

Ladies and Gentlemen,

Thank you very much for the warm welcome. It is a great honour to speak here about the Saxon view on the EU and the transatlantic relationship.

It is already the second time this year that I have the opportunity to speak before an American Audience. At the end of February, I was in Jackson, Mississippi, where I opened the magnificent exhibition “The Glory of Baroque Dresden”. It’s still on display until September 6, for anyone who is interested.

Afterwards, I spent several days in Washington, where I talked to government officials like Trade Representative Bob Zoellick, who were all very much interested in Saxony. I also had the opportunity to speak about my views on the political and economical challenges on the eve of EU-enlargement.

Enlargement took place on May 1, so I'm now going to give my views on where the EU is heading in the future after enlargement has been achieved.

Here in California, the focus naturally is on the Pacific Rim, on places of growth and technological advancement like China, Taiwan, Singapore and Japan.

Still, the EU is California's most important trading partner and biggest source of foreign direct investment and the same is true of the United States. Saxony, on the other hand, is tiny in comparison to California, but has managed to become the European Silicon Valley, thanks to AMD, which is our biggest foreign investor.

This splendid state of economic relations has a history. The headline is: "European integration has brought peace, stability and prosperity to the whole continent, and America has helped bring it about."

Looking back 60 years, European integration has been extremely successful.

- Starting as a union of six in 1952, the EU now comprises almost the entire continent.
- Starting as a body designed to monitor defense-related resources like coal and steel, the EU now wields legislative power over almost any area of government.
- Starting from a point of utter exhaustion and destruction after World War II, the EU has become a hub of economic activity and a source of wealth second only to the US.

We owe this success to America. The Marshall Plan and American financial support laid the foundation for the economic recovery of western Europe. America's protection against the Soviet threat gave us the peace and stability necessary to build upon this foundation.

Finally, America forced the Soviets to their knees. When in 1989 the people in Saxony took to the streets and demanded freedom, the Soviets were no longer able to back the rotten East German regime.

On June 12, 1987, President Reagan had stood at the Berlin Wall and called out to the Soviet president: “Mr Gorbachev, tear down this wall!”. On November 9, 1989, the people of East Germany tore it down, and Gorbachev didn’t hinder them, acknowledging historic defeat.

Bits of this wall still stand - not far from here - at the Reagan Presidential Library in Simi Valley, as a testimony to America’s contribution to our fight for freedom.

Without America, Saxony would still labour under the yoke of Communist dictatorship. Without American support and guidance, the European Community wouldn’t have been the big economic success that proved the superiority of free and democratic societies.

So much for history. Fifteen years after the Wall came down, Germany and Europe are united again. The EU has brought growth, stability and prosperity to the former Soviet satellite states and the 75 million people living there.

Today, the EU is America's most important partner. Enlargement brings opportunities that make the EU even more important.

The transatlantic economy generates about 2.5 trillion dollar in total commercial sales a year. The EU and the US are the biggest economies in the world. The transatlantic relation is a "Partnership in Prosperity", as a recent US study calls it.

Enlargement provides new opportunities for growth. First, the accession countries have become important export markets. Second, tariff rates have decreased by half. Non-tariff barriers are abolished. Trade with these countries therefore should receive a further boost.

Third, they have become important competitors of their own. They have managed to attract 170 billion dollar in foreign direct investment during the last ten years, which resulted in a big increase in exports. GDP in the accession countries grows two or three times faster than in the rest of the EU.

Fourth, these countries have undergone rigorous reforms in order to get into shape for EU membership. Their welfare systems, tax systems and employment regulations are now often much more modern than those in the rest of the EU.

This makes the new members more competitive, while it exerts pressure on the old members to get their act together. Far too long, they have postponed necessary reforms, with the result of slack growth and high unemployment. The pressure from the east will certainly accelerate reforms in the old member states. We should therefore see growth return to Europe during the next years.

Fifth, the accession of ten new members means that the EU has to overhaul its structures and institutions, which were designed for a much smaller union. In the end, this institutional reform will make decision-making easier and quicker, resulting in a more dynamic development.

However, there are limits to such an institutional reform. Within the present structure, the EU can well accommodate more new members, countries like Romania and Bulgaria. But Turkey is a different cup of tea altogether. It would have more say than France or Germany, because it is bigger.

At the same time, as one of the poorest members Turkey would receive huge amounts of money from the rich members. Such a public redistribution of influence and resources would certainly be too much a strain for the EU. We therefore prefer a Privileged Partnership between the EU and Turkey, close cooperation, but no merger.

Improved decision-making and better economic performance of the present EU will enhance Europe's role in international politics and strengthen the transatlantic partnership.

With some 450 million people, the EU is the biggest single market in the world. The greater weight means more than just more clout in WTO talks. It also means greater responsibility in international affairs.

Thanks to America, Europe enjoys freedom, stability and prosperity. We now have the duty to support America in bringing freedom, stability and prosperity to other parts of the world.

At present, the EU makes its first steps towards this new role. It is going to have a Union Minister for Foreign Affairs with his own diplomatic service. We'll have the phone number that Henry Kissinger asked for years ago.

It will certainly take its time to replace the cacophony of national politics by a single European voice. But this change is well under way.

- The EU is firmly committed to finding a solution for the Middle East peace process, in close cooperation with America.
- It's involved in peace-keeping missions and civil administration on the Balkans.
- It has swiftly adopted anti-terrorist measures after 9-11 and has appointed a Counter-terrorism Coordinator.

These moves have already strengthened the transatlantic partnership. As the EU develops a true foreign policy of its own, this partnership will become even stronger. Together we will successfully support freedom and democracy all over the world.

The Saxon example shows that this struggle for freedom may take a long time, but that it is successful in the end.

Fifteen years ago, Saxony was under Communist rule. Its once thriving economy was ruined by four decades of mismanagement.

Today, Saxony is the Silicon Valley of Europe. Here, AMD produces its most advanced generation of processors. There are more than 700 companies involved in microelectronics, employing more than 20,000 people.

In Leipzig, Porsche and BMW build sports cars, many of which are sold in America. Many suppliers of auto components have moved their business to Saxony. Saxony is again a hub of car manufacturing.

Saxony has also become a good place for academic research. In biotechnology, Saxony draws the brightest minds from all over the world.

After enlargement, the last barriers to our eastern neighbours Poland and the Czech Republic came down.

Saxony is again situated right in the centre of Europe, where east meets west. This has given trade and foreign direct investment a big boost.

Such economic success makes Saxony a culturally vibrant place as well. Saxony draws millions of visitors every year. Thanks to friends from all over the world, the famous Frauenkirche in Dresden has been rebuilt from the ruins of war. Dresden and the Elbe valley have been put on the Unesco World Heritage List. At present, some of the finest art from Dresden is on show in Jackson, Mississippi.

Saxony can now reap the rewards of freedom, EU-membership and enlargement. Behind us are decades of dictatorship and decline. Ahead of us lies a future which certainly brings a lot of difficulties, because the EU is a devilishly complicated thing.

But I'd like to honor President Ronald Reagan's legacy and optimistic approach to politics and life when he appealed to our hopes, not our worst fears, to our confidence rather than our doubts. I say: For Europe, the best is yet to come.

Thank you very much.