



**Speech by Ambassador Aurélie Bouchez,
Head of the European Union Delegation Kazakhstan
at the V Astana Economic Forum**

Panel session: Opportunities and Challenges of Economic Integration

24 May 2012 09:00

Madam Chair, distinguished guests, ladies and gentlemen,

First of all I would like to thank the organizers for inviting me to the fifth Astana Economic Forum. It is a great honour for me to be a part of this impressive Forum and to speak to you in this important session. The topic of this session is very relevant, as the lessons learned from the European cooperation and integration process can indeed be extremely useful for the creation of the envisaged Eurasian Economic Union.

As you know, we live in a globalised world, where economies, societies, and cultures have become more and more interconnected and also interdependent. Globalization usually refers to the integration of national economies into the international economy through trade, foreign investment, capital flows, migration, and the spread of technology. By globalization, we also mean to make a bridge where ideas and beliefs can cross the borders.

It is very relevant to say in this Forum, that globalization is not a new phenomenon. The Silk Road indeed was an important path for cultural, commercial and technological exchanges between traders, merchants, soldiers, nomads and urban dwellers from Ancient China, Ancient India, Persia and Mediterranean countries for almost 3,000 years.

Both globalization and regionalization are ongoing processes in contemporary world. The process of regionalization and, in particular, regional co-operation has proved to be an effective instrument of conflict resolution and economic cooperation in the post cold war era.

Over the last 60 years, the European integration has been the successful answer to "regional interdependence". Today, the EU is a truly global actor. It unites half a billion people. It is the world's largest economic block, generating more than a quarter of the world economy. It is also the world's largest trading block and the greatest source of foreign direct investments abroad.

One of the key achievements of the European Union is the Single Market. Within the European single market, people, goods, services and money move around as freely as they do within one country, because a set of common rules has been established. The single market is the core of today's Union. Yet getting it up and running took many years. Hundreds of laws were needed to sweep away the technical and regulatory barriers that stifled free trade and free movement.

According to the European Commission, the single market has created several million jobs since its launch and generated a lot in extra wealth. Because, when trade barriers are removed and national markets opened, more firms can compete with each other. This means lower prices – and wider choice – for the consumer. Firms selling in the single market have unrestricted access to nearly 500 million consumers in the European Union. The wealth that trade can generate helps European Union countries to give their citizens a better quality of life - now, and for future generations.

In fact, the European Economic Community, which was the predecessor of the European Union, was a customs union, defining an area where no customs were levied on goods travelling within it. The free movement of persons, capitals and services became a reality with the Single European Act, in 1987, and this brought about the European Union Treaty, in 1992, when for the first time, a distinctive vocation of political union was claimed.

With the entry into force of the Lisbon Treaty on 1 December 2009, the European Union's foreign policy is given new institutions in an attempt to make it more coherent and relevant on the world stage. To this end, a High Representative of the Union for Foreign Affairs and

Security Policy is created. Together with the network of EU embassies across the globe, which support the work of the High Representative, the European External Action Service has been created.

It is important to stress here that the key of this integration process was the readiness of the member countries to transfer part of their national sovereignty to a supra-national authority entitled to act on their behalf.

One should recognize that the European architecture is unique in its nature, not a copy of a nation state in the traditional sense, but much more than an international organisation which merely sets the framework for intergovernmental cooperation. The EU is a hybrid, pooling parts of national sovereignty in some fields while simply cooperating in others. Moreover, the success and efficiency of the European architecture are built on what is called the “Community method”. It can be defined as an attempt to strike an appropriate balance between the powers of the three main political institutions: the European Parliament, the Council (as representative of Member States’ interests) and the European Commission.

Despite all of its possible shortcomings, the success of this European integration process was spectacular. It created in the centre of Europe an area of peace and political stability, but also promoted economic prosperity. Needless to say that stability and growth go together.

Let me now mention a few words about the current economic and financial crisis. The financial crisis that hit the global economy since the summer of 2007 is without precedent in post-war economic history. As you remember, the crisis was preceded by long period of rapid credit growth, low risk premiums, and the development of bubbles in the real estate sector. While the impact of the financial crisis was first felt in the US, from late 2009, fears of a sovereign debt crisis developed in some European states, intensifying over the last two years. And this has led to the perception of a problem for the eurozone as a whole. The underlying structural issues in the eurozone periphery became increasingly visible when liquidity quickly dried up and states like Ireland, Greece, and Portugal had to be rescued through bailout packages involving the ECB, IMF, the EU and the Euro zone partner states. This unprecedented act of solidarity, involving financial assistance of billions of Euro to Member States in need, makes the European Union strong to face the challenge.

I believe, it is important to differentiate the origin of the crisis in different countries. In some cases debt crisis is a result of its massive spending and consumption - coupled with increased wages and government benefits. In other cases the debt crisis is a bank default crisis, a direct result of its housing bubble--which had been fuelled by massive lending from the country's undercapitalized banks--collapsing in 2008. Consequently, the paths to get out of the crisis are also different.

In any case, the current sovereign debt crisis has highlighted the deep integration reached within the eurozone, while also underscoring the need to take further steps to overcome structural shortcomings. As you know, now after the elections in France and Greece, there are intense discussions among all concerned partners.

Let me now throw a quick look at Kazakhstan, which is of fundamental geostrategic importance to the EU: it plays a significant role in the energy security of Europe and Asia, it is a potential transport hub between the two continents and plays an active role in the fight against such global security challenges as terrorism or drug trafficking.

Kazakhstan is an important partner of the EU. Diplomatic relations between the EU and Kazakhstan have developed into an active and comprehensive long-term partnership. Both the EU and Kazakhstan put great emphasis in strengthening the economic and trade relationship both today and in the long term.

Trade and FDI have been central to Kazakhstan's prosperity. Since years, the EU is Kazakhstan's biggest trading partner and biggest foreign investor. Share of EU in Kazakhstan's total exports increased from 15% in 2002 to 48% in 2011. Almost a fifth of Kazakhstan's imports come from the EU.

There is, however, still much scope for further intensifying trade and economic ties. The EU supports, including through assistance programmes, WTO membership of Kazakhstan, as WTO membership is the only way for a country to achieve a better and deeper integration into the international trade and economic system. WTO membership is regarded as a proof that the country shares the same values, organising its economic and trade activity in line with the international rules and norms. Consequently it plays a primary role in attracting foreign capital.

The EU is committed to cooperate with Kazakhstan in bringing the legislative framework and economic principles towards market economy principles, and in particular towards WTO core principles. Kazakhstan has already achieved good progress in transforming the economy though a lot of work is still ahead. The EU is a partner in defining the mutually acceptable, commercially viable terms for the Kazakhstan's WTO accession and we would like to welcome Kazakhstan as a new Member in the WTO.

Let me conclude:

Based on the experience of the successful integration in the European Union, we indeed believe that several of the challenges faced by Kazakhstan and other countries in this region, such as developing regional trading corridors, creating efficient energy systems and networks, managing river basins and environmental issues, and combating organised crime and trafficking, are inherently trans-border in character and can only be tackled effectively through a cooperative effort at regional level.

While it is simply not possible nor is it advisable to translate the European model directly into a model for other parts of the world, as such processes are closely linked to history, geography and cultural foundation, there are certainly experiences and lessons from the European cooperation and integration process that can be helpful to the countries in the other regions as well.

Thank you very much for your attention.

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