

Future prospects

As far as social issues are concerned, a Europe of twenty-five poses more questions than it provides answers. It could be said that, from this point of view, enlargement is taking us a step backwards: the preparation process has not brought clarification of the social model pursued in either the existing or the new Member States.

This “non-debate” will unquestionably make for mounting problems in the years ahead. The objectives of the *European employment strategy* will without doubt have to be reviewed in the light of the current situation in most of the Central and Eastern European countries (we might, by way of example, mention the present rate of employment in Poland: 51%). The *social dialogue*, its aims and its procedures, will need to be rethought in order to take account in particular of the weakness of employee and employer organisations in some of the Eastern countries, and also of the difficulty of organising collective bargaining in these countries (for instance, in Hungary there are nine representative employers’ confederations, and sectoral bargaining is almost non-existent). European initiatives taken thus far in the field of *social protection* – pensions, exclusion and healthcare – will likewise have to be reviewed and adapted to circumstances in the new Member States, which underwent several reforms during the course of the 1990s, mainly at the behest of international financial institutions. As far as *economic policies* are concerned, the opening of a debate on the Stability and Growth Pact, coupled with the prospect of some of the new Member States joining the euro in the short or medium-term – will profoundly alter the scenario. There is a growing risk that a twin-track Europe could come about, with the countries belonging to the Eurogroup on one side and those temporarily excluded from it on the other. Lastly, with respect to

the *functioning of the institutions* – especially in the social and fiscal spheres – additional difficulties are inevitable, given that unanimous voting is being maintained for decision-making in certain fields.

All of these unresolved issues make it hard for us to be optimistic about the future of an ambitious Social Europe. A lengthy period of transition, catching up and readjustment of objectives and processes no doubt lies ahead. That in itself could be deemed a worthwhile political undertaking for Social Europe: managing, within the next ten or fifteen years, to extend to the entire – or almost the entire – continent a system of legislation, collective bargaining and co-ordination in respect of social policy. But there is also a risk of the opposite effect occurring: for want of properly functioning institutions and appropriate policies, enlargement could result in more deregulation, less economic governance and, ultimately, a Europe which is more of a “common market” than a politically integrated entity. This risk will also be determined by the new balance of power among the twenty-five countries between liberal and pro-regulation views of the economy. This rift is of course nothing new, but the numbers effect could compound misgivings.

Could it be that, in this context, enhanced co-operation will prove necessary, as was suggested in certain political circles in the aftermath of the failed European Council in December 2003? That idea would seem to be ahead of its time: it would be fraught with political risk, potentially leaving the Union more dislocated, heterogeneous, complex and even enfeebled. Which is why, in our opinion, if such an idea were to be followed through, economic and monetary union would certainly have to be the focal point. Indeed, the Eurogroup would seem to be the natural cradle from which to develop growth and economic governance, even if, according to J. Fayolle, we have to acknowledge that the political conditions for this development do not thus far appear to have been met.

Be that as it may, a number of questions arise as a matter of urgency: overall income differentials in the Europe of twenty-five are twice as great as in the Europe of fifteen (¹). Structural disparities between regions

¹ Communication from the Commission to the Council and the European Parliament: “Building our Common Future - Policy Challenges and Budgetary

remain substantial, in terms of infrastructure as well as workforce qualifications, the environment, capacity for innovation, etc. (2).

So, should we then join the ranks of the doom-mongers? We think not, but everything will depend on the way in which Europe measures up. A look back at the 1986 enlargement (Spain and Portugal) provides some food for thought. 1986 cannot of course be compared with 2004 but, in respect of social affairs, some similarities do exist. Only two new countries needed to be integrated in the earlier instance, some may retort, as opposed to ten in 2004. Yet that is a weak argument as far as population size is concerned: the transition from a Europe of ten to a Europe of twelve represented a 17.6% increase in the population of the Community at the time; moving from a Europe of fifteen to a Europe of twenty-five amounts to a very similar rise of 19.8%. And we might recall that in those days the level of economic development and infrastructure in Portugal and – to a lesser extent – Spain was fairly close to the present level in the new Member States. We can therefore see that, in relative terms, the difference between the 1986 enlargement and that of 2004 is not so very significant in either of these respects. We were able to cope in 1986, so why should we not be able to cope in 2004?

What seems to have changed more than anything else is the mood. For instance, at the time of Spanish and Portuguese accession, special budgetary efforts were made, not merely in favour of those two countries but also in favour of Community regions which were likely to suffer most from that enlargement, i.e. the rural Mediterranean regions of France, Italy and Greece (via the “integrated Mediterranean programmes”) (3). The logic was to turn enlargement into a “win-win”

Means of the Enlarged Union 2007-2013”, COM (2004) 101 final, 10 February 2004 (page 18).

² See in particular the “Third report on economic and social cohesion”, European Commission, February 2004.

³ The purpose of the “IMPs”, adopted by the Council in 1985, was to prevent a worsening of regional disparities which might be caused by enlargement of the Community to take in Spain and Portugal. Their financial allocation amounted to several billion ECUs.

scenario, whereby the new Member States' markets would be opened up to competition in exchange for Community aid to update their infrastructure and carry out industrial restructuring and regional development. Studies conducted at the time were unequivocal in their tone: "*trade liberalisation [with the Mediterranean countries] could, in the absence of appropriate corrective measures, even endanger ongoing development in a number of weak regions of the enlarged Community. An increase in regional imbalances could result on a social level in major differences in living standards, giving rise to large-scale migration towards certain very wealthy regions, which would exacerbate the depopulation in some and the concentration in others. Policies must therefore be put in place in the Community of twelve aimed at reducing regional disparities through the development of less well-off regions. These policies must be backed by adequate financial resources*" (4). "Paying the price" of enlargement does not seem to have been a real obstacle, since everyone stood to gain. The rest is history: a determination to make the 1986 enlargement succeed enabled a significant amount of economic ground to be made up and social protection systems to develop rapidly, all of which gave the populations of Spain and Portugal the option not to migrate for economic reasons.

By contrast, the approach to enlargement in 2004 is predicated on a far more liberal analysis. For a number of Western European capitals, there can be no question of paying any price whatsoever, and budgetary solidarity is practically a non-issue. This is most clearly illustrated by the political signals sent out by six Member States (5) which hold that EU budgetary expenditure during the forthcoming financial period "*should not exceed 1% of gross national earnings*". One indirect consequence of this backward-looking attitude is the decision taken by most of the Western European countries not to grant the benefit of free movement to

4 Commission of the European Communities, "Enlargement of the Community. Overall reflections", Bulletin of the European Communities, Supplement 1/78, Luxembourg, 1978 (page 12).

5 Letter sent to Romano Prodi by the heads of state or government of France, Germany, the United Kingdom, the Netherlands, Sweden and Austria in December 2003.

workers coming from the East, for fear that they will be attracted by the West's labour markets and social welfare payments. The sole immediate benefit of enlargement therefore boils down to trade liberalisation, which is apparently expected to work miracles. Thus it is not at all surprising that, just a few months prior to the day of enlargement, Eurobarometer surveys were showing an increase in the number of citizens in the new Member States who feel that they personally will gain nothing from accession (peaking at 40% in October 2003, i.e. exactly the same percentage as those who thought that accession would benefit them) ⁽⁶⁾. We cannot be sure that, seen from Central and Eastern Europe, future EU citizens feel they are joining a Europe founded on solidarity – to put it mildly.

We believe that, in order to ensure that enlargement produces only winners, it is vital to follow the precedent set at the time of previous enlargements and strengthen the instruments of solidarity so that the Europe of twenty-five can embark on social progress which benefits everyone. This issue will inevitably arise in discussion about the medium-term financial perspectives. The debate initiated by the European Commission in February 2004 about the 2007-2013 perspectives is central, in our opinion. At the very least, the political message being sent out by the Commission seems more ambitious than that of the six “letter-writers”. But can it rise to the challenge? The Commission is merely making the most of political room for manoeuvre that has in principle existed for a long while, but it does not envisage going any further than that. True enough, the political climate (i.e. the current attitude of the largest net contributors) does not augur well, and we can already brace ourselves for a very awkward stand-off between the various players in this game.

Those Member States which are so fearful about the likelihood of migration flows caused by the prospect of attractive social welfare pay-outs might do well to think again about the co-ordination of social protection systems. Is it unthinkable that all the EU countries might

⁶ Eurobarometer, “Public opinion in the candidates countries”, *Eurobarometer* N° 2003/4, February 2004 (page 91).

undertake to make their social security systems meet certain basic requirements? That would constitute the beginnings of a proper safety net in all the EU Member States and would, without a doubt, allay the fears of “social tourism” voiced by some governments.

The choice is clear-cut: an enlarged Europe, but one which is over-cautious, tight-fisted and reliant solely on “market forces” to promote its overall economic development, or else a Europe that is determined to build a political future by equipping itself with the means – especially financial ones – to achieve its ends.

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