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## The Communist Trade Union Legacy in Central and Eastern Europe in the Era of Globalisation

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The aim of my contribution is to point up some aspects of the importance of the Communist legacy which are sometimes overlooked in analyses of trade unions as institutions in Central and Eastern Europe, and to evaluate the legacy's influence at the end of a decade of seismic change. The intention is to make some new points rather than to provide a comprehensive evaluation. The contribution looks at the historical legacy in terms of trade union functions, and then raises questions concerning the continued relevance of the legacy and particularly enterprise-based structures in the era of globalisation. The subject is one that may appear of limited interest since 'reformed' Communist unions are not the only unions in existence in CEE countries, having been joined by 'new' unions. Yet, in aggregate, the 'reformed' Communist unions probably account for a majority of members. These unions retain considerable resources inherited from the Communist period, the 'new' unions frequently follow the 'old' union model in many organisational if not ideological respects, and members' conceptions of trade unionism have in most cases been shaped by the ex-Communist organisations. It is argued that the inheritance remains crucially important although unions, including 'old' unions, have shown a real capacity for adaptation and renewal. They may, as Dr. Toth argued earlier, be particularly prone to conservatism compared to the state and employers as, but their capacity for change challenges crudely deterministic theories of 'path dependency', as his own example of the Hungarian metalworkers shows.

The two key functions of trade unions under Communism were the mobilisation of workers behind the national interest and the administration of welfare benefits. These functions did not entirely rule out some degree of interest-representation by these unions as the sharp lines of the 'classical' state socialist system softened in the 1970s as Kornai points out in his wide-ranging analysis of its evolution. Indeed, adaptation was necessary as subterranean traditions of oppositional and social-democratic unionism persisted despite repres-

sion. The full extent of strikes and other collective protests remains to be written and has certainly been understated to date, as the work of Fulbrook shows in the case of the DDR. Even in the case of Poland, apparently the most fully acknowledged example of independent union activity under Communism, the significance of the Workers' Council movement has been pointed out earlier at this conference by Dr. Federowicz. The official unions were to some extent pushed into action by these developments. Representations of these unions as simple 'Transmission belt' bodies across the whole life of the system and in every national case are therefore over-simplified. There was some experience of genuine representational activity, even if it was limited in scope. This was highly significant in that it was an important factor in allowing ex-Communist union federations to argue that they had not simply been part of the system and should therefore retain control of union property inherited from the past. It therefore provided legitimation for their important claim to major resources. But these unions were clearly not principally vehicles for workplace representation, and their late conversion to a pseudo-representative function cannot obscure that reality.

One of the two key functions of unions under the Communist system obscured from some commentators by the rhetoric of international socialist solidarity was to mobilise workers in the cause of the national economy and the 'national interest'. In some cases, where the national party was in opposition to the policies of Comecon, such as Yugoslavia and later Romania, union leaders participated in defining and pursuing a fiercely independent national economic agenda. In the first post-Second World War phase, this often meant the organisation of compulsory or in some cases voluntary work brigades to help re-build national infrastructures after the ravages of war, and organising inter-workplace conferences and competitions to improve production methods by 'socialist emulation'. An attendant phenomenon was the hollowing-out of vocabularies of collective action, with continuing consequences today. In Communism's later stages, it also meant supporting and on occasions calling for the creation of incentives to induce workers to migrate to regions and industries where conditions were harsh. This had unexpected results. The resultant high level of wage dispersion has endured in many economies, contributing to fragmentation of the working class. In both the earlier and later phases, as the systems modified in response to internal and external pressures, it could mean participation by unions at both the

enterprise and national levels in national schemes such as 'Five Year' Plans. It was naturally the case that trade unions and Communist parties were politically indistinguishable, but here was an additional, immediate reason for the importance of the trade union route into party leaderships: the union leaders were very familiar with the practical problems of national economic development. The route is one that has remained a very significant one for union leaders in all CEE countries, Poland being a notable example. The lack of well-founded social democratic parties in the region has underpinned the reality that career routes from unions to national politics have continued to be common, a feature that underlies some of the complaints about CEE unions being 'over-politicised'. The new trade unions formed during or soon after the changes of the late 1980s opposed a different version of the national interest to that of the majority ex-Communist unions, but a similar if weaker version of the point remains valid in their cases. Indeed, many of the new unions such as Podkrepa in Bulgaria or Vost in the Ukraine emerged out of a wave of national anti-Russian and anti-Communist sentiment.

There have been a number of consequences of an historically strong identification between trade unionism and nationalism which have carried over from the previous era. A significant positive carry over into the 1990s has been a willingness to propose alternative economic strategies to governments that relate to both the government's and their own members' agendas, as many CEE union federations have done in the 1990s. The Romanian trade unions, for example, have frequently proposed very relevant plans for labour-intensive re-building of the infrastructure, counterposing these to governmental programmes for funding redundancies in mining. The unions in CEE countries generally have also played an important role in negotiating social security safety nets, a precondition of effective economic re-structuring. However, there have also been effects that may be viewed as negative. The most important of these has lain in the positive enthusiasm with which they have advocated employment policies that enforce discrimination against many national minorities. These national minorities had frequently been particularly active in advocating independent trade unionism and then in the strikes and political demonstrations that made a large contribution to overthrowing the Communist regimes. The tendency for unions to support their exclusion from the workplace during the 1990s is therefore particularly alienating for national minorities. It may also exacerbate problems in terms of national

capacities to meet the requirements of accession to the European Union. But it is more than that, since it also tends to further segment both workers in general and within workplaces. There is little sign that such deeply-rooted attitudes and policies being overcome, although 'East-East' co-operative links between national union centres are supplanting an initial tendency to look to Western union bodies for assistance, and this may in turn lead to a softening in policy and practice towards national minorities.

The tendency for unions to see a continued role for themselves in shaping national economic agendas can only be seen as positive, even if the room for manoeuvre at the national level is restricted. CEE unions have generally advocated restructuring of economies. However, their quite public engagement at this level also highlights a problem for them: how they strike a balance, if one is possible, between representing members' short- and long-term interests. While their long-term interests may lie in economic re-structuring, for example, their short-term interests may be quite different. One way of dealing with the problem has been to play a part in negotiating social security nets.

The second major function of unions under Communism was the administration of social and welfare benefits. For many in the West, this has been sufficient in itself to define them as diverging from an ideal, conflict-ready or *kämpferisch* model of trade unionism. Yet it was to have its importance amplified by the brutal re-structuring of the 1980s. The full extent and brutality of the changes is relevant here. The re-structuring was carried out in many cases backwards, i.e. before welfare systems had been developed, and in a strident 'free market' ideological atmosphere. Under Communism, 'Full employment' was at least a formal article of faith, although some implicit recognition of under- and even unemployment developed in Hungary in the 1970s. Trade unions generally could therefore have no role in the administration of unemployment benefits, a major advantage enjoyed by some (notably the Scandinavian) unions. However unions developed an increasingly large nexus of resources such as social and cultural clubs, clinics, holiday centres and so on, which had an important function in health care and supplementing the social wage in a situation where alternative possibilities were extremely limited. Members' expectations derived from the Communist past have been shaped by these experiences and reinforced when they have undergone the drastic decline in living standards which falling out of employment entails in CEE countries. Job security is almost certainly an issue of even greater significance to

workers in CEE countries than to their Western counterparts. In common with unions worldwide, neither old nor new unions were able to resist mass redundancies as ownership was transferred. Nor, on the other hand, were they able, as their membership declined sharply, to continue many aspects of their welfare functions. In Russia, from the early 90s, managers took many of these functions to themselves. Attempts, as in Hungary, to set up union-administered funds to provide support for the recently unemployed, failed spectacularly. Resultant legal action against the unions involved brought unwelcome and damaging publicity. Such experiences reinforced a feeling in the unions that diminishing resources should not be spent in that way. Meanwhile, members were cast into the maelstrom of unemployment without the representation which Western studies indicate would have been of great assistance to them within a nascent and deteriorating benefits system. From members' perspectives, the ideal model of trade unionism may frequently have been violated both in terms of expectations about unions' role in avoiding redundancies and subsequently in terms of welfare benefits. There is some evidence that existing trade unions are seen as largely deficient in both directions. Disenchantment with trade union membership is linked in part to disappointed expectations about the benefits of union membership derived at least in part from the past. However, particularly in relation to welfare benefits, the availability of union resources to replicate previous levels of provision wanes constantly as membership declines. An aspect of the inheritance that had become particularly relevant was, ironically, largely extinguished.

The basic forms of union organisation in CEE countries are derived from the past. Principally, and crucially, this entails organisation based around the establishment and enterprise, linked to national federations. There is an obvious advantage in terms of structure, in that unions are in close contact with members at the point of production. Currently, the workplace is the principal locus of collective bargaining to the extent that this exists. Historically, and particularly in the CIS currently, trade unionism was based on unions' role in managing the enterprise together with 'administrators', in an alliance described in Russian rhetoric as 'social partnership'. The alliance forged an identification between managers and union leaders confronted with an apparently hostile state which had benefits for unions in terms of the daily realities of working life which they have been reluctant to abandon for the more uncertain benefits of national or sectoral policies based on less accom-

modative policies. Enterprise-based 'Social partnership', though supported by West European analogies, is reliant on the weight and security of tradition rather than on any approximation to a balance of forces between the 'partners'. It represents a viable tactic under certain conditions, especially in cases such as the CIS and Romania, where state-run enterprises remain predominant. Where foreign direct investment has been much more significant as in Hungary, it is little more than a wishful slogan. In a sense it can constitute an advantage in that it is a form of trade unionism that is consonant with the wishes of foreign investors, who favour unions with few or no links beyond the company. This strength in terms of attracting foreign investors is also a weakness in dealing with them when they arrive, as it is a serious hindrance to the high level of linking, or 'articulation' between different levels of union organisation which is currently necessary for unions faced by MNCs. 'Articulation' is required in general, but it is especially relevant in CEE countries, where a central problem for unions is obtaining a range of information from different sources in order to reduce their informational dependence on management. Yet in many cases, in fact, as union resources contract, CEE unions could be said to be 'de-articulating' as enterprise unions delay passing on and withhold union subscriptions from higher levels. The process deprives the higher levels of unions of funds and the resources required to facilitate intra-union flows of information. Enterprise-centred trade unionism is placed under great strain when confronted with globalisation and companies attempting to play plants off against each other at international and national levels. Successful actions against plant relocations, transfers of work and closures have been sparse; such examples as there are have involved sustained action at international and national levels. The development of coherent strategies to deal with globalisation is problematic when the enterprise as the focus of union organisation is tending to become estranged from the national union as institution.

A further feature of Communist trade unions as institutions was their monolithic nature, as organisations each of which emphasised the homogeneity of workers by stressing and mythologising the particular characteristics of occupational groups. Unions were generally organised on an occupational basis. Perhaps even more than Western unions, they provided services designed to cater to their members as a whole, the 'one size fits all' approach. The form is poorly suited to the developing global environment. The post-

Communist states have, as Gregor Gradev points out for the Bulgarian case, developed industrial relations scenarios characterised by 'segmentation' between different 'islands' of employment. In the state sector, genuine 'collective bargaining' at least on wages does not exist because the problem is the payment of wages. In the MNC sector, companies bargain with unions in the context of a microcosmic world of private welfare benefits, including company nurseries and hospitals; the SME sector is almost entirely non-unionised; the informal economy is comparatively large even by CEE standards. The differences between sectors, and between employees' needs within them, are great. Genuine collective bargaining possibilities are restricted. The situation argues for trade unions adopting an approach to members' services which are adapted to their recipients by being similarly segmented. Such policies are difficult to achieve against a background of diminishing resources, but some efforts have been made by unions to target specific groups of members, and this has been most notable in the case of women who tend to be concentrated in certain occupations and industries.

In summary, the 'old' trade unions remain very significant players in most countries. This is partly a consequence of the adaptations they were already forced to make in the later stages of communism, when they had, under pressure from upheavals from below, to become institutions which paid more attention to representative functions than they had in the period of 'classical' Stalinism. These modifications allowed them, often successfully, to argue that they should retain the lion's share of inherited union resources. The approach that they have brought in terms of both the forms and content of trade union activity has found considerable difficulty in adapting to the onslaught of foreign direct investment and globalisation. Some adaptations have been made, but they remain small in relation to the dimensions of the problems which unions confront.

## Social Partnership in Central and Eastern Europe, But Where?

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The political and economic transformation process in Central and Eastern Europe is heading towards democracy and towards the introduction of free market elements in the national economies. In both areas of reform, Central and Eastern Europe have already shown marked originality.

In their forms of democracy several Central European countries have already made it clear that it is not necessary to copy Western European models. Elements of democratic decision making have been implemented that stand in-between the parliamentary system, which is common in most of Western Europe, and the French semi-presidential system. The new systems, of which Poland is a fine example, do not yet always operate smoothly, and sometimes give rise to conflicts between elected presidents and the heads of the government. However, in some countries such problems have already been solved. The introduction and functioning of these semi-presidential forms of government makes the new political systems in Central and Eastern Europe into a new venture in European politics.

In the adoption of elements of the free market, the second field of reforms, many Central and Eastern European nations may also end up with systems that are at variance with those in Western Europe. Since reforms are still underway, it is difficult to predict the outcome. The process of privatisation that is going on has already shown great variations among the countries involved. Privatisation ranges from "voucher-capitalism" in which enterprise ownership is spread among employees, to "nomenklatura-privatisation", in which the old communist elite has been able to retain its position and lay hold on privatised enterprise. A general difference with Western Europe will probably be that the public sector will continue to play a more prominent role in most of Central and Eastern Europe than in Western Europe (with the possible exception of France and Italy until the recent privatisation wave in both countries).

A third subject in which Central and Eastern Europe could well follow an original course, rather than imitate Western European examples, could be the system of labour relations.

Most countries seek some form of "social partnership", roughly similar to the forms that exist in the smaller Western European nations, like Scandinavia, the Low Countries, and Austria. However, the form that social partnership is taking in Central and Eastern Europe, will probably be a new one. It will not only be an enrichment of European social structure and social life, but it might even serve as an example for Western European industrial relations.

It is this third area of reform that forms the subject of this contribution. We will take a closer look at the various "forums" of social partnership that are currently being developed in Central and Eastern Europe and compare them with Western European experience.

### ***Tripartism***

Almost all Central and Eastern European countries are now experimenting with tripartism, in the form of tripartite contacts between the national government, national trade union confederations and national employers associations. The contacts are sometimes formalised in a tripartite council, of which Hungary offers probably the most widely discussed and admired example. In other countries such peak level contacts take place within a national council or they are more incidental and sometimes more informal.

The tripartite contacts serve various functions in the economic, political and social development of Central and Eastern Europe. First, they advise the national government on projects of social and economic legislation. This consultative function is the most important one, because of the fact that such legislation includes basic laws on the structure of social and economic life, for instance on privatisation and employee participation. These laws serve as the foundation of more detailed legislation on specific economic and social subjects. The second function is providing a forum where the national employers associations and the trade union confederations meet and joint employer/trade union agreements can be concluded. The agreements may serve as the base of state legislation, especially pertaining to wages, working time, and other labour conditions. This function actually amounts to "bipartism" in action, between two parties (employers associations and trade unions) rather than tripartism, which also includes the national government. Due to the weak development of employers' associations and the preponderant role of the state, bipartism in Central and Eastern Europe has until now mainly consisted of government/trade union

contacts, rather than employer/trade union contact. The third function of tripartism consists of monitoring social and economic developments, like the pace and the nature of the privatisation process and changes in employment and in labour conditions. The fourth function is one of reconciliation of arbitration in labour conflicts. This last function of intervention in labour conflict is new; it is not very common in Western Europe's tripartism. The other three functions are also fulfilled by the tripartite contacts in the smaller Western European nations.

In combination the various functions of tripartism bring about the partial "de-politicisation" of industrial relations, that is: they reduce the role of the national government and hence also result in a lower rate of political conflict over labour conditions and labour relations. As a subject of regulation, labour conditions is shifted from the political realm to that of the organisations involved, in close contact with the national government. Tripartite or bipartite agreements are often welcomed by the national government as a base of social legislation, and they steer collective bargaining at lower levels. In both ways, they facilitate political decision-making and reduce the working load of the national government. This is all the more important since Central and Eastern European governments are already more overburdened than their Western European counterparts, due to the need of all encompassing societal change in the countries that have recently shaken off the yoke of communism.

Of course, tripartism in Central and Eastern Europe faces a number of problems with respect to its participants. These problems have already been well documented in most contributions on tripartism. On the trade union side, the main problems are polarisation and fragmentation. Polarisation points to a situation in which the relationship between the social partners or even the organisations on one side (either employers associations or the trade unions) is an adversarial one, and easily leads to more overt conflict, in the form of collective action and strikes. Polarisation within the trade union movements is often still noticeable between the old and the new trade union movement (as in Poland) or between a number of organisations. In many nations, a number of free trade unions have emerged, which stress their independence and only hesitantly engage in co-operation with other trade unions.

A far greater problem is the absence or weak development of employers' associations. Since large enterprises are often still in state hands, the national government is actually

the biggest employer in several countries. In others, like Slovakia, nomenclature-privatization has allowed the old communist elite (nomenklatura) to take over state enterprise. This kind of privatisation does not give rise to a real new type of managers. The absence of indigenous managerial power may even result in an economic structure in which only multinational companies and small enterprises defend the interests of private business.

At the national government side, a problem is that the state is not only a large employer but it is also engaged in strenuous efforts to regulate the new economic and social conditions, with basic laws. Despite the first, consultative, function, of tripartism, this government activity leads to great inequality in power resources and in policy aims of the three parties involved. In order to speed up legislative reforms, conservative governments have attempted to limit the role of tripartite councils, as for instance in Czechia.

In spite of all these problems, social partnership at the national level has now become a characteristic feature of Central and Eastern European countries and it has already an impact on industrial relations at less encompassing levels, like that of the enterprise.

#### ***Social Partnership within the Enterprise***

One aspect of the communist period that has survived the transformation process is the prevalence of workers' councils, and more generally the importance of industrial relations at the enterprise level. Until the ouster of the communist regimes, the stringent national guidelines issued by the communist parties left considerable latitude of informal bargaining within the enterprise. Moreover, workers councils sometimes functioned as a kind of political opposition (Poland, Hungary, incidentally also in Russia and Romania). This political role of worker participation within the enterprise motivated the communist regimes to undertake attempts of political integration of the councils, but such efforts failed to stop the role of workers councils as worker-opposition-within-the-enterprise. The great number of managers in several countries that were removed from office by workers councils even after the collapse of communism reveals the continuing strength of this institution.

Trade unions seek to found a new kind of social partnership on this tradition of workers councils. Their aim is to establish the enterprise as the main level, the main forum of collective bargaining, with trade union representatives on one side of the table and enterprise managers at the other. Enterprise bargaining has the advantage of building upon the well-

rooted tradition of enterprise activism. It also suffers less from trade union division and confrontation. Many of the smaller new trade union confederations are confined to specific sectors or companies, which means that often fewer trade unions are active within each enterprise than at the national level.

However, there is one major problem with social partnership within the enterprise: It doesn't exist. Company or plant collective bargaining is inevitably a contest between two unequal parties, where one party has the power to dismiss his or her opponent. With this power, I do not mean the workers' councils right to fire a director but the managerial opportunities to dismiss trade union militants. In Western European countries with a lot of enterprise bargaining, like France and Great Britain, as well as in the United States, this inequality has resulted in highly adversarial labour relations. Employers have attempted to turn their companies into "non-union firms", in which all trade union activity has been banned and the employers have only to deal with individual employees. The inequality between the two "partners" at the enterprise level has been one of the motives for trade unions in Germany and the smaller Western European nations to enforce sector level bargaining.

#### ***Social Partnership at the Sector Level***

Sector level collective bargaining provides for uniform wage rates and working time arrangements, but for the rest it leaves the enterprise more or less to the authority of employer. In case of sector bargaining, negotiations and conflict with respect to the main working conditions are shifted from the enterprise to the sector. A labour dispute is then no longer a conflict between managers and their workforce, but between the organisations on both sides. During the term of the collective agreement, no conflict may be initiated. This obligation of "social peace" or "labour peace" is laid down in most collective agreements. The "pacification" of the enterprise through a labour peace clause in the collective agreement, and the observation of such a clause by all those concerned, provides for a protected working climate (a kind of "niche" in decision making on labour conditions) for the works councils. Works councils (which are something quite different from workers' councils) are then under the obligation to work constructively with the enterprise management. They are neither allowed to infringe upon the "employer prerogative" (as it used to be

called in Scandinavia) to decide in economic and financial matters, nor to interfere in any way with the collective agreements concluded at the sector level. Both the employers and the trade unions see to it that the works council observes that rule and does not start a conflict that violates the obligation of social peace. The employer has no motive to obstruct the works councils, since managers are bound anyway to the collective agreement concluded at sector level, that is: decided upon outside the enterprise. Non-union firms do not exist under this system, since even enterprises that block all union activities within the enterprise have to observe the sector agreement. Moreover, the trade union guarantees the limitation of works council activities to subjects that deal with secondary labour conditions, excluding primary labour conditions like wages and overall working time that are negotiated at the sector level. Together with the "depoliticisation" of labour relations by means of tripartism, this "pacification" of the enterprise by means of a shift of bargaining and conflict from enterprise to sector is a basic feature of the industrial relations in the smaller nations of Europe, as well as Germany (the Tarifpartnerschaft).

In Central and Eastern Europe, efforts of sector bargaining are scanty and they have not been successful. Major problems that stand in the way of better results are the weakness of employers' association, the great variety of interests among employers (state enterprise, privatised enterprise, multinational enterprise, small enterprise, not counting the grey sector), and the absence of a real sector labour market which makes it useful or even necessary to implement uniform wage rates and working time limits. However, the Central and Eastern European nations seem on the way to inventing yet another way to shift conflict out of the enterprise to a higher level: Local bargaining.

#### ***Local Social Partnership***

In several Central and Eastern European nations, like Bulgaria and Poland, regional tripartism has already covered labour market policies and to some extent also labour conditions. Elsewhere, including Russian cities, local negotiations have even become a primary form of collective bargaining, dealing with labour conditions and local social policies. This kind of local tripartism has a number of distinctive advantages for decision making on labour conditions.

First, even more than national tripartism it contributes to the "de-politicisation" of labour

relations. National government and national tripartite councils and meetings only need to issue very broad guidelines that leave ample latitude of local and regional bargaining that takes into account variations in local conditions. The subject of labour relations is not merely shifted, at least partially, from politics to employer/trade union/government contacts. The shift also implies a decentralisation from national politics to regional and local politics.

Second, like any other form of bargaining outside the enterprise, local tripartism and collective bargaining serve the "pacification" of the enterprise. Instead of the enterprise management and its enterprise workforce (whether or not represented by works councils), it is local organisations that negotiate and engage in conflict.

While these two advantages are roughly similar to those of sector level bargaining, the third advantage is exclusive to local bargaining. It allows to take into account not only local labour conditions but also the state of the local labour market and of local social provisions, including housing and health care. In this respect, local bargaining is probably superior to sector bargaining in countries with great regional diversity in social conditions. Due to the process of rapid economic change, sectors do not serve as uniform labour markets. Workers do not stay within one and the same sector all the time, they move from one sector to another on a local scale. It is the local labour market, not a sector labour market, whose functioning matters to the unemployed and those in precarious jobs. Moreover, many former communist countries experience a shift of enterprise social provisions into the hands of the local communities. Privatised firms want to dispose of their housing and other services; newcomers like multinational enterprises are not interested in them, either. This concentration of social services and local social policies into one hand makes local government an indispensable partner in collective bargaining. Local government participation in local collective bargaining allows "trade-offs" between labour conditions and other social conditions (wage moderation in exchange for better social policies). The negotiations may well lead to nation-wide networks of local and regional tripartism, monitored to some extent by nation-wide tripartism and with a minor role for sector bargaining.

#### ***Local Tripartism: a New Venture?***

The spread of local negotiations compensates for some of the defects of national tripartism



in Central and Eastern Europe. It does not require strong national or sector employers' associations, since leading local employers may be the main protagonists in local bargaining. Trade union division is also less of a problem. Not all confederations are represented in all regions. Consequently, local bargaining is easier to establish than sector bargaining.

Interestingly, in developing local tripartism and collective bargaining, Central and Eastern Europe may lead the way to his new "forum" of negotiations, and serve as a model for Western Europe. In that part of the continent, discussion increasingly focuses on the future of sector bargaining. In particular employers point to the need to leave more room for enterprise flexibility in the production process and in labour conditions. The trade unions have also to take into account a growing employee demand of individual (tailor-made) labour conditions, like specific working hours, career planning, and bonus payment. Throughout Western Europe, the new catchwords are decentralisation and flexibility. On the other hand, employers are all to ready to return to more centralised forms of bargaining, if that could bring forth wage moderation or other trade union concessions. The Swedish employers' refusal to do so is exceptional, while in Holland this national bargaining is still one of the constituent elements of the by now famous "Dutch Model" that has taken over the role of the "Swedish Model" as the leading paradigm of social and labour policy making. Rather than sector bargaining, or complementary to it, local collective bargaining could provide a new intermediary between national level tripartism and the enterprise. It creates more room for local flexibility than sector bargaining and enables the participants to take into account in their negotiations the local or regional labour market and local social policies.

Local collective bargaining might well be the base of a new "Civil Society" in which citizens participate in decisions making, both in the field of politics and labour relations. With its emphasis on "subsidiarity" (local and other non-state initiatives), the European Union could learn a lot from such experiments.

How about sector unions? Their role is clear. If there is any organisation that might assist in developing local tripartism, it is the Western European sector union. They have often been the main agents behind collective bargaining at a higher level than the enterprise. They have long experience with worker involvement in collective bargaining and in worker

training for works council activities. Often, they have been the main agents in developing collective bargaining at a higher level than that of the enterprise in Western Europe. They could now help Central and Eastern European trade unions (and employers) to develop their own forms of such collective bargaining and local and regional tripartism. This would be an opportunity for organisations in Germany and in the smaller European countries, like Scandinavia, the Low Countries and Austria, to participate in bringing about new ventures in social life.

## Enlarging the European Union Towards the East - Reflections on the Social Dimension

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The fundamental changes in central and eastern Europe (CEE) since 1989 have had as one consequence the aspiration of a growing number of CEE countries (CEECs) to become members of the European Union (EU). Up to now, applications for EU membership have been presented by Poland, Hungary, the Czech Republic, Slovenia, Estonia, Latvia, Lithuania, Romania, Bulgaria and Slovakia. The twofold transformation - political/societal and economic/social - experienced by these countries is directed towards a growing convergence and compatibility with EU realities. On the other hand, the EU and its current member states recognise the historical opportunity to enlarge, thus bringing to a definitive end the 1945 Yalta order and (re-)uniting<sup>17</sup> Europe. Significant as this historical imperative might be, the hard-core issues are the establishment of political stability for the continent, the strengthening of Europe's voice on the global stage and the creation of a vast single market of half a billion consumers, constituting the largest fully integrated trade block in the world. The trade unions in Europe and their European organisation, the European Trade Union Confederation (ETUC), have, since the onset of these developments, been actively supporting the process of democratic change and consolidation in CEE and the full integration of the CEECs in the EU. In fact, the ETUC's creation in 1991 of its "Forum for Cooperation and Integration", its affiliation of a significant number of CEE trade unions since 1995 and the establishment of the ETUC's "national integration committees" in 1996, where CEE and current member states' affiliates meet on a regular basis in order to develop inputs for the enlargement process addressed to national governments and the EU, have preceded the EU's enlargement.

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<sup>17</sup> The question of how far to the East "Europe" will reach has not yet found a conclusive answer. Certainly, the solution is to be found neither in geography - should Russia and Turkey, even though they are Council of Europe members, but the bulk of whose geography lies in Asia, qualify for membership? The UN classifies another Council of Europe member, Cyprus, as „Asian“ -, nor in economic development alone, but in value-systems, enshrined in constitutions, laws and political culture, as broadly circumscribed amongst others by the "Copenhagen accession criteria" (see further down).

The historically unprecedented events at the end of 1989 caught everybody by surprise, both the people in CEE and those in the rest of the world. At first, the EU's and other international organisations' response was rather erratic and almost only focused on the economic (privatisation, macro-economic stabilisation, trade) side of the transformation process. Over time, however, the EU developed a special strategy towards the CEECs. In July 1997, the EU Commission proposed that the first five mentioned before (plus Cyprus) were the most fit to be designated first-line countries for starting membership negotiations some time after the process would have been defined by the Luxembourg Summit. No prospective schedule was offered for the start of negotiations with the other five, which were regarded as not advanced enough towards the Copenhagen criteria. The December 1997 Luxembourg Summit committed the European Commission to screen all CEE candidates and Cyprus on their readiness to fulfill membership criteria before starting membership negotiations with the first round of candidates and further preparatory discussions with those who did not qualify for the first round. The screening, which formally started in March 1998, takes place on an annual basis and is intended to provide a flexible approach in membership negotiations enabling currently second-ranking candidates, when they are deemed to have reached appropriate levels, also to start membership negotiations. Membership negotiations with the applicants of the first group started in the autumn of 1998.

To our mind even though the EU has started to recognise and support the human resource and institutional side of transformation, it still hesitates to acknowledge the place of social policy and social partnership both in the internal development of these countries and, therefore, also in their convergence potentials towards the EU. This paper will focus on the most important developments and the new approach, with special emphasis on the social dimension and requirements which are, in our view, critically necessary in order to make enlargement feasible, in the face of an ongoing integration of the EU itself, part of which is its strengthened mandate in social and employment affairs. In our opinion, enlargement must not be used as a convenient pretext to roll back 40 years of political and institutional developments and the recently strengthened achievements in the social policy field. On the contrary, enlargement is possible only with a determined strategy of making these difficult candidates fit for full-fledged membership, which will take longer than some politicians would like to make the public believe. Without a clear emphasis on the enhancement of

economic and social cohesion, in current member states and with regard to the candidate countries, both the historic turning points the EU is facing, the Economic and Monetary Union and enlargement, will be doomed to fail. At the same time, enlargement will necessarily call for further - and anyway overdue - deepening of the EU itself, thus providing a chance for the EU to continue to function and to integrate more fully.

### ***What's New?***

Whereas in past enlargements, the necessary adaptations both the EU and the candidate countries underwent were rather incremental and evolutive, this enlargement process will require radically different and much more complicated preparations than earlier enlargements and accessions because of

- the systemic changes undergone by the CEE applicants since 1989
- important differences in economic, social and environmental levels between the CEE candidates and the present EU member states
- a changed global competitive environment the CEECs have been facing while introducing themselves on the world market
- a new geopolitical order which impacts on the different candidates' position
- the huge number of candidate countries and the EU's need to reform its own institutional arrangements and budgetary provisions in order to accommodate new members and function with a total of between 20 and 30 member states marked by a lower degree of overall homogeneity
- the fact that the EU has become much more complex and ambitious.

These are the reasons why the EU, despite the terms of Treaty of the Union Article 237 - dating from the period of the Yalta divide and stating as the only pre-condition for membership that future members should be "European" -, devised, over time, a special accession strategy for the CEE candidates. In imposing additional requirements for enlargement, the EU was guided by the *basic accession criteria* formulated at the June 1993 Copenhagen Summit:

- stability of institutions guaranteeing democracy, the rule of law, the respect of human

rights and the protection of minorities

- the existence of a functioning market economy and the ability to cope with competitive pressure and market forces within the EU
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

A fourth criterion is aimed at the EU itself:

- The need to establish the EU's own capacity to take in new members before enlargement.

In order to respond to these challenges and prepare the ground for the geopolitical necessity of enlargement, the EU (to some extent in conjunction with other international institutions) has devised, since 1989, a series of *financial instruments* (mainly the Phare grant aid programme and loans from the European Investment Bank and the European Bank for Reconstruction and Development) and political and economic *contractual arrangements* such as cooperation and partnership agreements and the Europe Agreements (or Association Treaties). All applicants have this associated status. Fulfilment of the provisions of these agreements does not constitute a guarantee of membership or determine the beginning of membership negotiations, but it entails important steps for the candidate countries on their way to join the "club". A White Paper issued after the December 1994 Essen Summit, which had formulated a *broad accession strategy*, tackled the question of the CEECs' *approximation* towards participation in the single market.

After due analysis of the different policy issues on a country-by-country basis, as was the case with earlier accessions, once candidates actually become EU members, transitional periods might have to be defined for certain specific issues. However, it should be clear that all candidate countries will have to follow the logic of reaching the *acquis*<sup>18</sup> because internal cohesion and progress of the EU must be preserved. It is evident that the different CEECs will reach the *acquis* at different times, but all of them will need a substantial amount of very precisely targeted financial and logistical assistance during pre-accession

<sup>18</sup> The French term *acquis* or *acquis communautaire* has become EU jargon in the enlargement debate, and it commonly describes the whole body of legislation, agreements and recommendations, rulings of the European Court of Justice and international obligations of the EU.

as well as symbolical encouragement, not only from the EU but also on a bilateral and international basis, for evolutions for which established member states took decades.

In fact, even though the CEEC applicants are still some way from having reached EU economic levels and standards of institutional stability, it must be emphasised that there are huge differences on both these counts between the different candidates within either group. Since here is not the place for debate on systemic reform or detailed economic analysis, the following table must suffice to give an idea of the economic dimension involved.

According to Eurostat's 1998 figures, between 1995 and 1997 the wealth of the candidate CEECs, compared to that of the EU, rose only slowly – but the aggregate figures of 38 per cent of average GDP in 1995 and 40 per cent in 1997 conceal the differences between the CEE candidates. Only Slovenia, with 68 per cent in 1997, came close to the level of the EU's weakest member, Greece (69 per cent):

**Table 1: Candidate CEECs' GDP as a share of the EU average (100 per cent, in PPP)**

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia
1995	28	62	32	45	25
1997	23	63	37	47	27
	Lithuania	Poland	Romania	Slovakia	Slovenia
1995	28	36	32	43	65
1997	30	40	31	47	68

when arguing the need for a balanced and determined approach, however, it must be clearly stated that what is really important is not the beginning of formal negotiations, or even the setting of a date for accession, but a thorough monitoring, in all CEEC applicant states, of the levels reached and of the proper application of the pre-accession strategy, as a means of fostering further democratic, institutional, economic, environmental, and social development.

As a growingly urgent question on the other side of the coin of EU enlargement, in order to mitigate the possible negative effects of creating new dividing lines in Europe between the "ins", "pre-ins" and the "outs" (with the danger of the "outs" and "pre-ins" falling further back in democratic and economic consolidation with the resulting rise of migratory pressures

and criminal trafficking, further distortions of labour markets in candidate and member countries, and geopolitical instability), the EU policy approach of encouraging regionalisation of economic, social and cultural cooperation and integration must be strengthened (concentric circles versus a hub-and-spoke approach).

As far as the applicant countries are concerned, another aspect will require serious attention: that of the insufficiency of harmonisation of national legislation with EU requirements on paper only. In addition, as in the old member states, so too in the candidate countries there is a considerable lack of information about the EU and of debate of the practical implications and of evaluation of the functioning of EU legislation. This might be a factor accounting for the relative lack of real interest shown by CEEC citizens in the EU<sup>19</sup>.

Absolute preconditions to enlargement are, of course, the institutional reform of the EU as well as the redefinition of the policy of the Structural Funds and the Common Agricultural Policy (CAP). Agriculture, because it occupies an important place in the economies of most CEE candidates, ranging from 34.4 per cent of the workforce in Romania and 28.2 per cent in Poland to the lowest, 6 per cent, in Czechia, will pose a special problem.

**Table 2: Total employment (million) and employment by sectors (%), in 1996**

	Total employment	Agriculture	Industry	Services
Bulgaria	3.28	24.7	32.1	43.2
Czech Rep.	5.05	6.0	41.0	53.0
Estonia		13.1	30	56.9
Hungary	3.94	8.3	32.7	59.0
Latvia		18.5	25	56.5
Lithuania		23.8	29	47.2
Poland	15.02	28.2	29.9	41.9
Romania	9.75	34.4	33.6	29.0
Slovakia	2.03	9.7	37.0	53.3
Slovenia	0.81	7.1	43.0	49.9
EU-15	148.2	5.1	29.8	65.1

Source: Employment in Europe, 1997; WIIW: Handbook of Statistics, Countries in Transition, 1997.

Without these reforms, on which compromises will be hard to reach and which the Amsterdam Summit accordingly relegated to a second Intergovernmental Conference, having to come to definitive results before any new enlargement, further enlargement to take in

<sup>19</sup> For example, according to Central and Eastern Eurobarometer from March 1997 33 per cent of Czechs have a positive image of the EU, 42 per cent are neutral and 9 per cent negative, in Slovakia 34 per cent were positive, 44 per cent neutral and 7 per cent negative - with policymakers in both countries being significantly more positive (Czechia 68 per cent, Slovakia 84 per cent) than the general public.

five to eleven or even more new members will endanger the whole fabric and functioning of the EU. Further integration in order to keep the EU functional after enlargement, paradoxically, might also encounter the resistance of new members, who are proud to have reached national sovereignty after the disintegration of the Eastern block, and, in six cases out of the ten (Lithuania, Latvia, Estonia, Slovenia, Slovakia and Czechia), even of their former state entities. The most important institutional changes that must come prior to enlargement are:

- giving up or strongly weakening the principle of unanimity in order to make the EU decision-making process viable in a Union that is getting not only more numerous but also more diverse with each new member
- the resolution of the question of what will be qualified majority voting in the Council in an enlarged Union (at present 9 votes out of 15, applying the same proportionalities, could lead to potentially delicate political combinations)
- the new weighing of votes in the Council, demanded by the bigger members fearing that enlargement by mainly smaller countries would create a situation of the big states being "dominated" by small ones building blocks (even though the "cleavage" is by no means always between "big" and "small")
- restricting the seats in the European Parliament (now 620, according to Amsterdam the ceiling should be 700); however, this might pose a problem of a democratic deficit with not all political parties in national parliaments being able to sit in the EP
- restricting the seats of the European Commissioners to 20 (as now); this would imply that the bigger member countries give up their second seats, which would give up to five new members a seat, but it is not clear if more new members will each have a new seat.

Moreover, considerable political will and vision will be needed in order to create a new sense of common purpose and unity in the EU fabric. The policy of making exceptions and derogations (such as was the case with the U.K. for the social protocol or is the case with the British, Swedish, and Danish decision not to join EMU) will have to end in the face of possible multiple accessions. With twenty or even thirty members, the practise of deroga-

tions would undermine the very cohesion and effectiveness of the EU.

Even the language question is a thorny one: with enlargement, from the present 11 different official EU languages (giving 110 possible combinations) the number would rise, for example 16 different languages would yield a combination of 240, requiring 60-75 interpreters in a meeting!

Part of these necessary reforms touch on the social sphere, too, for example the striving for stronger economic and social cohesion in the face of still great regional disparities and the new EU Employment Strategy to combat mass-unemployment, the need to cooperate ever more closely in collective bargaining, tax and macroeconomic policies in the face of the arrival of Economic and Monetary Union, as well as the further establishment and intensification of the functioning of the European Works Councils and the EU social dialogue, that was strengthened by Amsterdam. In the following, a reflection of the most relevant issues pertaining to the social policy aspects of EU enlargement will be made. Since this is an essay of limited length, the main objectives followed here are the sensibilisation of a broader public for the topic and the suggestion to EU institutions, the European trade union organisations and employers, governments and related academic circles to take a closer look and do more detailed research in all those fields, the debate on which has hardly started, in order to make a contribution in the next few years to the process of EU enlargement. Other relevant aspects in this context, such as the effect of trade flows, labour migration, the evolution of the work division between the reform states and EU members, cannot be treated in the present paper. Suffice it to say that pre-accession policies will certainly imply further costs to both sides but will also have a beneficial effect on candidate countries' internal development, due to concrete chances to join the internal market, domestic and foreign investor confidence, and the necessary changes in legislation, institutions, and, not least, in human resources.

#### ***Consideration of the Social Dimension in EU Policies Towards Candidate CEECs up to March 1999***

It is important to remember here that neither the Association Agreements nor the White Paper nor, for that matter, the Phare programme, treated the social dimension of enlargement – and its intrinsic role in the systemic change – as a question of any special im-

portance. The Association Treaties are *not explicit on the social dimension*, even though most of them were formulated after the 1992 Maastricht Summit that led to adoption of the Social Protocol. They also make no reference to the 1989 EU Charter of Fundamental Social Rights. Instead, they tend to subsume the social dimension within the economic rationale in the form of the free movement of workers, vocational training and education, or the approximation of laws and economic cooperation, while their preambles mention the respect of democratic principles and human rights as “essential elements” for fulfilment of the treaties without explicit reference to social and workers' rights. The Phare programme earmarked a mere 6.5 per cent in 1990-1993 and a puny 3.2 per cent of its 1994-1996 allocations to social development, employment and health.

In July 1997 the reports on the applicant countries that were published with *Agenda 2000* – a report on the future of the EU that also included budgetary proposals as well as suggestions to reform the Structural Funds, the CAP and the decision-making process in the EU – examined all aspects of the *acquis communautaire* and the degree to which the candidates had reached it. These reports also focused explicitly on a number of social issues that constitute part of the social *acquis* or have more recently become matters for EU coordination in the social policy field (social dialogue, labour market policies, social security, public health, health and safety in the workplace, labour law, the free movement of workers, equal opportunities)<sup>20</sup>. Treatment of this aspect was, however, rather cursory and incomplete; nor had the social partners in the applicant countries been invited to contribute to this chapter. This already appears surprising if we follow *Agenda 2000's* analysis of the possible sectoral and horizontal effects for EU policy-making entailed by enlargement. In discussing social policy aspects, the reports do concede (but not further develop) the apparent contradiction between the danger of a weakening of social policy, due to the initially lower standards prevailing in the new member states, and the undeniable importance of social cohesion and social policy in an enlarged EU. The reports also offered suggestions concerning the differing ability of individual CEECs to converge towards the EU's economic and political standards and levels.

1998 and early 1999 saw an *acceleration of steps towards enlargement*, in the wake of the Luxembourg Summit's go-ahead to open the process. There was more verbal thrust on the

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<sup>20</sup> For more details on these reports see: Heikki Aintila, Renate Langewiesche (1998): *Eastwards EU enlargement and the social dimension: reflections on the past and future from a trade union angle*, in: Gabaglio, Emilio, Hoffmann, Reiner (eds.): *ETUI Yearbook 1997*, Brussels.

social dimension than had been the case in the past, but this was accompanied by few concrete policies. The *Phare* programme remained what it had become in the course of an earlier reform, i.e. from a demand-driven it had been made into a pre-accession instrument, intended to assist the applicant countries in further preparation to achieve the *acquis*. So far, however, the 30 per cent share of the budget earmarked for the institution-building aspect of Phare has in practice not included the social partners (see below). The *social clause* attached by the EP to the whole of the Phare programme in its December 1997 session for the 1998 budget (and to be carried over to the 1999 budget) - i.e. stating that the Commission is required to ensure, in connection with Phare funding, that the beneficiaries respect the European social *acquis* and fundamental social rights in the sense of the contents of the Social Charter - remained a dead letter. To our knowledge at least, no instrument for the implementation of this decision has been created and no case of infringement has been reported, though we have reason to suppose that such cases do exist.

1998 also saw the start of the so-called *screening process* with the candidate countries. In this process, EU officials and experts, together with their counterparts from the applicant countries, examine the current state of the latter's legislation and the areas requiring change in order to reach the EU *acquis*. Whereas the screening for the first group of countries took place on a country-by-country basis, the second group countries initially had to accept a multilateral "screening", covering almost all chapters of the *acquis*, conducted in the form of workshops or conferences. It is obvious that the more detailed the screening, the better will be the applicant countries' awareness of the areas requiring development and of the most appropriate formulation of their assistance requirements. The "pre-ins" had to wait until early 1999 for the start of the individual country screening, whereas in November 1998 the first group actually embarked on accession negotiations proper with the EU. These negotiations were able to be conducted rather peacefully since the first seven chapters selected were the least contentious (science and research, telecommunications and information technologies, education and training, culture and audio-visual policy, industrial policy, small and medium-sized undertakings, and common foreign and security policy). In these areas the applicants have asked for few and only brief transitional periods, which will probably have become irrelevant at the time of accession. This "strategy" has

laid workable groundrules for negotiations, which is important in the light of the fact that, as from 1999, it will be necessary to tackle a series of (far) more contentious issues, such as agriculture and fisheries, competition policy, consumer protection, the free movement of workers, environmental policies or controls on borders with non-EU countries further east. In addition, the observation made by the head of the European Commission's Enlargement Task Force on completion of the screening of the first 19 chapters (out of the 31 comprising the Community *acquis*) with the six "first-group" applicants, namely, that the applicants are willing to adopt the EU's laws but are often not in a position to implement and enforce them, seems pertinent. Implementation and enforcement will become all the harder as the areas for negotiation become more difficult, and the Commission has announced that at the end of the negotiations it will measure the applicants' institutional - and other - capacities to implement the *acquis*. If, in this context, we look once more at the social *acquis* (under its first screening at the turn of 1998/99), it becomes clear that the EU and the governments of the applicant countries will have to involve - and promote the position of - the social partners, as well as including social legislation in the institution-building aspects. But, to date, the EU basically continued its original policy of underrating the social dimension of enlargement. Some reasons for this might be the following:

- an inclination to keep to the "traditional" paths characterised by the belief, in the early 1990s, that the systemic changes would depend, first and foremost, on economic reform;
- the intergovernmental approach to enlargement;
- the fact that the European Commission services principally responsible for enlargement questions have few competencies in the social field, whereas the services dealing with social policies have so far played a minor part in the process;
- the relative weakness of social legislation and provisions in the EU (compared to the national level of EU member states).

The Commission services are fond of arguing that enlargement is a matter of negotiation and treaty-making, which are intergovernmental affairs, and that the social dimension is, in any case, weak in the EU. A factor underestimated by this argument is that, unlike in previous accessions, where applicants were stable democracies with market economies and

several decades of established social underpinnings (or in the case of Greece, Spain and Portugal - hardly comparable with the CEECs in any case - had consolidated their democratic systems and started to improve their social legislation and welfare standards in a rather short time), so that the social partners traditionally involved in national regulatory practices played their role in the accession process, in many of the CEE applicant countries this is something that cannot (yet) be taken for granted. Indeed, the EU's pre-accession policies could - and should - include the consolidation and involvement of *agents of intermediary institutions*, such as social partners, in order to:

- contribute to further consolidation of democracy and institution-building
- minimise the social costs of economic "transition"
- help formulate and implement reform policies aimed at economic restructuring, social security systems, labour markets, education and vocational training, social dialogue, equal opportunities, health and safety at work, and at the macroeconomic level
- ensure, through more efficient and transparent policy change and systemic stabilisation, a faster pace of approximation and a more comprehensive fulfillment of the EU's *acquis*
- work towards guaranteed minimum social and wage standards in order to prevent social and wage dumping in the enlarging/enlarged EU (already a concern in euroland)
- reach a higher degree of political acceptance of enlargement in the EU member states and of accession in the applicant countries.

Instead of systematic involvement, what has happened to date has been a process of influence-gaining and participation thanks to initiatives taken by *agencies outside the negotiation and screening services*. Such agencies have included not just the ETUC, with its very thorough and inclusive affiliation and policy approach towards the candidate CEECs, as well as numerous examples of bilateral and regional trade union cooperation, but also the Economic and Social Committee, which has not only issued far-sighted Opinions on the CEECs and on enlargement, but has also, under the Association Agreements, created Joint Advisory Committees with its counterparts in Hungary and Bulgaria, and is preparing further steps in this direction with Poland and Romania. An interest in the social dimension

and social partnership and workers' rights issues has also been shown in recent years by a significant number of members of the European Parliament. Not only do these arrangements and policies undeniably have a great potential to boost the social dimension in the process of enlargement and systemic change in the candidate CEECs, but they also contribute to the development and sophistication of the much needed democratic institution-building and to the general refinement of democratic culture.

Mention should also be made of the Commission's composite paper and single *progress reports* on all candidates, published in November 1998. These gave accounts, more detailed in some areas than others, of the candidates' progress towards approximation in the different chapters of the *acquis*, as well as economic and social data. Their main purpose was not to seek to influence the overall process but to offer an update to the Vienna Summit in December 1998 and to the EU services and the public at large. Though the progress reports were relatively detailed in the chapters covering the internal market and administrative reforms, they focussed only narrowly on the social *acquis* chapters (for example social dialogue, labour law in the areas of collective redundancies, parental leave, and the European Works Council directive). What is more, the approach of the composite paper, which might have taken an all-encompassing view of developments, remains rather technical and compartmentalised. In its assessment of the economic accession criteria it does not consider the notion of economic and social cohesion and, accordingly, fails to examine, as factors of economic development and approximation, aspects such as the present situation and (possible) roles of labour market policies, or the functioning of social dialogue, the standard of social protection systems, and the respect of basic social rights.

As can be expected, the social dimension of the intergovernmental *Accession Partnerships*, concluded in March 1998, is rather vague and has, so far, not resulted in any concrete policy steps. These partnerships spawned the so-called *Twinning Partnerships*, a Phare-sponsored programme currently reserved for civil servants from the different ministries of the member states, who become so-called "pre-accession advisers", promoting administrative reform and the application of EU law in the candidate countries to which they are seconded. While the document on the Twinning Partnerships stresses that, "in the EU, the *acquis* is implemented in the Member States by national administrations (at central, regional and local level), and by agencies, professional bodies, and the private sec-



tor..." and mentions for secondments EU experts in general, it may be expected that, after the first phase of concrete implementation with government officials as from January 1999, the "professional bodies" with a role in guaranteeing and fulfilling the *acquis* will be invited to participate.

At the same time, the Commission communication, the "*Social Action Programme 1998-2000*", COM (1998) 259 final, recognises that "the success of the European social model in combining social progress with economic prosperity has undoubtedly influenced the countries of central and eastern Europe in seeking membership in the Union." Accordingly, it suggests that the Commission "will work to ensure the gradual involvement of accession countries in the social policy programmes and activities – and in particular the employment strategy – while promoting the social and civil dialogue as essential pillars of the European social model and assisting applicant countries, in the context of their preparation for membership and in particular through the Accession Partnerships, to ensure full adoption and implementation of the *acquis* in the social policy field, and contributing through financial assistance, in particular through the Phare programme, to the development and adaptation of the social infrastructure in the candidate countries." The ETUC Executive Committee in October 1998 welcomed these observations and proposal, stressing, among other things, the need for support of the autonomous development of the social partners and the systematic involvement of the social partners from the candidate countries in both the EU social dialogue activities and the enlargement process. So far, however, the EU policies and programmes have not systematically pursued such involvement, having referred rather to the intergovernmental nature of the enlargement process. Instead, a tiny – albeit, in terms of its effects, important – part of the Phare programme has helped the ETUC to create a working group of integration specialists from applicant countries (and member states). The group members do not only acquire information and cultivate reflection on the enlargement process in general and on the trade union and social requirements in particular; in their capacity as multipliers, they also pass on their knowledge at home and enable their unions to exert influence on their national governments and negotiators. However, as shown by a study prepared by the ETUC in the spring of 1998, the influence of the applicant countries' trade unions in the enlargement process has been varied and dependent on the development of industrial relations cultures and the quality of social dialogue at large. Nor has this

process been, so far, systematically promoted by EU policies.

In October 1998 the screening process for the first group candidates started in the areas of social policy and employment affairs. Once again, this screening was performed on an intergovernmental basis. The *screening of the social acquis*, like other screening chapters, is coordinated by the Enlargement Team, which invited specialists from European Commission DG V (social affairs) to conduct the screening of the employment and social chapter. According to a source in the Enlargement Team, (voluntary) input from the social partners in the candidate countries and in the EU member states would be welcome.

As might be expected, this first phase of the screening process is still rather formal, and does not yet, in any case, entail setting a date for accession. The whole corpus of the *acquis* is too vast for any such commitment and reforms of the applicant countries' laws and institutions still have to be carried out. A more detailed and up-to-date examination of the *acquis*, including the social *acquis*, will be conducted, and it is reasonable to expect that the recognised social partners should be invited to contribute to this process in order to produce complete results. In the second half of March 1999 an EU-sponsored conference is to be held in Warsaw with the social partners and the relevant political representatives of both old member states and the accession countries. This event, the assistance given so far, and the course taken by the enlargement process towards a more concrete approach at the level of both texts and institutions, allow of an expectation that the social dimension, including full involvement of the social partners, may be accorded greater importance in the enlargement/accession process.

By early February 1999, the first screening of the social *acquis*, as of 1 March 1998 (i.e. not yet taking into account the Amsterdam policy changes taking effect only on May 1, 1999), - comprising health and safety issues, labour law, equal treatment of women and men, social dialogue, employment and social protection, as well as the European Structural Funds, public health, measures relating to the ECSC (which will become irrelevant due to the ECSC's termination before any possible accessions), a Council regulation establishing the European Monitoring Centre on racism and xenophobia, and a series of measures for the improvement of living and working conditions – shows the following general tendencies:

1. All ("fast-track" or first-group) candidates, in the first screening process of social and employment policies, have acknowledged that this *acquis* is substantial and requires not only the adoption of binding legal provisions but also appropriate administrative and judicial structures at national level and co-operation among the key players in economic and social life. Moreover, it is acknowledged that in this context the "machinery of the European social dialogue also plays a crucial role, which will be strengthened, moreover, by the Amsterdam Treaty which gives the social partners a central role in drawing up and applying Community social policy."
2. While all of these candidates accept the *acquis* under this chapter and believe that full transposition will be achieved by 2002 or, in any case, by the (still unclear) date of accession, Hungary is considering requesting a transitional arrangement in respect of the maximum tar yield of cigarettes until the end of 2005, while Slovenia may ask for a transitional phase in relation to the health and safety *acquis*.
3. All candidates recognise that the transposition of the health and safety *acquis* will be a costly matter, especially for the employers' side. Another expensive problem will be the establishment of a guarantee fund for employees in the case of employers' insolvency, as has been pointed out by the Czech negotiating team.
4. While EU legislation pertaining to policies entailing involvement of workers' representation is far from prescribing the formula for such representation, the Czech and Polish delegations have considered this to be a sensitive domestic issue since no provision other than direct trade union representation is foreseen, and the national debate on this issue is far from over.
5. In all cases the social dialogue needs strengthening, especially with regard to the private employers' still weak role and structures, as well as the huge number of trade unions and also employers' organisations (Poland and Hungary).
6. On the gender equality issue Poland appears to encounter a problem of principle: to quote the screening report, "an extremely protective regime applies to pregnant workers which may well amount to discrimination (in terms of access to employment, pay and working conditions) against them. This protection reflects the strong importance and focus attached by the Polish government to women's role in the family. Attention

has to be given to gender-specific advertising that might restrict women's access to the labour market." In Slovenia there is as yet no solution, due to expenditure implications, to the introduction of a three-month parental leave extending to fathers.

7. All screened countries will need post-accession assistance measures, such as training and the establishment of proper implementation mechanisms, in order to participate in the opportunities of the Structural Funds.
8. The screening team of the EU considers that the applicants still have a large package to tackle and fulfil, referring in some cases to the very *ambitious workload and timetable* the candidates hope to be able to realise.

Even these initial results of the social *acquis* screening show, that for the sake of convergence and the proper attainment of the *acquis*, it will become increasingly urgent to enhance the function and human resources of the related civil servants as well as of the social partners and of social partnership at all levels. This should indeed constitute a formal requirement, to be fulfilled by the Twinning programme and other Phare provisions, and enshrined in the National Programmes for the Adoption of the *Acquis*. It is, furthermore, a process in which the private employers will play a more important role than before, to the detriment of state intervention. It will be equally important for systemic change and convergence to strengthen participation by the social partners in the reform and implementation of social and labour legislation, macroeconomic policy-making, the definition of the public sector, and the restructuring of undertakings (cuts in subsidies for loss-making enterprises in labour-intensive sectors such as metal and coal are already subject to the Accession Treaties). The social partners must also be enabled to play a more active part in both labour market policies (which, *inter alia*, will have effects on the thorny question of the free movement of workers and possible demands for transition periods) and the governance and reform of social security systems. As to the latter aspect, a decision was taken in 1998 to create a Consensus II programme (a Phare-sponsored EU programme promoting the reform of the social security systems) that would have involved the social partners in the accession countries participating in this reform. The decision included explicit recognition of the role of the social partners in systemic change, which is also conducive to convergence towards the EU. Due to budgetary changes, it is now planned to include this project under Consensus III, scheduled to start in 1999. By March 1999, however, it was not clear

to the Consensus II team whether there would be any Consensus III at all.

In addition, use must be made of the possibility of attaching the *social conditionality* clause to the Phare programme. A first step to this end is making the clause better known in the EU member states as well as in the accession countries, but another is to put pressure on the Commission to include it in the tenders for Phare and to monitor the procedures.

It is doubtful, however, whether any real change will come under the Santer Commission, which will remain in office for only one more year and which might have difficulty in committing new programmes after the December 1998/January 1999-censure crisis with the EP, and with the present, outgoing, EP (elections will be in June 1999).

The critical debate in the EP, with the *motion to censure* the European Commission and criticism of how funds for different programmes, including those for CEECs, have been (mis)handled under the 1996 budget, has thrown the programming into an ambiguous state of disarray. This, together with the endemic neglect of the social dimension to date, should further mobilise the social partners and the EU decision-makers and services to overcome the present situation and ensure that the EU and the applicant countries pursue enlargement and preparations for accession with even greater commitment and diligence. In this context it is interesting to note that the governments of many EU member states put forward, as a pre-condition for accession, that the candidate countries should, by the time of accession, have developed safety standards in nuclear energy operations comparable to the EU's own – even though this is not, strictly speaking, an element of the *acquis communautaire* (Even though the standpoint is very understandable as far as a number of candidates' nuclear power stations are concerned.). In a situation where a non-*acquis* becomes an important gauge for accession capability, a real *acquis* must be given its due place.

### **Outlook**

At this point, we do not need to repeat the reasons why the next round of enlargement is a very special case. Next to fulfilling the difficult and delicate task of the EU's own far-reaching internal reforms prior to enlargement, only plain language about the pile of adaptation requirements and accession schedules, a carefully devised and implemented pre-accession strategy and transparent, well-targeted structural assistance before and after

accession will be able to contribute to successful accession, membership, and acceptance of enlargement and membership on the part of the citizens and working people on both sides. It is clear that each candidate will find accession on the merits of its own achievements and that different candidates will reach the *acquis* at different times. As in past enlargements, transition periods in various policy fields under Pillar I will be necessary, but permanent opt-outs ("Europe à la carte") will not be tolerated. Even though there remain uncertainties about which sides and economic units will gain or lose from preparation for membership and growing convergence, enlargement and accession in the short run, over time the creation of a vaster internal market has all the potential to give a boost to European growth and jobs. However, if this growth is not underpinned by a strong social (as well as environmental) dimension, it will neither be sustainable nor accepted, to the point where the EU would be further called into question. In addition, accession can be granted only if the new member has developed an economy and regulatory agencies strong enough to cope with competitive pressure from the Single Market in order to avoid social deterioration, political backlash and intense migratory pressures (which would not be tolerated by the people in old member states). Agenda 2000, the studies, progress reports, and debates that came before or after as well as the different Summits, have attempted to sketch out the way towards a new and enlarged Union. From the trade unions' point of view, success and acceptance of enlarging the Union on the one hand and the consolidation of the CEECs on the other depend on a set of interlinked and inclusive considerations, which reflect on the interdependence of economic and social cohesion. In order to overcome the huge gaps in the social policy fields, the role of the social partners will have to assume much greater importance in the process of pre-accession and from the time of new membership on. It can be assumed that after the period of sometimes sharp decline from pre-reform artificial levels of trade union membership, due to structural and value changes, the level of trade unionisation in the CEECs will consolidate at levels comparable to those currently found in the various EU members. Actually, trade unions in the CEECs generally have a larger membership than political parties, and they have proved their responsibility in the transition process. More immediate and probably greater problems are the private employers' organisations, which are still weak and undefined, and, in most cases, the lack of

awareness of and interest in social partnership on the side of CEE governments<sup>21</sup>. Whereas the trade unions can try to voice their opinions on EU membership vis-à-vis their government - not least because of the fact that they have a forum in the ETUC - so far the employers' organisations, where they do exist, have shown a commercial rather than a political and social interest in the process. Structured dialogue between the EU and the candidates so far has been an intergovernmental affair, with the exception of the few Joint Committees of the Economic and Social Committee and their counterparts in some CEE candidates. However, complementary to structured dialogue should be the implementation of concrete steps to achieve involvement in every possible fields of policy. One important aspect would be the examination of the question of whether the setting-up of works councils in multinationals in the CEE candidates under the ruling of the European Works Councils Directive might not become mandatory. (The provision extends to the EEA, which could be taken as a precedent, and the 1999 revision of the Directive could offer an opportunity to take the enlargement aspect into account.). According to an ETUC/ETUI overview of 380 multinationals in early 1998 (of the 420, or one-third, which so far have created councils), some 60 of these listed companies have, on a voluntary basis, invited CEE workers' representatives to participate or observe in their councils<sup>22</sup>. Next to active assistance in the establishment of systems of industrial relations in the candidate countries as an important part of democratisation, institution-building and economic consolidation, the active participation of the recognised social partners, especially when they are members of the recognised EU social partner organisations, in all other pre-accession policies and instruments, including the Phare programme and the structural and agricultural facilities, but also Community programmes in which the candidate countries can already participate and in the Community agencies as well as observers in the EU social dialogue, and the consideration of the social partners' expertise and opinions concerning the development towards the *social acquis*, will constitute another instrument and example of good practice

<sup>21</sup> For detailed discussion of industrial relations in CEECs, see, amongst others: ETUI (1995): *Labour Relations and Trade Unions in the CEECs*, in: TRANSFER, Vol. 1, No. 3, and ETUI (1997): *Industrial Relations in the New Market Economies (CEECs)*, in: TRANSFER, Vol. 3, No. 2.

<sup>22</sup> The question remains in those countries, where there are no provisions for works' councils, if the trade unions are really in favour. There are now, however, debates in trade unions (notably in Poland, Czechia, Slovakia and Bulgaria) viewing this concept as a competitive one or as one that would commit them to "co-manage", to reconsider because of the EU Directive, and, more fundamentally, because they are losing members and they start to see a chance to be represented via works' councils.

vis-à-vis the candidates, and will represent another contribution to the CEECs' internal development and gradual convergence, which is one necessary pre-condition for successful enlargement.

P.S.: On 9 March 1999, on the fringes of the Social Affairs Council, the EU social affairs ministers and their colleagues from the applicant countries expressed a view unanimously in favour of opening up the Phare programme to the funding of social projects. Giving a clear signal, including to the Commission, the President of the Council emphasised that social policy, an *acquis* that, as he said, will be hard to achieve, should be considered as a priority field and added to the existing priorities (creation of effective legal and administrative systems, agriculture, environment).

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## Die Soziale Frage und die Position der Gewerkschaften

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Bevor ich zum Thema komme, lassen Sie mich eine Vorbemerkung machen. Ich werde hier zwar als Vertreter des IMB aufgeführt, aber ich muß sagen, daß es im IMB keine einheitliche Haltung zur Europäischen Union gibt. Das ist deshalb nicht verwunderlich wenn Sie bedenken, daß es auch in den Gewerkschaften im derzeitigen Gebiet der EU höchst unterschiedliche Einschätzungen gibt. Hinzu kommt, daß wir in Budapest mit Gewerkschaften arbeiten, die allesamt nicht in der EU sind – bestenfalls ja Beitrittskandidaten.

Lassen Sie mich zunächst zum Thema der Betriebsräte kommen, die in diesem Workshop eine herausragende Stelle eingenommen haben. Auch die deutschen Gewerkschaften standen der Idee des Betriebsverfassungsgesetzes sehr kritisch gegenüber. Als die damalige Bundesregierung unter Konrad Adenauer einen Gesetzentwurf im Parlament vorlegte, reagierten die Gewerkschaften mit wütenden Protesten darauf, allen voran die IG Metall mit ihrem Vorsitzenden Otto Brenner. Es war im übrigen das einzige Mal in der deutschen Nachkriegszeit, daß ein DGB-Vorsitzender nicht mehr gewählt wurde, weil er es nicht gewagt hatte, gegen das Gesetz einen Generalstreik auszurufen.

Nach Verabschiedung des Gesetzes bauten die Gewerkschaften in den Betrieben Vertrauensleute auf. So gab es zwei Säulen im Betrieb: Die vom Gesetz abhängigen Betriebsräte und die von der Satzung der IG Metall abhängigen Vertrauensleute.

Insbesondere durch eine kostenintensive Bildungsarbeit gelang es den Gewerkschaften, die überwiegende Anzahl der gewählten Betriebsräte zu organisieren. Die gewerkschaftlich organisierten Betriebsratsmitglieder der IG Metall wurden durch eine Richtlinie des Vorstandes automatisch Vertrauensleute. Dies war deshalb wichtig, weil die Betriebsräte nach dem Gesetz zur Friedenspflicht gezwungen wurden. So erklärten sie sich im Falle eines Streiks als Vertrauensmann und konnten in dieser Funktion nicht nur am Streik teilnehmen, sondern ihn zu organisieren.

Im Jahr 1972 hat die Bundesregierung von Willy Brandt ein neues Betriebsverfassungsgesetz verabschiedet, in dem die wichtigsten Forderungen der Gewerkschaften enthalten

waren. Damit haben die Gewerkschaften ihren Frieden mit dem Betriebsverfassungsgesetz gemacht. Soviel zur Geschichte der Betriebsräte in Deutschland und nun zum eigentlichen Thema: Die Gewerkschaften Mittel- und Osteuropas stehen der Idee des Beitritts zur EU mit gemischten Gefühlen gegenüber. Viele haben ja den völligen Umbruch nicht nur der Gewerkschaften sondern der gesamten Gesellschaft erlebt und erlitten. Ich werde darauf noch zurückkommen. Aber alle hofften, daß westliche Investoren kommen würden, um die teilweise brachliegende Industrie wieder in Gang und die Menschen wieder Arbeit geben würde.

Dabei wurde verkannt, aus welchen Gründen Investoren in die Staaten Zentral- und Osteuropas kamen. Es sind nach meiner Ansicht im wesentlichen drei Gründe:

1. Die Investoren wollen im neu entstandenen Markt präsent sein.
2. Niedrigere Lohnkosten sind der zweite Grund.
3. Unternehmen investieren in den neuen Ländern, weil sie hier Bedingungen stellen können, die sie im Mutterland wegen starker Gewerkschaften nicht durchsetzen können.

Die Präsenz im Markt ist daran erkennbar, daß die größte Zahl der Investitionen dem Automobilmarkt und den Zulieferern zuzurechnen sind. Produziert werden Autos von Fiat, Dewoo, Ford, Volkswagen, Opel und Zulieferungen zur westeuropäischen Automobilproduktion.

Die Lohnkosten machen etwa 1/8 der westeuropäischen Löhne aus. Das bedeutet, daß besonders lohnintensive Bereiche sich dafür lohnen, im Niedriglohnland hergestellt und im Hochlohnland verkauft zu werden.

Das Diktat von im Westen nicht durchsetzbaren Arbeitsbedingungen läßt sich am Beispiel der Firma Audi darstellen. Im ungarischen Győr werden Motoren für etwa 80% aller Audis gebaut. Neuerdings gehört dazu auch die Produktion des neuen Audi-GT. Die Beschäftigten dort erhalten ein um ca. 10% höheren Lohn als der Durchschnitt der ungarischen Metallarbeiter. Die Bedingung dafür ist, daß sie je nach Bedarf auch an den Wochenenden arbeiten müssen, wenn die Firma das verlangt. Hinzu kommt, daß bei Audi mehrere Gewerkschaften vertreten sind, die aber insgesamt nur einen Bruchteil der Belegschaft organisiert haben. Dies führte übrigens dazu, daß die letzte Betriebsratswahl ungültig war, weil

sich nur rund 30% an der Wahl beteiligt haben.

Die Wirtschaft in den Ländern Zentral- und Osteuropas ist unterschiedlich entwickelt. Positive Entwicklungen gibt es insbesondere in den Ländern der Beitrittskandidaten, den sogenannten Visegrad – Ländern. Aber alle Länder haben im wesentlichen 3 Problembereiche, die vor dem Beitritt zur EU gelöst sein müssen:

1. In fast allen Ländern gibt es ehemalige Rüstungsbetriebe, denen eine Konversion bisher selten gelungen ist.
2. In mehreren Ländern stehen riesige Stahlkombinate, die sich bei einem Beitritt der Länder den Produktionsmengen anpassen müssen, was für die dort Beschäftigten Arbeitslosigkeit bedeuten wird.
3. Gleiches gilt für die Kohlenindustrie in Polen und Tschechien und gilt für Rumänien, wenn sie Mitglied in der 2. oder 3. Phase sein werden.

In der bisherigen Transitionsphase sind die Staaten unterschiedliche Wege gegangen. Im wesentlichen gab es fünf unterschiedliche Lösungen:

1. Direktkauf eines Unternehmens durch einen westlichen Investor mit steuerlichen Vorteilen durch das Land.
2. Den Erwerb eines Unternehmens durch den sogenannten Management – Buy – Out, das heißt der Erwerb durch das frühere Management desselben Unternehmens.
3. Die Ausgabe von Voucher an die Beschäftigten.
4. Die Übergabe der Betriebe an die Beschäftigten und
5. Die Übernahme von Unternehmen durch den Staat.

Im Falle der Privatisierung von MBO, Voucher und Arbeiterselbstverwaltung gab es ein großes Problem, nämlich das der Kapitalknappheit. Wie der Verlauf der Ausgabe von Vouchers sich abwickelte, darüber hat uns jüngst der Vorsitzende der tschechischen Gewerkschaft: Er sagte, daß aus dem sogenannten tschechischen Wunder der frühen 90er Jahre inzwischen ein Alptraum geworden ist. Schon 1997 hatte die Gewerkschaft gewarnt, daß das Land in eine Rezession gesteuert wird. Die schnelle wirtschaftliche Liberalisie-

rung, gepaart mit Massenprivatisierung von nicht restrukturierten Betrieben und das Fehlen der notwendigen Gesetze und Verordnungen haben die Wirtschaft, die Arbeitsplätze und die Leben durcheinander gebracht.

Die Gewerkschaft erwartet ein Sinken des Bruttoinlandsproduktes in 1998 verglichen mit einem Anstieg in Polen von 5% und in Ungarn von 3%. Arbeitslosigkeit ist von 3,4% in 1994 auf 7,5% Ende 1998 gestiegen und wird Ende dieses Jahres die 10% - Hürde übersteigen.

Die wesentliche Ursache dieser Entwicklung lastet die Gewerkschaft der vollzogenen Privatisierung an. Die Strategie der Regierung, erst zu privatisieren und dann strukturelle Anpassungen vorzunehmen, war der falsche Weg. Hinzu komme noch, daß skrupellose Geschäftsleute und Investmentfonds Aktien gekauft und ohne Kontrolle oder Überwachung nur Interesse an Zinsen hatten ohne Rücksicht auf den Bedarf der Betriebe. Daß solche skrupellosen Geschäftemacher die mangelnde Erfahrung der Menschen mit der Marktwirtschaft ausnutzen wurde überdeutlich in Albanien.

Es ist deshalb nicht verwunderlich, daß die Menschen vom Beitritt zur EU eine Erhöhung ihres Lebensstandards erwarten. Angesichts der heutigen Situation ist nicht zu erwarten, daß sich die Armutsgrenze der EU vom Südwesten verschiebt zum Osten. Um dies zu belegen, gibt es eine jährlich fortgeschriebene Untersuchung des Internationalen Metallarbeiterbundes. In dieser Studie werden nicht Löhne miteinander verglichen, sondern es wird ermittelt wie viele Stunden ein durchschnittlich bezahlter Arbeiter in einem Maschinenbaubetrieb arbeiten muß, um ein bestimmtes Produkt zu kaufen.

**Tabelle 1. Arbeitszeit und Kaufkraft**

	Lebensmittel (Arbeitsstunden)	% (Portugal = 100)	Lebensmittel und Bekleidung (Arbeitsstunden)	% (Portugal = 100)
Portugal	24	100	280	100
Deutschland	4	17	40	14
Polen	9	38	284	101
Rumänien	60	250	477	170
Litauen	32	133	396	141
Lettland	32	133	502	179
Slowakei	30	125	266	95
Ungarn	26	108	342	122

Kroatien	25	104	336	120
Czech Rep.	14	58	117	42
Makedonien	19	79	217	78
Slowenien	10	42	318	114

Ich möchte Ihnen anhand zweier Folien (s. Tabelle 1) verdeutlichen, wo die Beitrittskandidaten im Lebensstandard stehen und dies im Verhältnis zu Portugal als dem Ärmsten und Deutschland als dem Reichen Land. Sie sehen, daß die grün gezeichneten Länder mit Ausnahme Ungarns zum Kauf der Lebensmittel besser dastehen als Portugal. Anders wird die Situation allerdings, wenn Sie die zweite Folie betrachten. Hier sind neben den Lebensmitteln auch die Bekleidung enthalten.

Dennoch denke ich, daß die erste Folie zeigt, daß mindestens der Lebensunterhalt in den Beitrittsländern teilweise erheblich höher ist als im Mitgliedsland Portugal. Ich verkenne aber nicht, daß diese Zahlen nur für die zutreffen, die Arbeit haben und diese auch bezahlt bekommen. Auch in den Ländern Zentral- und Osteuropas gibt es zahlreiche Fälle, wo Löhne nicht gezahlt werden und das über mehrere Monate hinweg.

Übrigens fehlt in dieser Darstellung ein Land, das ebenfalls Beitrittskandidat in der ersten Runde ist, das ist Estland. Aber aus meiner Sicht der Dinge dürfte Estland nur wenig günstiger sein als die übrigen baltischen Staaten.

Und nun zu der Frage, wie finden sich die Gewerkschaften in diesen Ländern zurecht. Dabei bitte ich um Verständnis, daß ich über die Situation der Metallgewerkschaften sprechen werde. Wie in allen anderen gesellschaftlichen Bereichen mußten sich auch die Gewerkschaften auf die veränderten Bedingungen einstellen. Die bisherigen Organisationen waren folgendermaßen aufgebaut, was sich zu den westeuropäischen Gewerkschaften unterschied:

1. Die politische Macht lag bei den Gewerkschaftsbünden.
2. Mitgliederwerbung war nicht nötig, weil praktisch jeder Beschäftigte Gewerkschaftsmitglied wurde.
3. Die Gewerkschaften hatten große Reichtümer vor allem in Immobilien und Ferienhäusern.
4. Beitragskassierung gab es nicht, die Beiträge wurden von den Betrieben direkt an die

Gewerkschaft ausgezahlt.

5. In jedem Betrieb gab es Gewerkschaftsssekretäre, die vom Betrieb bezahlt wurden.
6. Die überwiegende Arbeit dieser Sekretäre bestand darin, Ferienhäuser zu vergeben, Weihnachtsgeschenke an die Kinder der Beschäftigten zu verteilen.

Diese Gegebenheiten wurden mit Beginn der Transition über Bord geworfen und zwar gründlich. Die Bünde wurden schwach und die örtlichen/betrieblichen wurden stark und vermögend.

Heute ist es so, daß die Landesvorstände zwischen 12 und 25% der Beiträge erhalten. Von diesem Geld geben sie einen Teil weiter an den Gewerkschaftsbund.

So besteht z.B. der Landesvorstand der slowenischen Metallgewerkschaft aus nur 4 Personen.

Den Rest behalten die örtlichen/betrieblichen Organisationen und machen mit diesem Geld weiter wie früher: Ausgaben zu sozialen Zwecken.

Unterschiedlich ist der Organisationsgrad bei den Multinationalen Konzernen, die sich überdurchschnittlich stark in Polen und in Ungarn angesiedelt haben. In beiden Ländern ist der Organisationsgrad unserer Mitglieder VASAS in Ungarn und Solidarnosc in Polen rund 25%. In den anderen Ländern beträgt dieser zwischen 60 und 80%.

Ein Grund für diese Situation ist das Bestehen mehrerer Gewerkschaften gerade in Polen und Ungarn. So gibt es in Ungarn insgesamt 6 Dachverbände. In Polen gibt es neben den beiden großen OPZZ und Solidarnosc eine Unzahl kleiner Gewerkschaften, weil nach dem polnischen Recht 10 Mitglieder ausreichen, um eine Gewerkschaft zu gründen. Auch in Bulgarien und Rumänien gibt es mehrere Dachverbände von Gewerkschaften.

Gestattet mir noch einen Exkurs zu einem CIS-Staat (gemeint sind damit die ehemaligen Staaten der Sowjetunion): Ich meine Weißrußland. Gewerkschaftliche Arbeit mit einem Diktator als Präsident verlangt Mut und Ausdauer aber auch unsere Unterstützung. Die Situation dort ist so, daß Präsident mit seinen Leuten besetzt, daß er Gerichtsentscheidungen des Obersten Gerichts per Ukas aufhebt, wenn diese ihm nicht gefallen und daß die Medien durchweg gleichgeschaltet sind.

Abschließend noch etwas zu unserer Arbeit. Wir haben damit begonnen, Kolleginnen und

Kollegen der westlichen Gewerkschaften herzuholen, damit sie Seminare für die jeweiligen Gewerkschaften durchführen.

Inzwischen sind einige Gewerkschaften – und hier wiederum die der Visegrad-Länder – in der Lage, daß Bildungsexperten von ihnen Seminare in anderen Ländern dieser Region durchführen. Es hat sich gezeigt, daß die Teilnehmer es besser finden, ein Seminar mit einem zu machen, der die gleiche Erfahrung gemacht hat wie er selber.



## Economic Implications of EU Enlargement: Myths and Realities

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Europe is today facing two important challenges which will profoundly modify the functioning of the EU and its constituent national economies and societies: the adoption of the single European currency, the Euro, and the forthcoming enlargement of the EU to Central and Eastern Europe. However, while a consensus seems to have been reached with regard to the new European currency, the same cannot be said concerning the future membership of CEE countries. Although the importance of the enlargement has often been repeated by politicians, there seems to be considerably less enthusiasm among economists and specialists, which in turn seems to have led to more hesitation among policy-makers. Although this historic imperative is recognised by everyone, the present approach to enlargement appears to be far too narrow and mechanistic. By considering this process as "just another accession" this approach in particular fails to take necessary account of the huge economic and social discrepancies that prevail between Eastern and Western Europe, and consequently has not yet provided a comprehensive list of all the costs and benefits of this unique development. This approach has been presented as "a serious economic error" by a few economists.<sup>23</sup> At the same time, while the European Commission has issued an important document, *Agenda 2000*, to discuss all the necessary preparatory steps for the successful integration of the CEE countries, the economic and social costs continue to be often presented as having the potential to drive the European Union to total collapse.

To summarise, the debates so far have been dominated by the portrayal of enlargement as an expensive challenge to the West, demanding reform of the Common Agricultural Policy and of the structural funds so that EU budget constraints are not breached. In other words, that the enlargement process although good for CEE would have a terrible cost for current EU members. I remember a statement in Brussels not so long ago, that was saying

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\* This paper was written when the author was working at the ILO team for Central and Eastern Europe (ILO-CEET) in Budapest. Since then, he joined the European Commission, Directorate General for Employment, Industrial Relations and Social Affairs (DGV), where he is dealing with the EU enlargement, especially in its social dimension.

<sup>23</sup> Eatwell et al., 1997, p. 20.

something like this: "The enlargement as such is probably not desirable for the EU, but we sometimes do things not because they are desirable but because we have to". Well, this approach is just basically wrong, because it does not take into account two aspects: the benefits that the EU would get from the enlargement, and also the costs that this process also represent for CEECs. And these two aspects are important, not only to understand the real economic effects of the enlargement, but also to better understand why a quick enlargement is necessary. In the present paper, I would like to briefly develop six main areas: economic growth, trade balance, foreign investment, domestic markets, global regional development, and agriculture.

### **Economic Growth**

First, in terms of economic growth, it is clear that the closure of the gap in per capita GDP will require years. Despite the fact that some applicants are growing at substantially higher GDP growth rates than existing EU members — thus reducing the GDP gap every year—and that a convergence process may be at work, this will not be enough to close the existing gap before accession. According to most forecasts (and catching-up scenarios), even with optimistically high GDP growth in Central and Eastern Europe and a constant 2 per cent growth in the EU, closure could not be attained before 2015. Moreover, GDP growth seems to have been slowing down in most successful Central and Eastern European countries in 1998–99, while Romania and Bulgaria have yet to experience recovery.

From an economic point of view it is this "comparatively low level of income per head that make the extraordinary character of this accession" and makes it different from previous accession, even of Greece, Spain and Portugal. It has obvious implications in a number of areas, such as the EU budget, labour mobility, capital mobility, and social regulations. But what has not been much investigated is that such economic catch-up first could be amplified through a rapid enlargement process (and here we should not forget that the significant growth potential in CEE, and their current GDP growth - much higher than in any of the EU countries - are significant indications); and second, that such growth could then be quickly extended to the EU as a whole.

And here, I would like to base my comments on the results of previous accessions: The economies of scale are obvious: the ten Central and Eastern European countries would

enlarge the total territory of the EU by one-third, increasing the population by 106 million people (about 30 per cent). Operating on such a scale would bring important new sources of competitiveness to EU member countries, offering an enlarged and rapidly expanding market, investment opportunities for investors, and the chance to diversify sources of supply. By creating such economies of scale, it would decrease costs and so generate higher profits. For the countries of Central and Eastern Europe, there would be an opportunity to obtain access to the very large EU market, a huge source of supply, and a source of both direct and portfolio investment, technology, and know-how. The enlargement could therefore bring substantial benefits to Europe as a whole.

As experiences in the less developed southern European countries have shown, the dynamicisation of the integration process achieved by means of new membership has produced gains for all members. The existence of the Single Market since early 1993 has also led to substantial economic gains, that we can regroup in three main groups that it is worth briefly describing (Allen et al, 1997): (i) first, **direct positive trade or demand effects** due to the reduction of trade barriers, with an increase in the intra-European share of world merger and acquisitions activity (from 10 per cent in 1985–90 to nearly 30 per cent in 1991–93), an increase in the proportion of intra-EU imports (what we call trade creation), and the substitution of non-EU imports by intra-EU imports (what we call trade diversion); (ii) second, to more **indirect or competition effects** due to the reduction of prices (and of price–cost margins due to the elimination of trade costs) as well as a considerable reduction in price dispersion. This increased price competition has also contributed to the improvement of the overall competitiveness of EU companies on external markets. (iii) Third, there is also evidence that the single market has transformed not only the intensity, but also the **nature of competition**, with a switch from segmented to **integrated markets**. In addition, the welfare effects have also been found to be extremely positive, especially for the smaller economies.

Similarly, if the enlargement to the East is achieved quickly, the dynamic nature of CEE markets may well lead most countries in the region to overcome their backwardness relatively soon.

From the EU's standpoint, there is a tendency to directly associate the costs currently borne by European industry to reinforce its position in the global economy with the costs of

Eastern enlargement. We must stress, however, that the competitive pressure is being caused less by Eastern enlargement than by global competition. And in the global quest for competitiveness, the enlargement represents a unique opportunity rather than a supplementary threat. The opening of CEE markets to both goods and capital has already allowed competitive gains in decisive sectors—such as automobiles—where European enterprises have clear difficulties keeping up with their American and Japanese rivals. In other words, the EU needs—and is already making use of—CEE markets in order to improve its competitiveness.

In this regard, the high costs of a failure to enlarge must be mentioned, just as the costs of a failure to achieve European integration were assessed before the single market was agreed (see Cecchini report, 1992). The longer enlargement is postponed, the more costs will rise and potential benefits decrease. For both Central and Eastern Europe and Europe as a whole it is thus desirable to help the former to join the EU in a relatively short period of time.

#### **Trade Balances**

It is also important, and this is the second major potential gain, to mention the effects of enlargement on trade. The Association Agreements were a first major step towards the integration of Central and Eastern European countries into the EU. They provided for the abolition of all quantitative restrictions and tariffs on industrial exports to the EU from the applicants, with the exception of such 'sensitive' products as agricultural produce, chemicals, steel, and so on. An analysis of the subsequent effect of these agreements on trade help us to get some idea of the implications of further enlargement for the East.

Before the transition, applicants' trade was with the Soviet Union and Eastern Europe. The collapse of these CMEA markets forced a rapid reorientation of trade. The Association Agreements with the EU have clearly helped in this process, redirecting trade towards the EU. Since the beginning of the transition in Central and Eastern Europe, its trade with the EU has intensified, more than doubling over the period and, on average more than 50 per cent of the exports of every country in Central and Eastern Europe is directed towards EU markets. It is also significant to note that in recent years, the fastest growth rates in Central and Eastern Europe have been registered by export-oriented industries, in particular those

that have managed to penetrate new markets in the EU. As an example, this was the case in 1997–98 for timber-related and textile industries in Latvia.

What we do not say much, it is that the EU has benefited even more from the opening of CEE markets. While in 1996 the ten Central and Eastern European countries accounted for about 8 per cent of EU imports, the EU generated 37 per cent of its total trade surplus from this relationship. Between 1989 and 1994 EU exports into the CEE regions increased by 171 per cent, whereas the growth rate in the opposite direction amounted to only 116 per cent (Inotai, 1998). This excess of EU exports over EU imports in Central and Eastern Europe constitutes an EU trade surplus which is increasing in volume every year, resulting in dangerous trade deficits in almost all Central and Eastern European countries. (According to Eatwell et al.) the total trade surplus of the EU vis-à-vis Central and Eastern Europe in 1996 approached 10 billion Ecu. In the Czech Republic but also Hungary, Poland, and Slovenia, more than 60 per cent of imports are coming directly from the EU. This has led economists to state that trade with the EU has contributed much to the high levels of unemployment in many of the applicant countries. (In 1996 EU exports to Central and Eastern Europe grew by 21 per cent, while imports from the region increased by only 5.7 per cent, a situation that further deteriorated in 1997–99).

The commercial advantage of the EU will continue to grow for the next few years. The calculations of economists point towards a trade potential of between 20 and 50 per cent. They also predict that the share of Central and Eastern Europe in the foreign trade of the EU will reach 15 per cent of trade outside the EU by 2002 (Inotai, 1998). EU enlargement to the East will further contribute to EU trade expansion. At the same time, it could also help companies from Central and Eastern Europe to reinforce the low competitiveness, which is one of the main causes of their trade deficit. CEE enterprises undergoing restructuring are not always up-to-date and do not have the necessary technology to provide goods of EU standard. They also lack marketing skills and have difficulty reaching international markets, especially the EU. A rapid accession process could provide the necessary technological transfers and networks for Eastern enterprises to expand further.

Of course, the development of trade could involve competitive risks for both groups of countries, but particularly for Central and Eastern Europe. First, because its industries are less competitive and below EU standards, and second, because it is much more depen-

dent on trade with the EU than its EU partners. Agriculture and coal mining seem to be particularly vulnerable. The only way of avoiding structural imbalances in these sectors would be to open up EU markets as soon as possible. In this regard, agriculture provides a good example: the exclusion of agriculture and other sensitive sectors from the free-trade commitment has had the direct result of increasing the superior competitiveness of EU firms and contributing to the high levels of unemployment in many of the applicant countries. According to Polish estimates, Poland's trade deficit with the EU has meant the loss of 1.2 to 1.4 million jobs, whereas in the EU the trade surplus has resulted in job creation (Kabaj, 1997): according to the German Institute for Economic Research trade with Central and Eastern Europe preserved or created 60,000 workplaces in Germany in 1993.

### **Foreign Investment**

The other aspect I would like to raise is foreign investment, which could play a crucial role in the catching-up process. In a context of production crisis, foreign investors not only provide fresh capital and introduce the newest technologies, they also provide access to external markets. In this way they represent the best means of adapting local production to international standards. They also play a key role in improving export performance and the enormous trade deficit with which most Central and Eastern European countries are confronted. It is significant that only Hungary, which has accumulated most foreign capital since the beginning of the transition, was able to improve its terms of trade in 1997 and early 1998: it is estimated that 70 per cent of Hungary's industrial exports in 1996 came from foreign-owned firms; conversely however, since mid-1998 lower foreign investment has rapidly contributed to worsen the trade deficit, thus showing the possible drawbacks of excessive reliance upon foreign investment. Similarly, in the Czech Republic foreign investors have contributed to increasing exports in machinery and transport equipment to developing countries. An important factor was the increase in sales of Skoda cars following the takeover by Volkswagen and the implementation of major new investment. This was also the case in respect of exports to the EU in Latvia, Lithuania, and Estonia, which were mainly driven by foreign investors, generally from neighbouring Scandinavian countries.

Foreign investment, if it is not concentrated on low value-added segments, could also play an important role in modifying the nature of competitiveness in Central and Eastern Euro-

pe. So far, exports from CEE have been concentrated mainly in energy- and labour-intensive products (clothing, footwear, and leather goods), while their imports consist mainly of machinery and manufactured consumer goods. They have, however, started to export more technological goods. Already up to 42 per cent of Hungarian exports are occurring in machinery, while Slovenia and the Czech Republic are increasingly specialising in high-technology goods. This process, which is often the result of the practices of EU firms, is another example of the integrated production that could emerge more systematically after enlargement. It could become beneficial not only for the production sector (which, as we have seen, has not yet fully recovered from the loss of CMEA markets), but also for the service sector, increasingly important in transition economies.

On the other hand, the possibility of benefiting from local comparative advantages such as a cheap and skilled labour force is a very important factor in improving the competitiveness of major EU companies. It is sufficient to note the importance of their new industrial location within the framework of their global world strategy to better understand their role. For example, Audi's new factory in Hungary is aimed at supplying European markets with their new models at the best competitive price.

According to estimates, economic growth in Austria without relocations in Central and Eastern Europe would have dropped by approximately 0.5 per cent in 1998 and 1999, with direct effects on the Austrian labour market (Inotai, 1998, p. 28). This aspect is particularly important in the current context of very slow economic growth: it is currently less than 2 per cent in the EU as a whole.

Such effects will be multiplied when the accession countries become full members of the EU. Many companies have already located part of their industrial production in the expectation of Eastern enlargement. Between 50 and 75 per cent of foreign investment in Central and Eastern Europe has been made by EU enterprises.

The start of official negotiations gave foreign investors a boost, with its promise of future full membership. It should lead to more capital movements. It is important to emphasise here that it is not theoretically relevant to try to identify whether such movements, led by the need to become more competitive, would have taken place even without the prospect of Eastern enlargement. The important thing is that enlargement and the extension of the

single European market to Central and Eastern Europe could multiply the positive economic effects expected from such capital movements. They would also constitute the best guarantee that these capital inflows would not vanish overnight and steer foreign capital into longer term assets. On the other hand, delaying the process would reduce potential profits, especially for those European companies that have calculated on the EU membership of the host countries. It would also lead to an increased risk of sudden capital outflows with serious destabilising effects.

The enlargement process should contribute to limit foreign investment flows motivated by short term profits based purely on cheap labour in low-skilled segments, but motivate instead long-term foreign investment, and progressively increasing CEE labour costs to EU levels. Like this, foreign investment could only promote *integrated* rather than *fragmented* markets in Europe, so leading to higher competitiveness. As clearly stated by the chairman of Philips Hungary, "if Philips had no possibility of shifting certain categories of production from Western to Eastern Europe, it might have to abandon entire industries".

#### ***Domestic Markets***

Despite the importance of foreign investment, the catching-up process will not take place without the appropriate development of local markets. Trade deficits have also increased in Central and Eastern Europe because of the absence of local producers, progressive economic recovery leading systematically to import demand growth rather than increased domestic production. As pointed out by the OECD (1995, p. 147): "Foreign investment is no substitute for domestic policies that encourage entrepreneurship and investment, because FDI is most likely to flourish under conditions that are also attractive for domestic investors."

Indeed, developing local markets are important assets for foreign investors, especially those with long-term prospects. The potential advantages for EU operators from the development of consumer demand are enormous. Modernisation of local producers would also increase their demand for capital goods from the EU. In other words, "the emerging CEE markets could provide a . . . kind of compensation for [the] EU's worsening international position" (Kiss, 1997, p. 13).

However, if domestic markets and local production are to be boosted, two major conditions

must be urgently implemented: (i) a progressive increase of living standards and consumption; and (ii) an improvement of credit facilities for the production sphere, with the banking sector acting as a credit intermediary. These two conditions would involve the relaxation by most governments in the region of their restrictive monetary and incomes policies, implemented on the advice of international monetary institutions, including the IMF and the World Bank. Although inflation should clearly remain a priority, especially in view of the enlargement and the prospect of Economic and Monetary Union, it is also clear that the restrictive monetary policies adopted in recent years in Central and Eastern Europe have asphyxiated its production sector, which is ironic when we consider that these countries have mainly faced a production crisis (Vaughan-Whitehead, 1998).

It is also necessary to take measures to boost investment, including favourable tax treatment of business profits and improved credit conditions for entrepreneurs, especially small- and medium-size firms. Similarly, the restrictive incomes policies so far implemented have resulted in excessive falls in real wages and living standards, something which must change if increasing local demand finally becomes a policy priority in the region.

Rapid enlargement should facilitate such policies by reducing the cost of credit for small entrepreneurs, leading to greater economic growth and higher living standards for consumers.

#### ***Global Regional Development***

The benefits of the enlargement, although certainly positive for the EU as a whole, will vary from country to country, region to region, and sector to sector. It is therefore important to identify which countries seem to be benefiting the most from the intensified EU relationship with Central and Eastern Europe before discussing what changes the enlargement process should bring in this regard, and what implications further delays may involve.

Evidence collected so far clearly identifies a few EU members as the main beneficiaries of the opening up of Central and Eastern Europe since 1991. Countries that are geographically close, as one might expect, profit more than others. Germany and Austria for instance seem to be particularly privileged in this respect. EU member states which have carried out significant preparatory work in the region — such as Germany and the Netherlands— also seem to benefit more from the process.

so seem to benefit more from the process.

Germany, with the special motivation of integrating East Germany into a unified new state, is undoubtedly the greatest beneficiary. Within the EU, it is the main trading partner of the Central and Eastern European countries: in 1995 it took approximately 30 per cent of East European exports and was the source of 23 per cent of East European imports. Far behind Germany, Italy and Austria also have significant trade with Central and Eastern Europe.

Rapid enlargement could greatly contribute to diversify this partnership and its benefits. The inclusion of the Baltic countries in the EU, for instance, would strengthen the role of the Nordic countries (mainly Finland and Sweden, but also Denmark). Italy would also benefit from its proximity to Slovenia and other Central and Eastern European countries.

This is even more the case for less competitive and geographically more remote EU countries, such as Spain, Portugal, Greece, and Ireland: although these economies could also gain from the process by increasing their trade with the new partners this may occur on a large scale only after the enlargement has been realised, in contrast with neighbouring countries which began to develop their position in the wake of liberalisation. All current EU members will therefore not benefit from the enlargement process at the same time and in equal measure. Up to now, enterprises from southern EU member countries have been reluctant to invest in the emerging transition countries of the East.

We may therefore predict that the enlargement process will not limit its benefits to neighbouring countries, as is currently the case, but spread them throughout the European Union. So far that the process is not indefinitely delayed.

At the same time, the enlargement process should not be allowed to result in differentiation between the first countries that join and those that follow if we do not want economic gaps to increase in the region and the emergence of unnecessary tensions.

At the moment, more than 80 per cent of EU foreign trade with the ten associated countries is carried out with the five Central European economies (Inotai, 1998). More than 90 per cent of foreign investment in the region has gone to Hungary, Poland, and the Czech Republic.

The EU should therefore consider with extreme caution which countries will not be made members in the first round. The rejection or serious delay of a membership application

may have serious negative consequences by opening up a gap between the first group of countries allowed in and those in the second group, especially those facing economic difficulties such as Romania and Bulgaria. Concrete measures should therefore be taken to promote their future membership. In this regard, we should emphasise that the success and timing of the first accession process will have a determining effect on the accession of further Central and Eastern European countries, a feature which constitutes another essential difference with earlier accessions.

### *Agriculture*

Most EU fears have so far focused on the integration of Central and Eastern European agriculture. Because of their agricultural potential, their relatively low agricultural prices, and the share of agriculture in GDP, the application of the current CAP and structural and cohesion funds to CEE economies would be very costly. It is very likely that the new members can expect substantial net transfers as members of the EU, invaluable for improving infrastructure, restructuring the economy, and stimulating investment. The net budget cost to the EU has been estimated at over 10 billion Ecu, or approximately 15 per cent of the estimated EU budget in 1999.<sup>24</sup>

This vision, however, is much too simplistic, and again neglects the enormous advantages that the integration of Central and Eastern European countries could bring to the EU as a whole in this highly sensitive sector. We should first emphasise that trade imbalances between the CEE and EU countries are particularly significant in agriculture, with growing food imports in Central and Eastern Europe. Agricultural goods represent nearly 10 per cent of EU exports to Central and Eastern European countries, compared to less than 5 per cent of EU imports. Since the beginning of the transition EU countries have re-orientated part of their agricultural production towards Central and Eastern Europe. EU agribusiness has gained significant additional markets from trade liberalisation in Central and Eastern Europe, but CEE agriculture has failed to gain additional markets in the EU. This sector is playing a key role in the growing trade deficit of most Central and Eastern European countries with the EU. In 1995 the agricultural trade surplus of EU(12) with Central and Eastern European countries (the ten candidate countries plus Albania, Croatia, Bosnia-Herzegovina, Yugoslavia, and Macedonia) was 1.1 billion Ecu (Eatwell et al.,

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<sup>24</sup> See, for instance, Baldwin et al. (1997).

1997, p. 34); in the intervening time it has only deteriorated further.

It has also led to a dangerous increase in food prices—which is particularly problematic in countries where expenditure on food is already over 50 per cent of total household expenditure—that contribute to enlarging the percentage of the population living in poverty.

Although this situation is advantageous for EU countries, it is having a serious affect on CEE agriculture, delaying its reform even further and so hampering its potential growth. In future, this could only lead to more of the financial transfers that the EU countries are so afraid of.

Rapid liberalisation of the EU agricultural market would facilitate the catch-up process in agriculture which, besides having an important share of GDP, is crucial for the maintenance of living standards.

At the same time, in the course of privatisation, many EU multinationals in agribusiness have managed to acquire dominant positions in the food industries of Central and Eastern Europe. They have already started to build up a vertical production chain in the region and are preparing for the enlargement, from which they expect significant profits. This is a clear indication of the importance of Central and Eastern European agriculture to EU countries.

Moreover, it is obvious that the Common Agricultural Policy cannot continue with enforced production quotas and must be reformed in the direction of lower costs, a change which the accession of Central and Eastern European countries could only assist.

### **Conclusion**

To conclude, it is important to stress that all these aspects are very much inter-related so that a quick enlargement process may create a global dynamic effect, not only from the economic side - on which we focused here - but also from the social side. For instance, a quick catching-up process could only limit some social dumping effects. Let us take the example of labour migration.

The larger economic growth in CEE countries, the narrower the gap will become between current members and future EU members. For instance, the more favourable situation of Slovenia, considered the richest of the current candidates for EU accession—its GDP is not far below those of Greece and Portugal—should in theory mean that less migration

can be expected from it than from countries which still face appalling economic problems, such as Romania and Bulgaria. In this regard, although we have seen that it is likely to remain for a long time, the experience of past enlargements suggests that the wealth gap would decrease much more quickly after accession, an argument which provides further support for a rapid enlargement process.

Moreover, movements of capital also reduce migration pressures, so emphasising once again the role of foreign investment. Wider distribution of foreign investment in Central and Eastern Europe—which so far has been concentrated in Hungary, Poland, and the Czech Republic—would represent a positive development in the effort to prevent labour movements from poorest CEE countries. This issue also underlines the need to open up the enlargement process to the majority of CEE countries rather than to a few privileged candidates.

Despite these clear risks, the high probability of migratory movements is not an argument for delaying the enlargement process, but for accelerating the catching-up process, something that could be realised only by means of full integration of CEE countries in the European community.

Every delay in the catching-up process could just exacerbate the danger of migration. Steady economic development in Central and Eastern Europe would also constitute the best way of preventing the region from using social dumping as its only competitive tool, and also of limiting massive labour and capital movements resulting from growing social differentials between the two regions. All this calls for a rapid accession process.

So we can see from the above examples that the expected economic effects are much more complex than what is normally described. And to conclude, we should induce all trade unionists and researchers from both Europes to identify all these complex economic and social aspects of the enlargement in their own sector, industry or region, and on this basis to build bilateral cooperation on these issues. This would greatly help to counter new liberal theories of the effects of EU enlargement which put the emphasis on short-term budgetary and financial costs and which, unfortunately - as it happened during early reforms in the region - seem to have already succeeded to dominate the debates on EU enlargement.

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