

## **TOWARDS A LARGE AREA OF SOLIDARITY AND COOPERATION**

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### **SOLIDARITY OF POLICIES AND OF REDISTRIBUTION**

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#### *An accumulation of challenges without precedent*

The societies of the CEECs (Central and East European Countries) must confront an accumulation of challenges that is historically unprecedented. These include:

- the challenge of transition: the passage to a system in which there are totally new rules in the economy and the reform of archaic structures of the market inherited from the Communist period;
- the challenge of integration and of globalisation: the opening of the market to competition and foreign investments as well as institutional adaptation;
- the technology challenge: the necessity to utilise information and communication technology.

These three challenges arise at the same moment: they require from these countries a great capacity to adapt and to learn, introducing simultaneously a large degree of uncertainty. Three of the so-called cohesion countries – Portugal, Spain and Greece – have kept a certain continuity with the post Second World War market and, at the time of their accession, were not confronted with the same considerable challenges of integration (the single market did not yet exist and globalisation was still largely undeveloped), of technological advances (the information technology revolution had not yet occurred).

The speed and depth of the political, economic and socio-cultural transformation of the post-communist countries has created, at the centre of their societies characterised by an egalitarian mentality, important disparities at all levels: income, regional, professional and social inequalities. This process is continuing and is aggravated by European integration. It is worth underlining that these inequalities arise in particular conditions where levels of income are clearly lower than existed in the cohesion countries at the time of the accession to the EEC.

This particular accumulation of challenges in addition to the current state of the CEEC societies should be taken into account when fixing the condition for accession, and in the policies of the future enlarged Union.

#### *The “oriental lungs” of the EU – the chance and opportunity in global competition*

The dynamic and the capacity to adapt of the CEEC societies creates an opportunity for them to become territories of rapid growth and, following from this, to improve the perspectives for growth of the current Member States. It is possible to conceive of a system of development based on diversified competition and the complementarity of factors of development that would allow Europe to fully exploit this opportunity. A more pessimistic scenario is equally possible, according to which the CEECs don't manage to take-off and, as a consequence, do not stimulate growth in the western part of the Continent.

### *What form of solidarity?*

What are the conditions to assure the success of the candidate countries' integration? Having taken into account the theory and practical experience of the current Member States, we can retain three factors:

- The institutional framework and regulatory functioning of the economy
- Human and social resources
- Development aid

The later two are relatively self-evident, which is not the case for the first, which runs the risk of a certain degree of ambiguity. Nevertheless, it is the key factor. If the regulatory and institutional framework is not adapted to the level of development, the considerable human resources and the important development aid are useless. Take the example of the Marshall Plan or the structural development aid for Ireland which brought about fruitful growth and development. Alternatively, the result of the transfer of funds to East Germany (roughly 1.5 billion DMs or 800 million euros) can hardly be judged as satisfactory. Since 1996, we have observed that a process of divergence has developed between the new and the old Länder. The case of the former East Germany is a particularly important lesson for the integration of the candidate countries into the European Union. East Germany – a country not sufficiently prepared (and in a certain sense poorly developed) – had to adopt overnight the legal *acquis* of the Federal Republic of Germany and then, that of the EU. Currently, the vastly increased potential of the new Länder, which has grown considerably following the immense investment undertaken, is not being well exploited. If the regulatory system were different (and allowed among other things for the growth in employment), the GDP would rise in a faster and more significant manner. At the current stage of development, the post-communist countries cannot solely count on the increased productivity of work: they must also use to the maximum the potential of the work force. In order for this to happen their labour markets must be flexible and highly competitive with regards to wage costs. The regulatory system must not reduce their room to manoeuvre in this domain – for example, by reducing the number of hours to be worked a week. The candidate countries must also be permitted a certain degree of liberty with regard to their fiscal policies, in not then they will be incapable of attracting and maintaining foreign investments given that they offer investor less interesting compensation with regard to the quality of life or the qualification of the workforce (in order to counteract the agglomeration effects).

In a more general manner, the necessity to reform the institutional and regulatory framework is the most important message for the development of the countries in question. It is in their interest to largely accept the forces and the rules of the market. But, the most important point of solidarity with these countries is not to impose on them the rules of the game that will hinder their development knowing at the same time that this is also beneficial for the highly productive and capital rich countries. The less we guarantee the solidarity of our policies (that is to say the adaptation of the rules of the game to the level of development of the candidate countries), the higher the need for redistribution will be. The case of former Eastern Germany well illustrates this dependence. Reflections on the current and future *acquis communautaire* should include this aspect as well as the requirements of global competition.

The western countries should open themselves to the creative destruction that will allow the peripheral countries to use all their competitive strengths. Immense subsidies that aim to maintain the non-profitable and economically inefficient plants do not serve the general development of wealth.

*Some remarks on the countryside and agriculture (in Poland)*

The development of rural areas and agriculture raises the most problems for Poland, even if these are very different questions. Agriculture is relatively productive in certain territories (notably certain voïvodships in the west of the country). Nevertheless, generally speaking, poverty is felt primarily in the countryside where we can see an accumulation of the negative economic and social phenomena: unemployment, desperately low levels of income, very low level of education, social pathologies as well as the heritage of all these phenomena.

The current Member States cultivate a number of false clichés with regard to Polish agriculture and the countryside. The first consists of the myth of rural development and can be resumed as follows: “Let agriculture disappear completely and support the development of rural areas – thus the problems of unemployment and poverty will be solved by themselves”. This thesis is not well founded in comparison to the concrete characteristics of the majority of rural areas. Rural development must follow the road of the modernisation and increased profitability of agriculture; there is no other solution. The second myth consists in denouncing the negative effect of subventions for modernisation and restructuring, and presumes notably that these lead to the maintenance of ancient structures. However, sociological studies illustrate that the majority of small holdings owners are ready to sell them but that this path is impossible given the incredibly low price of agricultural land (which is a consequence of its low profitability). The recently proposed simplified system of subventions that the Commission has proposed, according to which each receives that same about in proportion to the number of acres, is likely to freeze the structure of polish agriculture independent of production.

Thanks to the Europe Agreements, the EU has drawn the benefits from a liberalisation of trade in industrial goods and services. However, a liberalisation of trade in agricultural and food products that could have benefit the candidate countries has not been put in place. The question that one must ask is whether the very important inequalities (which deepen continuously) in agricultural production between the current and future members constitutes a sound base on which to construct a feeling of solidarity in Europe.