Eastern European workers to pay the cost of membership in European Union

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By 2003 the European Union (EU) will be in a position to incorporate new member states. At present, entry negotiations are under way with twelve states: Poland, Hungary, the Czech Republic, Latvia, Estonia, Slovenia, Lithuania, Slovakia, Rumania, Bulgaria, Malta and Cyprus. Turkey, moreover, was officially granted the status of candidate member at the Helsinki summit in 1999.

Since France, Germany, Italy, Belgium, the Netherlands and Luxembourg signed the Treaty of Rome to establish an economic community in 1957, there have been four rounds of entry negotiations and the community has grown to 15 member states. Austria, Finland and Sweden were the last to gain entry in 1995.

Until now the most important development has been the implementation of the 1993 Treaty of Maastricht. This laid the foundation for economic and currency union, the third stage of which came into force with the introduction of a pan European currency, the euro, at the start of this year. The European Community, basically a customs union in western Europe, went on to develop into the European Union, whose framework was also to provide for the coordination of foreign and security policy, as well as judicial and domestic affairs.

The alliance's past course of development was determined by the need to create a uniform European domestic market in which there were to be no barriers to the movement of goods, capital and labour. The previous rounds of expansion negotiations have made it possible for Europe to play a central role in the globalized world economy and to compete against other economic powers, particularly the US.

Against this background, the oncoming expansion of the EU into eastern Europe represents a significant development because the integration of the eastern European states will bring into existence the largest economic area in the world, offering Europe's financial elite an outstanding launching pad for international competition.

The form expansion is to take in the coming rounds of negotiation has not yet been concretely determined. There are several possible scenarios, some of which envisage the simultaneous entry of up to ten countries. The incorporation of the so-called "first wave" states—Poland, Estonia, the Czech Republic, Hungary, Slovakia and Cyprus—is generally considered to be feasible. The final outcome of the negotiations, however, remains extremely uncertain.

The candidates have to fulfil strict entry criteria, particularly in relation to the fields of economic and social policy and involving drastic cuts in social spending. Consequently, budgetary deficits have been sharply reduced in almost all the states, generally at the expense of social security, in order not to exceed the stipulated maximum of 3 percent of gross domestic product (GDP). Only the Czech Republic has been able to exempt itself from this process, although the situation in that country will change after elections this year.

The EU has always made it clear that budgetary consolidation has to assume absolute priority in the economic policies of the countries seeking admission. For example, Poland was reprimanded in a report from the EU federal finance ministry last year because it failed to meet expectations as far as taxation and privatisation policies were concerned. The report stated: "Spending on social services will amount to more than 55 percent of state expenditure and, unless contrary measures are implemented, the deficit will increase to more than 19 percent of the GDP. What measures the new government will adopt to plug the gaps in the budget remain to be seen."

After budgetary discipline, establishment of "a functioning market economy, able to survive competitive pressures and market forces within the Union" is the highest aim. To achieve this, former state enterprises in the candidate countries have already been privatised or restructured for a number of years. The process is well advanced. Between 80 percent (in Hungary) and 55 percent (in Slovenia) have already been privatised. Predominating among these are enterprises in the fields of electricity generation, telecommunications, transport, the oil and gas industries, mining and water supply.

This process is obviously being accompanied by a rapid growth in unemployment. In Poland the unemployment rate of 6.5 percent (1990) and 10.5 percent (1998) has risen to over 16 percent, and in some regions to over 30 percent. In Slovakia and Bulgaria it stands at more than 17 percent. In Estonia it rose from 0.6 percent (1990) to 9.6 percent (1998) and to 12.4 percent (2001).

While unemployment has risen enormously over the last ten years, social security systems—pensions, unemployment insurance, health care—have been continually reduced or abolished.

In Hungary the pension rate is 58 percent of the average working wage and thus not much above the statistically determined subsistence level. The state's health insurance scheme is restricted to extremely basic services, as in most of the candidate countries. For example, dental care is not included. In Poland there is an extensive grey market, in which services are granted for unofficial extra payments.

The Czech Republic is endeavouring to reduce the state pension scheme to a basic provision in order to encourage additional private coverage. As a result, the average pension as a percentage of gross income sank from 55.1 percent (1990) to 43.7 percent (1996). Regarding unemployment in the Czech Republic, the state provides support to the amount of 60 or 50 percent of the previous net wage for a maximum of nine months.

Since 1994 in Estonia, the basic pension has been determined by parliament in accordance with current budget finances. The old age pension amounts to 42.5 percent of the average net wage. For a maximum period of 180 days, unemployed people may claim 80 percent of the country's minimum wage, corresponding to 10 percent of the average net wage.

If expansion proceeds as planned, it will also have considerable consequences for the lives of people in the present EU countries.

It is to be assumed that integration will result in a massive migration from east to west, owing to the great discrepancy between the level of wages and the social provision in the EU and the candidate countries.

Average monthly wages—even in the poorest EU countries like Spain, at US$1,410 (1998) and Portugal, at US$667 (1998)—are substantially higher than in the candidate countries. In Germany (US$3,000 in 1999), France, Austria, Luxembourg and the Scandinavian countries, wages are five to ten times as high as in the countries seeking EU membership.

Despite disinvestment in recent years, provision for health, unemployment and old age is also considerably better in western and central Europe. For example, on average there is a much longer period of entitlement to unemployment support, and the benefits, most of which are calculated according to the last wage received, are considerably better owing to the generally higher levels of pay. The same applies to pension entitlements.

In contrast to conditions in the candidate countries, health provision is not restricted to merely basic services. Furthermore, health utilities are equipped with far better technical facilities. Standards of medical qualification are higher and access to services is more universal.

Owing to their geographical position, Germany and Austria are expected to be most affected. They share borders directly with Slovenia, Hungary, Poland and the Czech Republic. Concerning the exact number of immigrants expected in the west, numerous varying estimations have been made, each depending on which countries are to be admitted and at what times. Most assume a wave of immigration ranging from 2 to 4 million people in the initial years.

Added to this there will be several hundred thousand commuters, seeking work particularly in the border regions of Austria and Germany. On the one hand this will involve younger, well-trained immigrants; on the other, an unqualified or poorly qualified workforce, mainly looking for jobs as manual workers or in the service industries.

One analysis reaches the conclusion “that the additional labour supply will not be able to be immediately absorbed in the EU. Rather, a higher unemployment rate will have to be tolerated to a certain extent in the initial stages. Thus it will be incumbent upon those concerned to allow the principle of wage flexibility to bring about lower wages in order to shorten the period of adjustment.”

An enlarged EU will also entail tremendous changes for the farming community. In eastern Europe substantially more people are still employed in agriculture, compared to the numbers in the present EU countries. Their contribution to the GDP averages about 6 percent in comparison to less than 2 percent in today’s EU. About 22 percent of employed people have a job in the farming sector, in contrast to an average of only 4.7 percent in the EU and a mere 2.8 percent in Germany. On the other hand, productivity is extremely low. It constitutes around 10 percent of the EU average.

If the agricultural sector becomes integrated in an expanded EU, an increase in productivity will result, together with a marked tendency towards rationalisation. A 50 percent increase in EU production would have the effect of reducing the number of those employed from 10 million to 6 million.

The policy of agricultural subsidies, enabling most small- and medium-sized businesses to survive up to now, will no longer be the practice in the expanded Europe. Politicians and economic experts agree that the continuation of the past system could no longer be financed. The high level of subsidies in the present EU countries will also be systematically reduced, thereby hastening the demise of the farming sector.

The aim of the EU is to exploit the enormous agricultural resources of eastern Europe, while discarding subsidies and inefficient structures—including millions of employees—in order to secure its position in global competition.

Eastward expansion entails a tremendous potential for conflict in view of the catastrophic situation in the new EU member countries, combined with the continually mounting social contradictions in the present EU states.

The enlargement of the EU will not lead to an equalisation of wages and social services in eastern and western countries, but to a drastic reduction of levels in the whole economic area. Increased unemployment will be used in such a way as to cut back wage agreements, minimum wage levels, etc., or to abolish them completely. Most social democratic and conservative parties are supporting this development in the interest of European business concerns. Extreme right-wing, nationalistic and anti-European tendencies have been able to exploit this fact to gain leverage. Although almost all EU states were still governed by social democrats and their allies four years ago, this situation has undergone a fundamental change. Right-wing alliances, sometimes infiltrated by extreme right-wing elements, have gained the upper hand in Austria, Italy, Portugal, France and most recently in Holland. Most of these have succeeded in channelling fears of further European social decline along xenophobic lines.

In Austria, Jörg Haider’s right-wing Freedom Party (FPÖ) is adopting various pretexts to agitate against the entry of the Czech Republic into the EU, thereby setting off one government crisis after another. In Germany, Edmund Stoiber, chancellor candidate for the opposition, has called for the abolition of the so-called Benes decree as precondition for the admission of the Czech Republic into the EU. A Czech government would hardly be able to meet such demand, owing to the threat of a flood of compensation and reimbursement claims from German citizens who were forced to quit Czechoslovakia after the fall of the Nazi regime.

Extreme right-wing, nationalist parties have also at times been able to exploit the increasing impoverishment in eastern Europe.

Insofar as they react at all, the trade unions fan the flames of nationalism. They, too, demand a further tightening up of borders. Trade unions in Germany and Austria support enlargement models that give complete freedom to the flow of capital but demand a transition period of two to ten years before the introduction of freedom of movement for the workforce. They bring into the enlargement debate arguments similar to those of the representatives of small business and the far right.

Such politics serve to boost the right wing and offer no solution for the working class. Workers must reject both reactionary, anti-European populism and every kind of nationalism, as well as the attempt of the European financial elite to build a Europe in which they will be able to maximise their profits at the expense of the broad population. The only solution is the uniting of Europe on the basis of a socialist programme.

Sources:

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