



**GROUPEMENT D'ÉTUDES ET DE RECHERCHES  
NOTRE EUROPE**

President : Jacques Delors

# **REUNITING EUROPE**

**Seminar organised  
by the Lucchini Foundation and Notre Europe  
in Brussels the 28 November 2000**

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## **The Lucchini Foundation**

The Lucchini Foundation was created in Brescia in 1990 to help disseminate a contemporary approach to industrial culture and boost the values of school and work as the basis of individual freedom and social growth and the basis for all moral, civic and economic progress for the community as a whole.

In recent years, the Foundation has launched a number of initiatives for meetings and studies on topical themes, with the help of well-known experts, and has published proceedings and other documents. The programmes and conference proceedings can be consulted at <http://www.lucchini.it>.

The Lucchini industrial group, of which the Foundation is the cultural wing, is mainly involved in steel production and is a European leader in special long steel products.

## **Notre Europe**

Notre Europe is an independent research and policy unit that focuses on the study of the European construction, current situations and future prospects. The association was founded by Jacques Delors in the autumn of 1996, and has a team of in-house researchers from various countries.

Notre Europe participates in public debate on the progress of European integration in two ways: publishing internal research papers and collaborating with outside researchers and academics. These documents are distributed to a limited number of decision-makers, politicians, socio-economists, academics and diplomats in the various EU Member States. The association also organises meetings and conferences in association with other institutions and the media.

The website of Notre Europe (<http://www.notre-europe.asso.fr>) provides direct access to its studies and reflections, and offers a forum for debate.

This seminar was prepared and organised for Notre Europe by Marjorie Jouen.

The organisers would like to warmly thank the Société Générale de Belgique for graciously providing its premises for the seminar.



## FOREWORD

Notre Europe is extremely pleased to organise this meeting with the support of the Lucchini Foundation, on the ambitious theme of 'Reuniting Europe'. Ambitious because we refused the all-too-easy option of only speaking about institutions in an enlarged Union. Our intention was to map out the *real* problems faced by such a Union.

With the support of talented experts, the results are substantially different from the all-too-frequent mechanistic approach which sees enlargement as simply ensuring that the *acquis communautaire* is taken on board by *candidate* countries who play the role of novices, by arranging for the necessary transitions and then ensuring that the whole process costs as little as possible. By contrast, the findings of our discussions show that the European Union will not get away so easily. It cannot afford to leave unanswered the key question as to its own ultimate purposes and its own project. This undoubtedly involves a re-examination of its place in a globalised world, enabling its citizens move freely yet securely across its borders, and taking a new look at the social and territorial balance underlying the European model of development. Paradoxically, candidate countries have far more experience in questioning what were once considered well-founded certainties.

This inventory also includes the huge challenges that the enlarged Union will have to address: the development and convergence of economies, the consolidation of mechanisms for the rule of law, the treatment of minorities, the control of migratory flows, the creation of partnerships with new border countries, etc. Let us be quite clear: all this will have a budgetary cost, and probably a large one. Nor will the financial bill for enlargement be only restricted to the extension of the CAP and the structural funds, unless we wish to bypass real needs. Yet this cost is not simply a gesture of pure solidarity: it is the price to pay for the success of a geopolitically large-scale project, in which Europe can find new energy and a new way forward.

At a time when the European Council in Nice has just given a clear signal for enlargement, there will have to be public debate on these questions. I am proud that Notre Europe has been able to help in sketching the outlines, and I would like to thank everyone who helped us, especially Marjorie Jouen, for whom it crowns a year of in-depth thinking on the topic.

Jacques Delors



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## CURRENT PROGRESS ON THE PROCESS OF ENLARGEMENT

Why should the Union be enlarged and why should it be done as quickly as possible? These two questions raised by **Eneko Landaburu**, director general at the Commission in charge of enlargement, introduced the seminar's three workshops on the reunification of Europe. For Landaburu, enlargement is not just a case of fulfilling a moral obligation to those countries who through no fault of their own found themselves on the wrong side of the border traced at Yalta. It is strategically essential if Europe wishes to return to the dynamism and force of its original political project and extend its political, cultural and intellectual influence to take up what it considers its rightful place in the world.

"This project is politically attainable", he said, while noting that it may incur some risks for candidate countries as for existing members of the Union.

- For candidates, because European demands disturb the work already undertaken of consolidating their economy and democracy, and might cause negative reactions in populations tempted to reject a new model which once again appears to be forced on them from outside.
- For existing Member States, because there is a risk of institutional dilution and weakening.

That said, Landaburu was extremely pleased with the progress achieved in negotiations with all the candidate countries, both those of the first group (Luxembourg) and the second (Helsinki). Each candidature, he insisted, is examined on its own merits, and the last to arrive could catch up with the others. But were things really quite so satisfactory? – "No," he replied, "because these countries have made a considerable effort over the last ten years and need a more committed signal from the Union. Since we do not offer them a clear horizon, they find the pill we are trying to make them swallow increasingly bitter."

Even more serious was the fact that the Member States have not yet finalised their common negotiating positions on the most difficult subjects that concern them directly (especially agricultural policy, regional policy, and the free movement of people). Landaburu asked for a tight agenda to be drawn up for the three upcoming six-month presidencies, and suggested that we get down to talking about the transition periods which are causing crucial problems in the negotiations. From this angle, negotiations with the best placed candidate countries could

be concluded by end 2002, he said, insisting on their obligation to implement the *acquis communautaire* and thereby prove their administrative capacities.

On the part of Member States, Landaburu regrets “a total absence of debate on the meaning and challenges of enlargement.” “Has silence,” he wondered in conclusion, “become a new Community method?”

The enlargement issue was then approached from three themes covered in three workshops starting with an introductory presentation:

- Europe, a geo-economic unit in the context of globalisation;
- Freedom of movement and the protection of people in the European Union;
- Towards a new balance between market and social and territorial cohesion.

#### **WORKSHOP 1 – EUROPE IN THE GLOBAL VILLAGE**

Speaking in workshop 1, **William Wallace**, Professor at the London School of Economics, recalled that the Americans have so far minimised the geo-economic weight of the European Union, even though in its existing configuration it is the largest integrated market in the world and the second largest global financial reserve. He believes that the upcoming enlargement will cause new tensions in Transatlantic trade relations. Union enlargement goes together with NATO's: If Washington believes that Europe is dragging its feet in helping candidate countries economically, it might be more demanding about “sharing the burden” and planning for a larger European framework for NATO.

More money will have to be paid for the CEECs, and the *acquis communautaires* will have to be reviewed, especially in the farming and budgetary areas, he believes, highlighting the volume of direct and indirect transfers to countries with weaker economies such as Romania and Bulgaria. And with the stability pact for South-East Europe, the Union is politically committed to the countries of former Yugoslavia and Albania, which should translate into an investment programme for economic and social reconstruction over 15 to 20 years.

Wallace does not restrict the Union's geo-economic sphere to candidate countries; it should also actively involve its exterior borderland neighbours including:

- countries further to the East (especially Ukraine), whose stability depends on the economic development fostered by Europe and on the trade it manages to support.

- Southern Mediterranean countries as well, where its action has so far been “hesitant”, although “economic support has been promised, but largely not delivered.”

With Turkey as a near associate and with looser forms of association with other neighbours, the Union would form the core of a regional economy of 500 million consumers and from 600 to 700 million people in the immediate surrounding countries. Which means that it will need far more developed and far more effective external economic policies than those it has implemented so far. For Wallace, the Union’s role and weight within the G8 and other global institutions depends on it.

Relations with the USA, geo-economic links with the East and the South, problems inherent to enlargement itself, were the workshop’s three key themes for discussion.

No one doubts that the Americans will link the enlargement of NATO to that of the Union, or that they will insist that the Europeans ‘share the burden’. But there will be far less talk of sharing power, said **Lucio Caracciolo**, director of the review *Limes* and rapporteur for this workshop.

“The Americans will demand Europeans to commit themselves further and take more risks, especially financial,” said **John Palmer**, of the *European Policy Centre*. **Jérôme Vignon**, responsible for the *Governance Task force* at the Commission, criticised the relevance of the formula applied to the Americans that goes ‘We paid for you. Now its your turn to pay for us’: “Pay for what and in which perspective?” he wondered. He emphasised that we should begin by raising the question about the final purpose and that we get real answers.

As for the Union’s relations with the East, several speakers referred to Russia’s specific weight as a *former* superpower, but also as a country that still enjoys huge possibilities. Hence the importance for Europe, said **Ann Uustalu** from the Swedish Foreign Ministry, of examining what sort of relations it should have with Moscow and then defining them clearly. With respect to the Balkans and the countries of former Yugoslavia, there is more concern than certainty. **Caracciolo** summed up the participants’ general feeling well when he referred to the question as ‘disturbing’ saying that “sensitivities and priorities vary across the geographies of Member States.”

For all border countries both to the South and the East, **Vignon** suggested that they should be encouraged to cooperate with each other – which they are usually not ready to do – by giving preferential treatment to those that did so cooperate. He also noted the “fragmenting effect”

that a strong continental European core can have on its periphery, giving as an example the case of Ukraine which wanted to differentiate itself from some of its neighbours and grow as close as possible to the countries of the Union.

As for enlargement itself, the talks mostly revealed the confusion about the vast range of problems of every kind that it raises:

An excessively financial and budgetary vision will only lead to a dead-end, argued **Philippe de Schoutheete**, who has a long experience as Belgium's permanent representative to the Union. He wanted to put the emphasis on the structure of common projects rather than on the budget. There is no clear political project, said **Antoinette Spaak**, Member of the European Parliament. She regretted that "there is such divergence among Member State ideas and philosophies, when candidate countries should be joining a bloc with a common approach."

The only representative from a candidate country – Hungary – was the Ambassador **Endre Juhasz**, who considered that it was simply not enough to talk about the moral obligation of Member States towards the countries of Central and Eastern Europe liberated from Soviet communism. "For the European Union, the primary driver for enlargement must be its own interests," he said. He felt that Hungary's membership would contribute to the political, economic and cultural strengthening of the Union. Already 76% of its exports go to the Union. And surely Hungarian industry, which supplies one million car engines to European carmakers, is already closely integrated into the Union's industrial fabric. Yet another reason for asking that his country should be treated in exactly the same way as any Member State.

Many speakers mentioned that the cost of enlargement has been evaluated with questionable – or at least debatable - criteria. It is not necessarily useful to compare it with German reunification. While candidate countries need huge investments in infrastructure, the cost of this should not be charged to the Community budget.

We know what these countries need - training and infrastructure, said the Italian senator **Carlo Scognamiglio**, who chaired the workshop. He added that funding these needs will not come from funds paid directly to the countries, but will be granted in the form of loans. He referred to the proposals contained in the White Paper published by the Commission in 1993 to support the European economy.

On the budget issue, **Vignon** observed that "It's not enough simply to hope for a reduction in the agricultural budget; policies will have to be designed where more money will be needed, especially for cohesion and networks."

Should candidate countries be obliged to adjust their economies to the Community's current standards? **Peter Bugge**, from the Slavic Institute in Denmark, has strong reservations: "Saying that there is an obligatory model to follow is not necessarily the best way forward."

**Wallace** insisted on the innovative nature of enlargement. "We have to build a new project on top of the old one and this means getting rid of certain old ideas," he said. He called for the modification of a certain number of *acquis*, without which enlargement would not be successful.

**Fernand Braun**, a former director general at the Commission, could not imagine negotiating on the basis of anything but "the European Community as it is". Recalling the demands to 'renegotiate' with the United Kingdom when it joined in 1973, he rejected talk about modifying the *acquis*. But he admitted that the Community which emerged from the negotiations would be very different from what it is today, especially in the common agricultural policy area, but "we should not start by challenging the existing model." Wallace agreed when he said: "Don't confuse the future of Europe with the accession of new members. Negotiations should be based on the *acquis*." He also pleaded for strong institutions and regretted the absence of leadership in all the countries of the Union. He was supported in this by **Scognamiglio**, for whom institutional reform is, along with enlargement, the second major challenge for the Union. Scognamiglio is all for modifying the rotating six-month presidency system. It doesn't work well with 15, he said, so what will it be like with 25 or 30 countries !

For **Braun**, who referred to the conclusions of a conference organised recently in Paris by *Notre Europe*, it is not so much the length of the presidential mandate that is a problem as the way the Council works. "Co-ordination should be run within the Council of Ministers," he said, saying that Foreign Ministers have proved incapable of doing this for several years. He would willingly see this task assigned to a Minister for European Affairs with authority over the permanent representative to Brussels, but he noted that this would only work with a strong Commission with proper authority over all Member States.

## **WORKSHOP 2 – AN ENLARGED SPACE FOR FREEDOM AND SECURITY**

**Judy Batt**, director of European Studies at Birmingham University, began by situating the importance of the topic dealt with in workshop 2 - the freedom of movement is the "citizens' share" of Europe. People in candidate countries see this as a symbol of freedom regained and would not understand if they were treated as "second division citizens". But the governments

of the Union are reticent since it is the core of sovereignty. It will probably be necessary to have transition periods, but they will be hard to put over: it will also be necessary to add confidence boosters.

The situation on the ground is developing positively: candidates are making progress in controlling their borders, and economic upturn has created a positive demand for specialists in sectors associated with information technologies and personal services (health, education, leisure). But we should not underestimate psychological forms of resistance: Western political leaders are not yet ready to address the problems of an open society.

In conclusion, Batt emphasised three decisions she considers “indispensable”. First the Union needs a common immigration policy, otherwise it will be harmonised from below. Second, the burden must be shared with candidate countries; border controls mean heavy constraints, as does the treatment of cross-border problems on Europe’s future Eastern border. Third, the Union cannot simply shift the responsibility for treating minorities onto the candidates as a set of prior conditions on membership. It must think about it far more seriously, by defining a political framework for action.

Chaired first by **Wilfried Beirnaert**, vice-president of the employment, social affairs and citizenship section of the Economic and Social Committee, and then by **Anne-Marie Sigmund**, president of group III of the Economic and Social Committee, there was lively discussion. It broached four main questions: the symbolic issue of freedom of movement, the various types of populations concerned, political contradictions, and the right way forward on this delicate aspect of negotiation.

The freedom to come and go in the enlarged Union has special symbolic importance. But the reasons for believing in it differ between candidate countries and the existing Member States, noted the Polish-German sociologist **Franciszek Draus**, the workshop rapporteur. “For young people from the East, it means the right to live and travel, whereas Union populations see this as a threat, without thinking any further about it.” **Gabor Kolumban**, of the County Council of Harghita in Romania, suggested that the impatience of CEECs governments does not really reflect their own internal practice: “current management of minorities does not always respect free movement”. For **Hans-Dieter Klingemann**, professor at the *Berlin WZB*, citizens from

the East cannot be treated like potential criminals under the pretext of security. **Jean Nestor**, general secretary of Notre Europe, emphasised that the free movement of people in the current Union is a recent and very imperfectly handled *acquis*. “The concerns of the Union’s population with respect to security must be taken into account, with the perspective of public debate on enlargement,” he said. This attitude was shared by **Graham Avery**, of the DG Enlargement, who drew on the analysis of the ‘Frequently Asked Questions’ on the Commission’s website: jobs and the growth in crime are the two most often-cited reasons for reluctance about enlargement.

For **Ewa Morawska**, sociologist at the University of Pennsylvania, the problems should not be systematically exaggerated: all CEECs citizens do not want to emigrate, and most behave like Western Europeans as being far more sedentary than Americans. Moreover, the growth of the global economy is well-suited to endogenous regional development, often known as ‘glocalisation’. Cross-border workers and ‘tourist workers’ do not raise problems; they bring foreign currency into their original countries and contribute to the economic growth of the regions and countries that host them. Without disagreeing, **Marek Okolski**, from the University of Warsaw, nuanced the content by explaining that better immigration control in Poland has not led to a fall in cross-border economic flows: what happened was that new professional workers took over from former seasonal immigrants. By contrast, **Draus** emphasised that certain countries, such as Latvia and Romania, where there are large ethnic minorities, are likely to suffer from excessively restrictive border controls and hence lose part of their population. To avoid daily hassles, minorities prefer to set up home elsewhere.

“There is a growing contradiction between economic needs in a period of growth and the restrictive attitude of governments” noted **Olga Gyarfasova**, from the *Public Affairs Institute* in Bratislava. In the same way, **Philippe Pochet**, from the European Social Observatory, regretted that there had been a shift from a two-pronged positive message about work and immigration to a two-pronged negative message. In the context of enlargement, this often took a schizophrenic form whereby Foreign Ministers or Interior Ministers talk about it, added **Enrico Grillo-Pasquarelli** of the DG Enlargement. Not to be outdone, candidate countries governments will raise the issue of their people’s opposition to the purchasing of farm land by foreigners, said **Avery**, or the risk of a ‘brain drain’ with young graduates attracted by the

salaries and working conditions in the West. However, these fears could be allayed and the danger avoided by local investments, said **Kolumban**.

One solution for dealing properly with these questions is to keep not different problems apart. A distinction must be made between the free movement of workers, under the control of the host countries, and that of people, which depends on border controls, suggested **Avery**. However, **Marek Evison**, from the Polish Secretariat of State for European integration, cast doubt on the practical effects of this distinction. “The freedom for workers to cross borders would be better applied to managing directors than carpenters.” **Draus** also wondered about the treatment reserved for family unification among immigrant workers.

There is a second distinction to be made between freedom of movement, which is a fundamental right, and the fight against crime that requires special treatment. “In every case, there must be stronger partnership actions with future third countries bordering the enlarged Union,” said **Anna Michalski** of the Commission’s Forward Studies Unit.

What must be done to ensure the free movement and protection of people in a new European space? The participants were quick to agree with the three tracks outlined by Judy Batt: the absolute necessity for a common immigration policy; the political importance of effective control at the new borders of the enlarged Union which largely justifies a financial contribution from current Union countries to candidate countries, and special actions for cross-border populations (in partnership with bordering third countries), which will also need financial aid.

### **WORKSHOP 3 – RETHINKING THE EUROPEAN DEVELOPMENT MODEL**

**Wilhelm Graefe zu Baringdorf**, President of the Agricultural and Rural Development Commission at the European Parliament, and chairman of workshop 3, set the scene: “enlargement is an historic opportunity for reversing Union priorities and integrating the market and consumers’ and citizens’ needs. The mad cow crisis has shown us what happens when the market is divorced from consumers’ needs. Durable development, ecology and food safety must be considered as constitutive components of the Single Market and not as qualitative additions.”



Speaking as an economist, **Jacky Fayolle** of the *Observatoire français de conjoncture économique*, introduced the discussion by raising three questions: what enlargement strategy should the Union implement to maintain the Single Market's inclusive character? How to face the socio-economic 'stress' of the CEECs during the accession phase? Which would be the most effective financial transfer conditions for boosting cohesion among the 27 countries?

He observed that the social and economic situation, illustrated by per inhabitant income and unemployment rates, would become even more heterogeneous with the entry of new candidates. The increase in regional disparities experienced by Spain, Portugal, Ireland and Greece for the last dozen years are also beginning to appear in CEECs, between metropolitan regions and rural and former industrial regions. Should there be a spatial planning policy, i.e. a global 'top-down' master-plan for major infrastructures or should there be a regional policy driven more by bottom-up economic strategies? He concluded that "the whole concept of cohesion policy and the architecture of structural funds should probably be revised. At the very least, the current criteria for structural fund eligibility need reviewing."

"Let's stop separating the East and the West and let's start thinking in terms of a single large territory," pleaded **Xavier Gizard** of the *Conference Of Peripheral Maritime Regions Of Europe*. He recommended a policy focused on reducing regional disparities, saying that the wealth gap between regions in the 15 is now 1 to 5 and after enlargement will grow to 1 to 10, whereas in the USA the proportion between federal states is only 1 to 2.

In the same tone, **Attila Korompai**, from the University of Budapest, drawing on his experience of cross-border co-operation between Hungary and Austria, testified to the extremely rapid change in regional economies, for the better and for the worse. This acceleration means that new decentralised social systems should be invented and experimented with. Discussions via inter-regional networks must be consolidated to counter the overly unilateral message of taking up the *acquis*, which wrongly suggests that there is just one single European model.

The second problem that the future enlarged EU will have to handle, is the 'social stress of transition'. **Fayolle** painted a gloomy picture: the shift to a market economy has been and continues to be traumatic for CEEC societies. Both male and female workers from Eastern countries, are not only experiencing high unemployment but also a sectoral shift from industry and farming towards services. Privatisation and the closure of companies that have played a

major socialising role for 40 years are leaving them helpless. In certain countries, educational and health services are also deteriorating. Believing the risk of massive immigration from ageing and sedentary European populations is probably exaggerated, **Fayolle** nevertheless mentioned a trend that might be attractive to some regimes if internal tensions increase: fiscal competition and social dumping.

This analysis stimulated a heated discussion between, to put it simply, economic realists and the defenders of the European social model. **Michal Illner** from the Prague Academy of Science warned the group against excessive naivety in this area. “There is, alas, a price to pay for economic transition and it must be accepted”. This approach found favour with **Rutger Wissels** of the DG Enlargement, who argued against the risk of social and fiscal dumping. When **Marko Krajnc**, the Slovenian delegate to the EU, claimed the right for each country to choose its own way and restructure itself more slowly so as to limit social damage, **Wissels** replied that “if countries such as Slovenia could afford to slow down their reforms, others such as Poland had to react quickly to the crisis at the beginning of the 1990s.” **Kolbre**, the Estonian delegate to the EU, added: “We have carried out radical reforms since we had no other option. Let’s avoid trying to find a single solution now.” The Romanian **Alina Mungiu-Pippidi** tended to agree by explaining that some – especially Balkan countries - had to face the double challenge of shifting to a market economy and catching up on the development gap.

**Lena Kolarska-Bobinska** referring to Polish public opinion, refused to minimise current tensions, especially in the farming sector, “a hard reality which has nothing to do with European rhetoric” but feels that there is life beyond such problems and that there are no absolute obstacles. Social policy can help people overcome the most acute problems, but there must also be real reforms to the CAP.

This controversy gave rise to a clarification from representatives of European institutions. **Dirk Meganck** of the DG Enlargement emphasised that there is no contradiction between market and cohesion, and regretted that the official line led to a misunderstanding that minimised social achievements. His colleague from the DG Employment, **Daniel Vaughan-Whitehead**, agreed when he drew attention to the fact that the social cost of the transition had not been studied and documented sufficiently. He also criticised the insufficiency of European follow-up at local level, and the poor quality of decentralised social dialogue in CEECs.

“It is a painful ordeal” was how **Rafal Trzaskowski**, Poland’s representative, described negotiations with the EU. He recognised that the heaviest financial burden for CEECs will be alignment on social and environmental issues. “This is why,” he added, “it would be intolerable to take away the financial carrot promised us for 2004-2006.” The debate moved towards budget issues. Should there be more financial transfers to CEECs? Yes and no, said the participants, insisting on the strategy that should support any new subsidies. **Graefe zu Baringdorf** compared the budget with the size of the amounts - 100 billion euros –transferred from Western Länder to the East when Germany was reunified, and considered that the EU amounts were too low. He agreed with **Fayolle** who found the Berlin agreement on Agenda 2000 as acceptable for a pre-Accession phase but insufficient for new Member States. Both CEECs and Commission representatives were less certain, either because they were realistic about the current positions of the Member States – “fiscal federalism is not on the agenda nor is a revision of the Berlin agreement” said **Wissels**, or due to their assessment of the management capabilities in CEECs. “We need technical support, and partnerships between economic and political players of the 15 and the 12, more than extra money,” added **Mungiu-Pippidi**.

This opinion was shared by those who returned to the basics of the cohesion policy. “Structural funds are not meant to play a role in redistribution but as a support for economic and social development,” recalled **Frank Bollen** of the *Maastricht Institute*. He explained how the process of learning about regional programming and partnerships has changed the situation in some regions and triggered economic renewal. “If all structural funds were transferred to CEECs, it would have a dramatic effect for other Member States who need them, either because they are still disadvantaged regions such as Portugal or Greece, or because new ‘black spots’ have been created, for example in certain urban neighbourhoods in England and Wales.”

In his introduction, **Fayolle** used graphs to show that the Baltic countries began to outpace Visegrad countries from the middle of the 1990s in attracting foreign capital. But with a reference to the experience of Member States in general and Ireland in particular, he criticised the error in economic strategy of wagering only on the contribution from private funds or on Community transfers. **Hywel Jones** of the *European Policy Centre* largely agreed with this, explaining that the “Celtic tiger” awoke not just because of the advantageous combination of direct foreign investments and structural funds, but also because of a strong education and

training policy and a near-revolutionary social pact to which civil society largely rallied in 1999.

Another dimension of this dynamic balance between market and cohesion emerged. It was not one that belonged to negotiated *acquis*, but was deeply etched in European awareness and memory.

“Why has Europe forgotten everything it has achieved?” asked **Jan Olsson** of the Economic and Social Committee. He recalled how the ESCC, drawing on strong social dialogue, was able to quietly restructure the mining and steel industries in the Six. He wondered whether this sort of approach would not be relevant for Poland and other candidates. “One should not ignore the role played by intermediate bodies. Today, civil society should be directly involved, not just with restructuring but also in building a new model”, suggested **Jacques Picard** of the French Economic and Social Council.

For **Hywel Jones**, there is a lesson worth learning about unemployment, “the European disease of the 1990s”, a by-product of the bad strategy of prioritising large-scale macro-economic equilibrium and ignoring social reforms. We should take the long road opened up by the 1993 White Paper which led to the Treaty of Amsterdam and the Lisbon summit. Third, as **Nicolas Jabko** of the Paris *Centre d’études et de recherches internationales* noted, one should remember that the popular success of structural funds came from regional politics and local development rather than from social policy as such. In the same way, with the low-funded Leader programme, explained **Graefe zu Baringdorf**, the Commission managed to evolve a new model of rural development. This should be pushed further because - all participants agreed - new models for combining market and cohesion must be invented and tested. **Fayolle** concluded on an optimistic note towards the Commission, calling on it “to seek support in its allies in the European population, and not only among Member State governments”.

#### **PLENARY SESSION- MAKING ENLARGEMENT A SUCCESS**

Successful enlargement was the theme of the plenary session chaired by Etienne Davignon, President of Société Générale de Belgique. After Jacques Delors opened the session, the President of the Latvian Republic Vaira Vike-Freiberga, the President of the Commission

Romano Prodi, the Polish Secretary of State for European Integration Jacek Saryusz Wolski, the Czech Secretary of State for European Affairs Pavel Telička, the Commissioner for Enlargement Günter Verheugen and the French Minister for European Affairs Pierre Moscovici spoke in turn.

What is the ultimate purpose of Greater Europe? asked **Jacques Delors** who listed three clear finalities:

- make Europe into a space of active peace,
- and also a laboratory for ongoing globalisation,
- as well as an area of living values in a diversity of cultures,

Two other issues also needed discussing:

- the scale of the Union's international responsibilities,
- and the opportunity to provide itself with a vanguard.

Active peace is not the peace of the graveyard, the peace experienced during the Cold War, said Delors recalling that Western Europe was lucky enough to find itself on the right side of the Yalta frontier. For him, enlarging the Union means extending the spirit of mutual understanding between people, as the Community had done, as it expanded from six to nine and then to twelve countries. "But we have to maintain peace and there is still plenty to do," he said, citing the Balkans, the status of minorities, and international crime, noting that while democracy is advancing in the East it is running out of steam in the West.

Delors also observed that citizens are profoundly disturbed by globalisation. Hence his concern to make Europe into a "laboratory" which would combine freedom with common rules, and underpin the positive effects of the market economy with the necessary regulations. Hence his insistence that the emerging 27-strong Europe should apply the rules of economic and social cohesion as defined in the Single Act and set out by the Commission that he once presided.

Delors hoped that Europeans would not draw a curtain on their past and everything it contains, wars and horrors included. He wanted Europeans to accept the totality of their historic and cultural heritage, so that Europe's genuine values would emerge without fear for its spiritual values.

This sort of Europe is clearly more than Europe as a mere space. But should it be less than Europe as a real power? For Delors, Europeans must raise the question of global

responsibilities. Member states are also concerned. “The USA wonders about us,” he said, “but so does Russia.” It was in this spirit that he put forward the idea of creating a ‘vanguard’ to deepen common actions. This vanguard would be open to everyone, including new accession countries, and it would be necessary to everyone. Any alternative would merely reduce the Union to a free trade zone.

“Europe lacks self-confidence” said Delors, who pleaded for a truly “Community” Europe where the Commission becomes more vital as the number of members rises. For a large space to operate with 27 countries, he said it was essential for the Commission to play its role to the full, especially in economic and monetary issues. The health of the Euro depended on it.

“The large majority of European countries share the same dream of a free Europe – united, stable, prosperous and rid of all armed conflict,” said **Ms Vike-Freiberga**, for whom “the Europe we shall join will be different from today’s” and who hoped that the Union would postpone restructuring its institutions so that current candidate countries could take part. She welcomed the procedure of the European Conference, which brings together Member States and candidate countries, but wanted the latter to take part not only in discussions but also in decisions.

The Latvian president criticised the prospect of a two-speed Europe and warned against reinforced co-operation. She is very attached to one Commissioner per Member State since “it strengthens the Commission’s legitimacy in the eyes of the public.” Latvia approved the strategic report on enlargement presented by the Commission, which enabled individualised candidatures with the possibility for those who started late to catch up. She insisted that those who wished to enter should not be forced to wait at the door, and that negotiations should be completed by end-2002.

**Romano Prodi** welcomed enlargement “the only new institutional feature on the world stage” and was happy that “Europeans were reaching the end of a road that had never been explored before.”

Why is this unification so hard? - Because our continent is globally dissatisfied,” he said, “although such pessimism is not justified.” The main task is to unite a Europe that has been divided since the Second World War , make up for lost time and start rebuilding. He noted that we had forgotten the real geography of our continent and are only now realising that the distance between Trieste and Budapest is no greater than that between Trieste and Milan.

“What is important,” he said, “is our brand new method. We are completing a cycle in the formation of the modern state, not by giving up our identities but by integrating them into something greater.”

Europe is a “union of minorities” and the Community’s duty is to guarantee the same rights to both small and large countries; nothing can now stop the ongoing process of enlargement. But the President of the Commission warned that the strength of this movement for enlargement would condition Europe’s capacity to play its real role on the international stage.

What do Poland and the Czech Republic expect from the European Summit in Nice? **Etienne Davignon** asked two ministers from Warsaw and Prague, and they both replied that first and foremost, the Fifteen should approve and give political support to the enlargement strategy put forward by the Commission.

**Jacek Saryusz Wolski** also wanted the Union to accept the content of the reforms approved by the heads of government and not link reforms to enlargement. “We will be ready at the end of 2002, but will the Union be ready as well?” he added, wondering about its “capacity to bring us in”.

“It is not just a case of greeting us and then leaving us in the antechamber, but of replying to all the vital questions on agriculture, borders and immigration, etc. What is at stake is the capacity of the current Union to decide on the right membership formula it plans to offer.” Didn’t Delors say that Europe should “listen” to Eastern countries? For Saryusz Wolski, “listening to someone” first means “letting them into your house.”

**Pavel Telička** expected the Union to become re-vitalised. He invited it to focus on “the real problems” and stop worrying about deepening and/or enlargement, or on the respective merits of a federal or confederate approach. He also thought that Europe needed political leadership and he felt that some candidate countries were actually better prepared to enter reinforced co-operation than certain Member States.

“It is all a matter of equilibrium, and we have to find the right path between the justified demands of the candidates and the actual possibilities of the Member States, between a certain impatience and a certain reticence,” observed **Günter Verheugen**, who warned that the hardest part still remained to be done to get agreement from the current Union. He too was aware of the semantics that caused candidates to wonder about the reception they might

expect: *accueillir* in French , *welcome* in English , but *aufnehmen* in German (which implies acceptance) , which is stronger.

Verheugen realised there are social and economic tensions – growing unemployment and poverty – in countries which like Poland began their transformation in 1989. “Are we prepared to give them what they want?” he asked, aware of the potential for a popular backlash of the “now they’ve got our market, they don’t need us!”

“For most citizens, the argument about the need for peace and stability does not carry much weight, especially among the young. The fall of the Wall is already ancient history.” For Verheugen, enlargement without risk is impossible but “refusal to enlarge would be even more risky.” He therefore called for a blend of determination and patience: “We should obviously move fast, and that depends on the candidates. But we also need high quality enlargement, and that largely depends on us ... From the candidate country side, I can assure you that judging by our most recent discussions they will not weaken the Community method.”

The French Minister for European Affairs, **Pierre Moscovici** confirmed that the Union should be ready to welcome new members by January 1, 2003 if they were ready to join. “We do not wish to skate over any of the difficulties, even those issues which are specially delicate for France, such as the take-over of the *acquis* in the common agricultural policy.” He felt that the budgetary resources given in the Agenda 2000 should be enough to cover the cost of the first members, but recognised that the next financial package, around 2005, would be much harder to negotiate.

The remaining problem was “to invent the future”. Moscovici considered that the reforms now being negotiated, and which he hoped would be approved at the Nice Summit, do not give a final picture of what the Union will be like with 25 or 30 members. “We must organise and prepare for this institutional future of an enlarged Union,” he said, adding that whichever method was chosen – group of ‘wise men’, a “convention” like that prepared by the Charter of Rights, or any other formula – all new and future candidate countries would have to be part of it. The idea of the Belgian government of a meeting in a year at the end of its six-month presidency seemed to him “extremely sensible”.

For Moscovici, we have all the options; “now its time to play. Although he welcomed, without giving further comments, the many ideas that had been mooted in recent months about the political and institutional future of the Union, and “which are not all mutually



exclusive”, he asked that the Union “bore in mind countries that showed certain forms of resistance, and to attempt to understand concerns”. He concluded by saying that “the Union is constantly being built, and facing realities on the ground is not evidence of a lack of ambition.”

Summing up this seminar, **Etienne Davignon** asked: “Can we carry out enlargement without a vision of the future?”. He went on to observe that:

- 1 - Europe cannot simply rest on its laurels of the last fifty years. We need a new stimulus, and enlargement calls for a truly European outlook. “All progress is global, yet it cannot bring immediate benefits to everyone. So we must have an overall vision.”
- 2 – Europe’s momentum will be decided at the Nice Summit. There are great expectations and Nice could act as a “launch pad”, but if no real perspective emerges, problems will have to be treated piecemeal, each with their separate solution.
- 3 - The Fifteen must take responsibility for what they put forward, support the Commission’s view on enlargement and accept what is theirs to decide. As for the candidate countries, they wish to participate fully in the overall development of the European project and not simply limit negotiations to technical and formal issues.

## **APPENDICES**

### **INTRODUCTION TO WORKSHOP 1**

#### **GEO-ECONOMIC UNITY IN THE CONTEXT OF GLOBALIZATION**

William Wallace, London school of economics, UK

##### **The EU in the global economy**

The EU is already the largest integrated market in the global economy, now also with the world's second reserve currency. The astonishing length of the US boom, the sustained flow of European investment into the United States, and the consequent strength of the dollar, has to some extent obscured the geo-economic weight of the EU. Prevailing American attitudes to the EU as a geo-economic unit are sceptical, based on a perception of structural obstacles to growth and to technological innovation, and persistent high unemployment. If growth were to slow substantially within the United States, with a consequent sharp correction (even over-correction) in the dollar-euro exchange rate, attitudes in New York and Washington to the importance of transatlantic economic coordination would swing rapidly. There would be strong pressure on the EU to adopt a more expansionary economic policy, to consult and cooperate more actively in managing exchange rates, to 'take up the slack' in acting as an engine of demand in the world economy. There might well be a further sharpening of the debate on 'burden-sharing', with American policy-makers and Congressional leaders calling on their European allies not only to pay more for their own defence but also to pay a larger share of assistance to Palestine and Egypt (for which EU member states already provide respectively 3 times as much as the USA and 25% more), as well as to Russia and Ukraine.

This transatlantic dimension may well be more sensitive and more important as a factor in EU external economic relations than eastern enlargement over the next 2-4 years. There is however a direct link between the two. The prevailing perception in Washington is that the EU has failed to approach eastern enlargement with an appropriate sense of urgency or generosity. If there remains no clear date for the first round of enlargement when the new US Presidency reviews its agenda on transatlantic economic cooperation, if that perception of the EU 'dragging its feet' is compounded by reports that flows of economic assistance to the applicant countries are likely to remain far smaller than transfers among current members, then the US Administration may well be sharper in its demands for burden-sharing elsewhere, and determined to drive through a rapid further enlargement of NATO as the defining framework for a wider European order.

After each previous round of enlargement there have been transatlantic disputes over claimed trade diversion and disadvantages for American companies within an expanding European single market. EU adjustment to agricultural production in central and eastern European countries (CEECs), as that production recovers from the shocks of transition, risks provoking further transatlantic differences, within the existing framework of US/EU tensions on agricultural trade. Before the merger with Daimler-Benz, Chrysler executives were already arguing that EU rules discriminated against them in considering investment in CEECs. US corporations will be active in pursuing and protecting their interests as EU rules extend across the new entrants and beyond to other associates. Eastern enlargement will therefore require an active *Westpolitik*, explaining and justifying the processes of enlargement to the many centres of power in Washington.

### **Adjusting to enlargement**

Provided that the acceding states are successfully set on a path of rapid economic growth, the addition of 100 million consumers to the European single market could provide an additional motor for growth throughout the EU. The aim must be to replicate the astonishing success of the Spanish, Portuguese and Irish economies in joining the EU, sustaining high growth rates over a long period. Investment by the EU-15 in providing the infrastructure – physical and intellectual – for rapid growth is therefore a priority; private investment flows will then provide an additional impetus. The record of Hungary and Poland so far is encouraging in this respect. Romania and Bulgaria, which still lack much of the infrastructure required, present much harder tests for economic reconstruction and transition to a path of higher growth. If the EU is to ensure the economic success of its expansion from 15 to 27 Member States, the scale of direct and indirect transfers to the weakest economies among the applicants will have to be substantial ; and the next EU budget package will have to reflect this shift in priorities, from north-south transfers among existing members to west-east transfers to accommodate the new members.

### **The Western Balkans**

The terms of the South-East European Stability Pact imply that the EU is now committed to a long-term process of economic and political transition in the former Yugoslavia and Albania, culminating in membership of the EU. If this commitment is to be taken seriously and pursued successfully, it means a 15-20 year programme of investment in social and economic reconstruction: another substantial financial obligation for the EU. The United States has already made it clear that it regards ‘nation-building’ in the Western Balkans as an EU responsibility, but which it will expect the EU to undertake on behalf of the ‘West’ as a whole.

The costs in this exercise are far more evident than the benefits. Reopening of river, rail and road links will stimulate economic recovery through south-east Europe, and benefit the Turkish economy and its further integration with European markets. The Slovenian economy is already on an upward curve, and the Croatian economy may well follow, assisted by expatriate investment; but these, and the rest of the former Yugoslavia, are small markets, adding relatively little to the weight of the European market as a whole – while the reconstruction of Bosnia, Serbia, Kosovo and Albania, and long-term assistance to Macedonia, will continue to represent substantial claims on the EU budget.

## **Russia and Ukraine – and Belarus and Moldova**

Although much of the pre-1989 pattern of trade among socialist countries has collapsed, there remain significant economic links between the eastern applicants and the former Soviet Union. Cross-border informal trade has become important to western Ukraine; a third of Russia's external trade moves through Baltic ports, which after enlargement will be either within the EU or (in the case of Kaliningrad) accessible only through transit through the EU. EU members have a political stake in promoting stability in these eastern neighbours, in which economic development and increased trade provide important contributions. Ukraine in particular has little hope of economic revival without access to the EU single market and flows of Western investment – for which in return it will for some time offer cheap skilled labour for sub-contracted production. Ukraine will also hope to find western markets for some of its agricultural production.

For the foreseeable future these 'eastern neighbour' economies will be dependent on the EU: supply routes for gas and oil from Russia and further east, sites for off-shore production and processing for companies based within the Single Market. The EU will have to develop an association strategy which avoids too obvious an imperial/colonial tone. There are mutual advantages to be found, and further markets – 55 million consumers in Ukraine, for example – to develop; but for this to occur, an integrated programme of political partnership, economic association, financial assistance and encouragement for foreign investment will be needed.

## **Europe's dependent South**

Every country around the Mediterranean, from Morocco to Turkey, depends heavily on the EU for trade. Most derive significant income from European tourism and remittances from migrant labour within the EU. Weak regimes, with corrupt administrations, in several countries make it difficult for the EU either to assist with economic development or to build a political partnership – as the experience of the 'Barcelona process' over the past five years has shown. These southern-Mediterranean states are already part of the periphery of the European market; successful Mediterranean development would strengthen the European economy by providing substantial additional markets for European goods and services, and a further source of offshore processing and production (already evident in Morocco, for example), with the same relationship of mutual asymmetric advantage as Mexico has with the USA, and as South-east Asia has with Japan.

So far, the EU approach to its dependent southern periphery has been hesitant. Access for Mediterranean agriculture and textiles has been restricted; economic assistance has been promised, but much has remained undelivered. Threats of instability, civil war or regime collapse, with refugees spilling across the Mediterranean, nevertheless argue for a more generous approach.

Relations with Turkey and Cyprus, as potential EU members, fall into a different category. They also take EU external economic relations much closer to the Middle East. Turkey has significant (legal and non-legal) trade with its eastern neighbours, and ambitions to develop economic relations with the Caucasus and Central Asia as well. Cyprus has prospered by providing many of the offshore banking and other services previously supplied from Beirut. It is impossible to disentangle economic relations from political relations in this region; the position of Israel, with a highly developed economy, which in different circumstances would spread prosperity across its neighbours, blocks a coherent strategy for regional development. Demographic growth implies that outward migration (legal and illegal) will become a stronger economic link with the EU.

The Clinton Administration has signalled that it regards sub-Saharan Africa and its political and economic development as primarily a European responsibility. Along with Japan, European governments and the EU are already the main providers of economic aid and technical assistance to the region. There is little immediate economic gain for EU investment here, but there are major potential costs if States collapse and consequent disorder spills over into social breakdown and refugee flows.

### **The EU as a regional economic power**

An EU of 27, with Turkey as a close associate and with looser associations with the EU's immediate neighbours to the East and South, will form the core of a regional economy: a market of nearly 500 million consumers, with a further 6/700 million people in peripheral states. Investment and high value goods and services will flow in one direction – so long as sufficient political stability and administrative competence can be established within peripheral states; low value goods and labour services will flow in the other, with tourist revenue also providing significant north-south transfers.

If the EU is to shoulder the responsibility for managing this extended regional economy, and promoting the development of its periphery, then some major changes in its *Acquis* will be necessary. Southern EU states will have to lower their resistance to imports of textiles and Mediterranean agriculture; northern EU members will have to adapt the CAP further to allow not only new members to return to their 18<sup>th</sup> and 19<sup>th</sup> century positions as food suppliers to western markets but also to leave some space for exports from further east. The EU budget, currently mainly devoted to internal transfers, will have to shift towards support first for the 12 economies now negotiating, but also towards long-term support for the development of Europe's dependent periphery. There is little evidence that this has yet been accepted by current member governments.

### **The EU as a player in global economic institutions**

The weight and prestige of the EU within global institutions, before and after eastern enlargement, will depend on the comparative evolution of growth rates in the EU, North America, and East Asia. The biggest risk to the maintenance of an open world economy would be a downturn in North America, without a parallel recovery in Europe or east Asia. Under those circumstances the EU would have to develop much greater capabilities of external economic (and exchange rate) policy, to prevent the global economy sliding into recession – and also to prevent opinion within the United States sliding back towards regional protectionism.

The size and weight of the expanding European economy in any event requires a more active transatlantic dialogue, which extends well beyond the substance of EU-US consultations on trade and economic regulation to broader issues of economic management – currently discussed more loosely within G7. The importance of the East Asian regional economy (including China) to world economic balances, and in particular to the USA, also implies the need for a much more coherent dialogue on economic policies with that region than the ASEM summits and occasional bilateral conversations which characterise the present relationship. Which is to say that the EU now needs a more developed, and more capable, set of external economic policies than those to which it has aspired. Even without absorbing

another 12 states, with another 100 million citizens and consumers, this should be a high priority; with this expansion, it becomes even more important.



## **INTRODUCTION TO WORKSHOP 2**

### **FREEDOM OF MOVEMENT AND THE PROTECTION OF INDIVIDUALS IN EUROPE**

Judy Batt, University of Birmingham, UK

#### **The Problem**

For the peoples of Central and Eastern Europe, freedom to travel was one of the major gains – and arguably the most unambiguous of these – to result from the revolutions of 1989. Opinion polls regularly showed that the political and bureaucratic restrictions on free movement were among the most deeply resented features of communism, especially among the young. The guaranteed right to hold a passport and to move freely across borders have therefore taken on potent symbolic roles as key indicators of ‘freedom’ and, in practice, these rights are appreciated as some sort of compensation for the otherwise painful and protracted post-communist transformation.

In the meanwhile, public opinion in the EU has become increasingly alarmed at the prospect of waves of migration from the East, ‘swamping’ labour markets with cheap labour, ‘draining’ welfare budgets and threatening the social and cultural cohesion of prosperous, settled communities. A xenophobic mood has made its mark in elections in many West European states, to which national politicians feel impelled to respond. Their responses so far, however, have been neither credible to western public opinion, nor effective in confronting the real issues. At times, moreover, they have hardly been compatible with ‘European values’ of respect for human rights, and may even have given some legitimacy to a resurgent xenophobic public discourse evident not only in the West, but also in Central and Eastern Europe.

#### **Conflicting, Contradictory and Unpopular Policies**

With the Treaty of Amsterdam, the EU declared its aim to constitute an ‘Area of freedom, security and justice.’ The provisions of the Schengen agreement have been written into the Treaties (with opt-outs maintained for the UK and Ireland). Free movement within the EU means removing controls at the common borders of the participating states, while strengthening customs, immigration and security controls at the external border according to common rules, backed up by deeper cooperation in policing, information exchange, judicial affairs, and visa and asylum policies. The lack of public confidence in the institutions of the EU in general is coming to focus on this apparently advantageous development as another unwelcome instance of undermining national governments’ ‘sovereignty’ and ability to afford citizens the level of security they have come to expect.

At the same time, ‘Schengen’ has become, from the point of view of the Central and East Europeans, an obstacle to their early achievement of the cherished goal of EU membership. Having now become part of the Community *acquis*, all future applicants have to adhere to it – and even to implement substantial parts of it before acquiring EU membership. The free movement chapters of the accession negotiations have become one of the most sensitive and difficult areas of the enlargement process. Lack of confidence on the part of existing member-



states in the ability of the prospective new members to implement the tough and complex 'Schengen' system of controls on their eastern borders has led to suggestions that the new members should be excluded from the area of free movement for a protracted transition period. This is unacceptable to applicants, who point to the pressures on themselves to comply fully with the *acquis* with no question of transition periods. They can also draw parallels with previous EU enlargements to the south, when similar fears about a 'flood' of migrant labour failed to materialise. The issue also has a very damaging impact on public opinion in Central and Eastern Europe, for reasons explained above, and seems to be contributing to a deep disillusion with the EU.

The evidence for a surge of migrant labour from the new member states after accession is slight. Most of the upsurge in movement of people has already taken place, and has stabilised. The vast proportion of the movement across the EU's eastern border has been temporary and short-term, made up of tourists, many of whom engage in small-scale trading activities or undocumented employment to supplement their incomes. Such migrants do not pose a financial burden on EU member-states, and indeed must be filling some demand in the west. Any public welfare provisions they receive, such as medical, unemployment or social security benefits, will be drawn in their home states. They leave their families behind, and thus make no demands on social welfare and public education in the receiving countries. Their numbers can be expected to fall as economic growth, incomes and opportunities at home rise. The remainder of the CEE migrants are highly-skilled, predominantly young, professionals, managers, scientists and academics, many of whom will also return to their home countries as economic growth resumes, bringing back enhanced skills and expertise.

CEE migration is stimulated not only by 'push' factors, but also by the 'pull' of West European economies, where highly-regulated labour markets are generating strong demand from firms for flexible and cheap labour (notably in the construction industry), but also for highly-skilled labour (especially in new technologies), which local education and training systems cannot meet. This is now widely recognised as a barrier to growth, which in the short-to medium-term can only be relieved by increased immigration. The growing retired population and the high incidence of full-time employment of women are meanwhile generating demand among the middle classes for inexpensive and flexible personal services in the home. At the same time, demographic trends point to a decline in the working-age population in the west, with serious implications for financing pension systems. IMF estimates suggest that by 2050, both France and Germany will have as many pensioners as workers and their pension systems will require contributions of more than 40 per cent of the wage bill to keep solvent (*Financial Times*, 9 October 2000).

Far from 'flooding' Western Europe, the applicant countries can make good only a small part of the EU's 'people deficit.' While the age structure of, for example, Poland, currently complements that of its western neighbours, with a sizeable 'bulge' cohort of young people now entering the labour market, the general European trend towards an aging population is already fully apparent in, for example, the Czech Republic and Hungary, and will appear in due course in Poland. Moreover, a recent report by the Commission's Social Affairs directorate points to an emerging skills gap in the transition economies (*European Voice*, 19-25 October 2000).

Restrictive immigration policies in Europe, which allowed in only about half the number of legal immigrants as the United States in the 1990s, seem no longer sustainable. This poses challenges for policy-makers and societies across the whole of Europe. The 'fortress Europe' approach has proved ineffective and counter-productive in the emergent new labour-market

context, but the resultant pent-up demand has to be managed carefully to avoid a deeper social backlash. While the fear of mass immigration from CEE has been unfounded, the pressure for immigration from further afield has been pushed into illegal channels, leading to an undesirable growth in 'black' labour, and trafficking in migrants at appalling risk to the health and lives of desperate people. The perception of Europe as an unwelcoming, if not hostile, environment for immigrants threatens our ability to attract workers from abroad now that we recognise we need them.

Meeting the demands of accession to the 'Schengen' *acquis* has imposed heavy burdens on the CEE applicants, and on the enlargement process itself. The geography of eastern border of the applicant countries is extremely costly and complicated to police, and the EU's emphasis on tougher controls is at odds with its efforts to promote more 'people friendly' practices and human-rights awareness in the prospective member-states' administration and police. West European states' insistence on readmission agreements with the applicant countries, designating them 'safe third countries' to which unwanted migrants can be returned, has strained the CEEs' underdeveloped systems for coping with the new and unfamiliar role of 'countries of immigration,' thus putting such migrants' human rights at risk.

The perceived 'double standards' of the west in this respect is a further source of irritation and resentment in CEE. Moreover, xenophobic tendencies have been awakened in CEE public opinion against immigrants, who are perceived, as they are in the west, as a burden on public finances which are in any case much more stretched. To some extent, CEE societies are more vulnerable to racism, having been relatively closed in the communist period. Limited numbers of visiting students and 'guest-workers' from Third World allies of the Soviet bloc in the communist period were resented both for the 'privileged' treatment they were (often wrongly) seen to receive, and for their association with a programme of 'socialist internationalism' with which Central and East Europeans felt little affinity. This has left a reservoir of racist attitudes which can easily be re-ignited.

The special predicament of the Roma peoples of CEE must also be mentioned. The Roma have been the biggest losers of the post-communist transformation. Having made some progress towards social integration in the communist period, when they were drafted into employment mainly in the least skilled jobs in state-owned heavy industry, their economic and social situation has deteriorated drastically with the closure of these industries. Popular prejudice, the expression of which was formerly curbed by the heavily-controlled media, has resurfaced openly in the new conditions. To add to their social and economic difficulties, they have become targets of discrimination and aggression, and many have sought asylum in western countries. The problems are too vast and complex to cover adequately here, but it should be noted that responses to the problem on the part of West European governments, namely, the reimposition of visas on their countries of origin, and the redoubled emphasis on the human rights conditionality for the accession of CEE candidates, have had mixed results. On the one hand, pressure from outside on CEE governments has forced the problem onto their policy agenda; while on the other, resentments in CEE societies against this beleaguered minority have further deepened. Western press and public opinion reactions to influxes of Roma have in turn confirmed that the West itself is by no means innocent of racist instincts, thus, from the CEE point of view, once again confirming 'Western hypocrisy.'

The costs today to both applicant countries and the states beyond the EU's future eastern border of implementing the common visa regime have been high in both political, human rights and economic terms. Travel between these countries has until recently been visa-free.

The implementation of visas is now disrupts long-established, or only recently reviving ties between their societies, and has been an unwelcome source of friction in inter-governmental relations. The ability of ethnic minorities to maintain contacts with co-ethnics across these borders – a commitment to which all signatories of the Council of Europe Framework Convention on Minority rights have bound themselves – is impeded. Small scale cross-border trade and informal employment remains a vital lifeline to inhabitants of the economically depressed regions on each side of the border. To illustrate the scale of the gains at stake: a skilled professional from Ukraine's impoverished Transcarpathian province can double his or her salary by selling three full tankloads of petrol across the border in Hungary. It is estimated that in 1996, unregistered cross-border trade accounted for more than 25 per cent of Poland's entire trade with its eastern neighbours, and nearly half of its trade with Ukraine.

### **The New Policy Agenda**

The 'Fortress Europe' response undermines the coherence, international credibility and moral authority of the EU as it gears up for its expanded international role and responsibilities as the pivotal actor in Europe's emerging new political and security order. New policy initiatives and better coordination between the economic, political, international and human rights dimensions of an enlarged EU's activities are called for:

- A coherent common immigration policy for the management of increased immigration;
- Detaching the emotive issue of organised crime from that of immigration, the former to be tackled through deeper police and judicial cooperation between member-states, applicants, and neighbouring states beyond the enlarged EU's borders;
- Mutual support and assistance among member-states in policing the external borders, including, for example, joint patrols drawn from several member-states
- More courageous leadership and efforts on the part of political and opinion-forming elites to inform and educate public opinion on the *benefits* of immigration, to counteract the widespread and misplaced focus on its supposed *costs*;
- Increased attention and resources to the problems faced by immigrants in integrating into EU societies;
- More credible and effective structures for the practical implementation of the EU's stated commitments to uphold human and minority rights, and counteract xenophobia and racism in all member-states. For example: the institution of an Ombudsman accountable to the European Parliament, to monitor and report on the rights of ethnic minorities and third-country nationals resident in the EU; further efforts and resources devoted to the special needs of the Roma peoples of Central and Eastern Europe, as matter of pan-European concern and responsibility;
- Better coordination within the Commission, and between the Commission and Council, to ensure coherence between policies in the fields of immigration, economic and social affairs, and the EU's wider international responsibilities.

## **INTRODUCTION TO WORKSHOP 3**

### **A NEW BALANCE BETWEEN MARKET AND SOCIAL - TERRITORIAL COHESION**

Jacky Fayolle, Observatoire français des conjonctures économiques (OFCE), Paris

The collapse of the Berlin wall put an end, in both symbolic and human terms, to the deep division inherited from the Cold War, while confronting western and eastern Europeans with the lack of any real opportunity to work together towards a common goal. It also highlighted the scale of the social and economic divide between the two Europes.

The trade and cooperation agreements followed by the association agreements signed by the European Community and the central and eastern European countries (CEECs) during the 1990s, along with the PHARE programme for technical and financial assistance, have greatly contributed to bringing eastern and western Europe closer together and supporting the CEECs' commitment to joining the European Union (EU). However, they have always been part of a broader effort of international institutions in favour of the CEECs. To a large extent, the post-communist transition phase has been governed by the criteria laid down by these institutions, which have controlled the macroeconomic stabilisation, structural reform and privatisation programmes. The European dimension of transition has been overshadowed by economic and financial considerations, largely inspired by the Washington consensus guiding the processes at national level.

For EU enlargement to be a factor for unification rather than division of the continent, the social and economic content of an inclusive enlargement strategy must be defined and clarified. The purpose of this paper is to outline just some of the necessary strands of this strategy, with no claim to exhaustiveness.

#### **The indeterminate lessons of the previous enlargement exercises**

The experience of past enlargements is diverse and offers no unequivocal lessons.

In Ireland, the catching-up process over the past ten years has been spectacular. The country's development indicators are now close to the Community average. The efficiency of the Community's public-sector assistance was optimised by complementary private-sector inward investment, often from outside the Community. A well-judged economic policy and proactive vocational integration measures also played a role in the country's economic and social recovery. The Irish success story results from specific factors which cannot easily be reproduced. Nevertheless, it can set a useful example for some small countries, such as Slovenia and the Baltic States.

A larger nation, Spain, has had to cope with a double dilemma since the end of the Franco era. It has had trouble achieving macroeconomic convergence (the alignment of inflation rates and the public deficit on Community standards) while also closing the gap in living standards and development. Today, renewed growth in Europe as a whole is clearly helping the country resolve this difficulty. The second dilemma relates to the regional development balance. The regions which have gained most from Spain's accession to the Community are those which

were already relatively prosperous beforehand, whether or not they were among the main direct beneficiaries of the Structural Funds. The case of Poland, where gaps are widening between the various regions, is similar.

The experience of previous enlargements shows how complex the interaction can be between largely inherited structural factors (the size of the country and pre-existing regional disparities), the ability to increase economic specialisation, the combination of national and Community public-sector incentives, and the appropriate mix of macroeconomic fine-tuning and development measures. It also demonstrates how the recovery process is influenced by the Community environment. These aspects are particularly crucial for CEECs.

### **Diversity: a challenge for Community policies**

The size and diversity of the European Union are set to increase substantially following enlargement to a significant number of CEECs. Per capita GDP in the CEECs is equal in most cases to a quarter or a third of the average per capita GDP in the Community. Only the Czech Republic and Slovenia stand out, with figures similar to Greece and Portugal. The contrasts in Europe are even more marked if we take account of the regional diversity of the CEECs themselves, although this also shows that some urban regions (such as Prague and Budapest) are close to the Community norm.

Furthermore, the situation is far from static. The post-communist transition phase and the immediate and anticipated effects of closer relations with the European Union have increased regional development disparities within the CEECs, in particular where the transition process has been successful. Regional disparities tend to increase where transition is based on in-depth restructuring of activities and differentiation between regions. That is what seems to be happening in Poland and Hungary, for instance. This phenomenon raises the issue of the relationship between "efficiency" and "equality" in the regional development process in eastern Europe. Must we accept unequal development as a necessary evil to increase overall growth and well-being, while perhaps alleviating the side-effects of this efficiency-orientated approach with measures to promote social cohesion and redistribute the benefits of growth? Or should we give more emphasis to converting and regenerating the areas that are currently disadvantaged or declining? This dilemma is by no means specific to the CEECs; the EU is facing it too, but on a lesser scale.

In the current European Union, the Structural Funds are undoubtedly effective in both micro and macroeconomic terms. However, they are still achieving only mediocre results in terms of helping the main beneficiary regions catch up with the others. Efforts to involve these regions in a balanced regional development effort are hindered by existing national provisions, which can be ill-suited to today's much more mobile geo-economic context. The prospect of enlargement further underlines the contrasts in Europe and the severe constraints to which the Structural Funds are subjected. It should therefore prompt us to undertake an in-depth review of these policies. The principles underpinning the Community's regional policy – partnership and additionality – are appropriate, but their economic and social content should be clarified. If the community of European regions is more than just a motley collection of individual entities, what forms of interregional cooperation will make it possible to safeguard and manage their common interests? What criteria – in particular in terms of development of the human resources of these regions – should be preferred for the allocation of Structural Fund assistance?

## **The accession process and societal stress in the CEECs**

Eastern and western Europe also have very different social structures and behaviours, which bear the lasting traces of the diverging courses each has followed during the last half-century. Activity and employment rates were frequently very high in the CEECs, in particular for women, and employment was much more concentrated in industry and agriculture than in western Europe. The agricultural sector is very significant in Poland, Romania and the Baltic States. The CEECs are failing to move spontaneously towards the new service-based economy, in spite of the fact that restructuring and privatisation are taking a heavy toll on employment in the industrial and agricultural sectors. Activity and employment rates are on a downward trend, although they are still above the Community average in certain cases.

The economic advances which the transition has brought have not always been matched in the social sphere. In many cases, social protection and healthcare systems have deteriorated to an alarming extent, and this has had a knock-on effect on the population's health and quality-of-life ratios. Many CEECs also experienced a brutal demographic adjustment during the 1990s, compounding the already existing demographic decline.

Societies and economies in the CEECs are still at risk of social division, given the constraints of speedy adjustment to single market discipline and of macroeconomic convergence. Faced with pressing demands to incorporate the Community *acquis* (the body of Community law) and adapt to competition within the single market, the applicant countries may be tempted to meet these requirements by adopting behaviours and policies – such as social and tax competition – which may currently be in vogue but can certainly not be incorporated to the Community *acquis*. It would be paradoxical if the CEECs were to achieve full and rapid incorporation of the Community *acquis* through practices that contribute to destabilising the European social model. In this respect, the objective of the sequential negotiation process the Commission is proposing to establish up to 2002 could be to create a positive link between gradual incorporation of the Community *acquis* and ongoing social and economic recovery, with a view to avoiding any such destabilisation. Setting transition periods could facilitate genuine – rather than formal – incorporation of the Community *acquis*, if they are perceived by all parties as an opportunity to take firm public-sector action rather than as a passive waiting period.

## **The blending and effectiveness of public and private-sector finance**

If properly managed, the accession process could trigger a pattern of sustained and lasting growth in Europe, stretching beyond the phase of economic recovery that has emerged since the end of the 1990s. Economic and social recovery and environmentally friendly development in the CEECs are the new frontier of European growth. The prospect of enlargement has highlighted the sheer scale of the individual and social needs to be met in eastern Europe. The answer is to achieve a leverage effect through joint European growth.

However, the success of this integration process hinges on a number of factors. It is particularly vital to ensure proper coordination between public-sector assistance and private-sector investment in the CEECs. Public funds, if targeted and used correctly, have a pump-priming effect on private-sector investment in the host country's production infrastructure. This "Irish model", although found to a varying extent in the CEECs today, is overall still quite tentative. It is vulnerable to international capital market fluctuations, the CEECs' own weaknesses, and the competition that these countries can wage among one another: after Poland and Hungary embraced the model, the Baltic States are now in favour.

For these funds to have an effective impact on national growth, macroeconomic stability is necessary but not enough. The other prerequisites include initial and continuing training for the national labour force, a sufficiently dense fabric of medium-sized companies in the private sector (to complement the privatisation of the large industrial concerns and the emergence of private-sector micro-businesses), and a sufficiently competitive market. Good management of the restructuring process and the establishment of new regulatory and incentive instruments by the public sector are also necessary conditions.

The Structural Funds can play a particularly useful part in setting the right initial conditions for the enlargement and recovery process and in facilitating eastern Europe's integration into the "new economy". Identifying ceilings for Structural Fund assistance is no doubt necessary to prevent take-up difficulties, but such ceilings should not be confused with positive allocation criteria. We must redefine a Structural Fund approach that is adapted to the enlargement process. What is the threshold of Structural Fund assistance, measured by CEEC inhabitant, needed to take due account of the initial economic and social conditions and the restructuring and conversion requirements? What criteria should be identified to reduce this assistance gradually, in line with the progress achieved towards transition and recovery and the rise in investment by the private sector? Which projects and institutions could use Structural Funds assistance most effectively? In this respect, the budgetary programming up to 2006, adopted by the European Council at its meeting in Berlin, does not seem adapted to an "inclusive" accession process, i.e. one that will not exclude the countries experiencing most difficulties.

European public-sector assistance will contribute to developing competitive supply in the various economic sectors of the CEECs. This is desirable in order to promote new specialisation patterns at European level. The process could benefit all European countries, if they are able to adjust their economic policies in order to promote smooth and sustained joint growth.

## SEMINAR PROGRAMME

### **9.30 AM: OPENING SESSION**

#### *Introduction*

**Luigi Lucchini, President of Fondazione Lucchini**

***The current situation of the Enlargement process***

**Eneko Landaburu, Director General at the European Commission**

### **10.15 AM : 3 WORKSHOPS**

#### **TOWARDS AN EXPANDED EU : NEW OPPORTUNITIES, PROBLEMS AND SOLUTIONS**

##### *1 – Geo-economic unity in the context of globalisation*

**Chairman: Carlo Scognamiglio, Senator in Italy**

**Keynote speaker: William Wallace, London School of Economics**

##### *2 – Freedom of movement and the protection of individuals in the European territory*

**Chairpersons: Wilfried Beirnaert, Vice-President of the social Commission at the economic and social Committee and Anne-Marie Sigmund, President of the third group of this Committee**

**Keynote speaker: Judy Batt, Birmingham University**

##### *3 – A new balance between market and social-territorial cohesion*

**Chairman: Friedrich-Wilhelm Graefe zu Baringdorf, President of the agriculture and rural development Commission of the European Parliament**

**Keynote speaker: Jacky Fayolle, Deputy Director of the Office Français des Conjonctures Economiques in Paris.**

### **PLENARY SESSION**

Chaired by **Etienne Davignon**, President of Société Générale de Belgique

### **2.30 pm : SYNTHESIS OF WORKSHOPS DISCUSSIONS FOLLOWED BY OPEN DEBATE**

Workshop 1: **Lucio Caracciolo**, director of the Limes review, Italy

Workshop 2: **Franciszek Draus**, external expert for Notre Europe

Workshop 3: **Marjorie Jouen**, research fellow at Notre Europe

### **3.30 PM : MAKING ENLARGEMENT A SUCCESS**

Round table and open debate

**Jacques Delors**, President of Notre Europe

**Vaira Vike-Freiberga**, President of the Republic of Latvia

**Pierre Moscovici**, Vice-Minister in charge of European affairs, France

**J. Saryusz Wolski**, Secretary of State for European integration, Poland

**Pavel Telička**, Secretary of State for European Affairs, Czech Republic

**Günter Verheugen**, Commissioner in charge of the Enlargement

**Romano Prodi**, President of the European Commission, is expected.

### **6.00 PM: END OF THE SESSION**



## **LIST OF WORKSHOP PARTICIPANTS**

### Workshop 1

Arnaud	Jean-Louis	Notre Europe, Paris, F
Bohner	Ulrich	European Council, Strasbourg, F
Bugge	Peter	Aarhus University, DK
Braun	Fernand	Brussels, B
Carraciolo	Lucio	Limes Review, Rome, I
De la Serre	Françoise	CERI – Sciences politiques, Paris, F
Durieux	Jean	Special Advisor, European Commission, B
Emerson	Michael	Centre for European Policy Studies, Brussels, B
Goulard	Sylvie	CERI – Sciences politiques, Paris, F
Grabbe	Heather	Centre for European Reform, London, UK
Italianer	Alexander	Mr. Verheugen's Cabinet, B
Juhasz	Endre	Mission of Hungary to the European Communities, Brussels, B
Krok-Paszkowska	Ania	Brussels, B
Mirel	Pierre	DG Enlargement, European Commission, B
Palmer	John	European Policy Center, Brussels, B
Primatarova	Antoinette	Mission of Bulgaria to the European Communities, Brussels, B
Quermonne	Jean-Louis	French association of Political Sciences, F
Ruete	Matthias	DG Enlargement, European Commission, B
Rupnik	Jacques	CERI – Sciences politiques, Paris, F
De Schoutheete	Philippe	Brussels, B
Scognamiglio	Carlo	Senate, Rome, I
Spaak	Antoinette	European Parliament, Brussels, B
Stenberg	Esa	Pan-European Institute, Turku, FIN
Uustalu	Ann	Ministry of Foreign Affairs, Stockholm, S
Vignon	Jérôme	Task-force governance, European Commission, B
Wallace	William	London School of Economics, UK

## Workshop 2

Avery	Graham	DG Enlargement, European Commission, B
Batt	Judy	Birmingham University, UK
Beirnaert	Wilfried	Economic and Social Committee, Brussels, B
Durzo	Lubomir	Mission of Slovakia to the European Communities, Brussels, B
Draus	Franciszek	External expert for Notre Europe, Berlin, D
Evison	Marek	Secretariate of State for EU integration, PL
Gyarfasova	Olga	Public Affairs Institute, Bratislava, SK
Grillo Pasquarelli	Enrico	DG Enlargement, European Commission, B
Klingemann	Hans-Dieter	WZB, Berlin, D
Kolumban	Gabor	Regional Council of Harghita, RO
Lavenex	Sandra	Zurich University, CH
Michalski	Anna	Forward Studies Unit, European Commission B
Morawska	Ewa	Pennsylvania University, USA
Nestor	Jean	Notre Europe, Paris, F
Okolski	Marek	Warsaw University, PL
Pochet	Philippe	European Social Observatory, Brussels, B
Polacek	Richard	Paris, F
Sigmund	Anne-Marie	Economic and Social Committee, Brussels, B
Sulca	Iveta	Mission of Latvia to the European Communities, Brussels, B
Trojanowski	Marcin	Secretariate of State for EU integration, PL

## Workshop 3

Bollen	Frank	European Institute of Public Administration, Maastricht, NL
Fayolle	Jacky	French Centre for Economic Analysis, Paris, F
Gizard	Xavier	Conference of Peripheral Maritime Regions of Europe, Rennes, F
Illner	Michal	Academy of sciences, Praha, TCH
Graefe zu Baringdorf	Friedrich Wilhelm	European Parliament, Brussels, B
Jabko	Nicolas	CERI – Sciences politiques, Paris, F
Jones	Hywel Ceri	European Policy Center, Brussels, B
Jouen	Marjorie	Research fellow at Notre Europe, Paris, F
Kolarska-Bobinska	Lena	Public Affairs Institute, Warsaw, PL
Kolbre	Priit	Mission of Estonia to the European Communities, Brussels, B
Korompai	Attila	Budapest University, HG
Kranjec	Marko	Mission of Slovenia to the European Communities, Brussels, B
Lednicka	Jana	Cepac Slovenko, Povarska Bystrica, SK
Meganck	Dirk	DG Enlargement, European Commission, B
Olsson	Jan	Economic and Social Committee, Brussels, B

Picard	Jacques	Economic and Social Council, Paris, F
Mungiu-Pippidi	Alina	National School for Government, Bucarest, RO
Trzaskowski	Rafal	Secretariate for EU integration, PL
Vaughan-Whitehead	Daniel	DG Employment, European Commission B
Wissels	Rutger	DG Enlargement, European Commission, B