

Foreword

2003: a wasted year?

Will 2003 go down in the annals of European construction as a wasted year? This may appear to be a provocative question, but it is one worth posing. When we review the main events of the year, we are bound to acknowledge that Europe has failed to keep its promises. Its political promises, with the failure of the Brussels European Council in December, postponing the adoption of the European Constitution. Its economic promises, with the Lisbon objectives (2000) seeming to recede ever further into the distance because of the sluggishness of economic growth in “old Europe” and the lack of economic policy coordination. Its social promises, with the slow but relentless rise in unemployment (8.8% in the euro zone in December 2003) ⁽¹⁾. Its diplomatic promises, with Europe’s dissension over the war in Iraq. And we could go on to mention the crisis of confidence in the common rules, stirred up by the Stability and Growth Pact affair...

These various elements, above all the Iraq crisis and the European Constitution, seem furthermore to have sown the seeds of doubt among public opinion in certain Member States as to the merits of enlargement. A survey carried out by Eurobarometer in December 2003 showed only a small percentage of citizens in the Europe of Fifteen to be in favour of this enlargement (just 47% on average for the EU). Without more detailed investigations it is not possible to assert that this

¹ According to Eurostat, ten of the Member States for which data were available for the past few months had registered an increase in their unemployment rates over the previous year.

mistrust is connected with the year's political events; but the fact still remains that public opinion in the EU has not – or has scarcely – latched on to the idea that European reunification offers new opportunities in geopolitical, economic and indeed social terms (2).

Wim Kok's report on enlargement for the European Commission (3) singled out four main issues shaping the expectations and concerns of citizens: a) the economy (employment, growth, finances, etc.); b) quality of life for citizens (safety, standards of protection, etc.); c) the EU's relations with its neighbours and its role in the world; and d) the way in which Europeans pull together to implement Union policies. These key issues have not really been addressed head-on. Have political circles in the Member States decided not to deal with such matters until enlargement has actually happened? Let us take the example of opening up labour markets to workers from the new Member States (the accession treaties allow the Fifteen to adopt transitional measures concerning freedom of movement for workers from the new Member States). Just a few weeks before enlargement becomes a *fait accompli*, only Ireland and the United Kingdom have informed the Commission of their intention to open up their labour markets as from 1st May 2004 (4), and even they have expressed serious reservations. The odd impression created in the other Member States is that they all want to "mind their own backs". Such an attitude seems unlikely to have a positive outcome. Indeed, the citizens of France, Germany, Belgium, Austria, the UK and Luxembourg seem to be more fearful than supportive of enlargement. On the other hand, it is welcomed by a very

2 Another survey found, *inter alia*, that:

- 91% of people have no ties (work, family, etc.) with any of the acceding countries;
- 76% are not interested in living in any of the acceding countries;
- 63% of those interviewed have never visited any of the acceding countries.

3 "Enlarging the European Union: Achievements and Challenges", Report by Wim Kok to the European Commission, written at the behest of the President of the Commission, Romano Prodi, 26 March 2003.

4 *Bulletin quotidien Europe*, No.8639, 6 February 2004.

large majority of people in the southern countries (Portugal, Spain, Italy, Greece), as well as in Ireland and the Scandinavian countries. Another positive sign is that huge majorities voted in favour of enlargement in all the acceding countries apart from Malta, albeit on rather low turnouts.

So, was it a wasted year? We should not paint an overly bleak picture. After all, 2003 was also a time of important debates and useful clarifications in the building of the Community. We need only think of the proceedings of the European Convention, successfully completed during the summer. The Convention managed to fulfil its mandate, submitting to representatives of the Member States' governments – gathered together at the Intergovernmental Conference – a draft compromise text on comprehensive reform of the Community institutions. The governments did of course fail to agree on this compromise at the Brussels European Council, but we should not forget that the bulk of the work done by members of the Convention was endorsed by national governments. We might also mention the beginnings of an unprecedentedly in-depth debate about the Stability and Growth Pact – its rules, mechanisms and criteria. Although the outcome of that debate cannot be predicted, we would point out that even two or three years ago its emergence would have been unthinkable, so totally did monetarist orthodoxy seem to dominate the political and intellectual scene.

Even though 2003 may seem replete with missed chances, it can also be regarded as a year that saw the advent of new political thinking which could lead to interesting opportunities for change. But that will of course depend on all the relevant players.

The IGC: a disaster or “crisis as usual”?

Was the collapse of the European Council in December 2003 the disaster that Europe's media consistently made it out to be, or should it be seen as yet another in a succession of crises which have marked out the history of the Community, and to which we have become fairly accustomed? It was always unlikely, in our opinion, that a constitutional Treaty would be achieved without encountering obstacles along the way. After years of insistence that enlargement will make Europe more unwieldy, it would have been surprising if the constitutional Treaty for

25 Member States had been adopted in just two and a half months of intergovernmental conference. We should moreover remember that, in the autumn, few people would have put money on agreement being reached before the end of 2003. The comments made in the immediate aftermath of the Brussels summit must therefore be put into perspective: the failure of this first attempt does not in itself mean that a deepening of the Union is impossible; nor does it necessitate instant implementation of enhanced co-operation or “pioneer groups”. Rather, it constitutes the first ordeal by fire for the enlarged Europe. In this sense, it will be interesting to see how this setback will be overcome. By patiently seeking a fresh consensus? By means of ever more convoluted compromises? Through enhanced co-operation, or even rifts? History teaches us in any event that Europe only ever moves forward as a result of successive crises and is built in an atmosphere of tension, but that whereas these crises slow it down or sometimes make it change direction, they have very rarely brought it to a total halt.

Enlargement and the socio-economic model

That being the case, what does give cause for concern is the European Union’s apparent inability to come to terms with enlargement as an economic and social undertaking. How will the 25 countries handle these two issues? What will be the future of monetary union? How can we ensure more effective economic policy co-ordination? How can the “social model” be preserved in this enlarged Europe (social protection, public services, social dialogue)? Even at this late stage, we might question the imbalance between the extremely pernickety nature of reforms demanded by the acceding countries in respect of the market economy, competition and State aid, on the one hand, and the lack of any proposed model in the field of social protection on the other. Does this mean that – with the exception of the *acquis communautaire* – the Union has no “model” to promote?

The economy is another cause for concern. It would doubtless be cruel to recall the promises made for economic and monetary union. The European Commission wrote: “*the adoption of a single currency will give the Member States more influence over economic policies (...). The single currency will help stimulate growth and employment (...). Reducing deficits is the only way to*

create the basis for healthy economic growth, which is necessary in order to boost employment and combat unemployment in Europe” (5). Mention was even made of a growth path in the order of 3%. So what has happened since then? How can we explain the absence of strong economic growth? How can we explain the lack of dynamism in the economy, indeed its sluggishness? Part of the answer no doubt lies in the inadequacy of progress concerning economic governance. Neither the Ecofin Council, nor the Eurogroup, nor the Convention, nor even – which really would have been surprising – the IGC managed to reach agreement on the reforms needed to enable the Union to improve its co-ordination of national budgetary policies. The much-debated Sapir report (6) on growth in Europe has caused a good deal of ink to flow, but its key question still remains relevant today: how can the Union be given the wherewithal to achieve the Lisbon objectives, namely economic growth, full employment, innovation, knowledge and social cohesion?

A social model in the making and in transition

In this issue of Social Developments, we have chosen to address ourselves to the seven challenges which, in our opinion, shaped debate in the social sphere during 2003.

- *The difficulty of establishing true European economic governance*: in this opening article, Jacky Fayolle (IRES) attempts to explain the reasons behind the crisis in European macro-economic governance. We have a single currency, but we still do not know how to use it to the full, for want of co-operation between all of Europe’s institutional, political and social players.

- *A social dialogue in need of a new equilibrium*: according to Christophe Degryse, at a time when the European social dialogue is being given the arduous task of fleshing out the content of a more social Europe by

5 Extracts from a brochure published by the European Commission in 1996: “When will we have euros in our pockets”?

6 “*An Agenda for a Growing Europe. Making the EU Economic System Deliver*”, Report of an independent high-level study group established at the initiative of the President of the European Commission, chaired by André Sapir (July 2003).

means of collective bargaining, the profound divergences between employer and trade union strategies highlight a lack of consensus among the social partners about what needs to be done and how to go about it. The fact that this lack of consensus is emerging just as the two sides of industry are seeking greater autonomy is somewhat worrying.

- *A renewed employment policy linked in with economic policies:* Philippe Pochet explains that the readjustment of the European Employment Strategy, carried out in a lacklustre economic climate, did not occur without difficulty and tension. Differing perceptions of economic and social co-ordination are yet again endangering the linkage between employment policies and economic policies. For want of a coherent link, we are currently witnessing a shift towards excessive concentration on economic issues, combined with a real weakening of social debate in Europe.

- *A European strategy to combat social exclusion and poverty which is developing but having no impact on the core of the economic model:* Ramón Peña-Casas points out in his contribution that the open method of co-ordination has not led to the formulation of a strategic, integrated view of how to tackle the multiple challenges posed by poverty and social exclusion. And yet enlargement has arrived: the challenge it now poses is how to implement a co-operation based method involving 25 countries whose circumstances, social protection systems and priorities are so different.

- *Reform of the institutions to make them function more democratically and more efficiently:* Cécile Barbier demonstrates that, whereas the outcome of the Convention's proceedings enjoyed an unprecedented level of legitimacy, the fact remains that, in institutional terms, the two major innovations of the Convention – namely the new definition of qualified majority voting and the establishment of a Legislative Council – were called into question straight away by the Intergovernmental Conference. Issues of power and influence are overshadowing the very project of European integration.

- *The still uncertain future of public services:* Éric Van den Abeele describes in his contribution the unfavourable climate now surrounding the debate about services of general interest. The nature of the EU itself will depend on the future that the Union holds in store for these services: a large internal market where trade is fully liberalised, or a model of

society where the basic needs of citizens and the preservation of public property remain priorities.

- *Compliance with and interpretation of Community law through case law which sometimes has unexpected effects*: Dalila Ghailani believes that the Court of Justice of the European Communities continues to play a central role in the interpretation – and even building – of Social Europe. Indeed, workers are deriving from the Community legal order increasingly extensive rights, which they can invoke directly before national courts. The risk, however, is that certain Member States may back-pedal in an attempt to preserve themselves from case law that is sometimes regarded as too progressive.

These seven elements, which are explored throughout this volume, help us to identify the contours, strengths and weaknesses of a Social Europe in the making. Europe will undoubtedly look different once it has 25 (and more) Member States. But the essential point at issue remains the same: a Social Europe can only take shape if it is based on a genuine founding compromise among its Member States. Such a compromise will need to be rooted in economic policies that underpin sustainable development and employment, and in well-balanced relations between the social partners, as well as in social protection and public services that enable everyone to participate in social life. Then, 2003 will not have been a wasted year.

We hope that this will make for interesting reading.

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