non-tariff restrictions on trade in goods and services
 - common internal competition policy
 - common trade policy vis-à-vis the rest of the world
 - free movement of capital and labour
- Unification of internal technical norms and standards including sanitary and phytosanitary norms
- Harmonization of macroeconomic policy
- Harmonization of legislation related to SES and regulations on the operation of “natural” monopolies