

EU summit in Copenhagen

Eastward expansion intensifies social antagonisms in European Union

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The EU summit being held December 12-13 in Copenhagen is scheduled to invite ten more countries to join the European Union. Negotiations on their membership are to be completed by the end of this year, which means that new members can enter the EU by May 2004.

This enlargement will bring the number of EU member states up from 15 to 25. In the past the EU was limited to Western Europe, but following the impending expansion it will include the whole of Eastern Europe up to the former Soviet border and, in addition, the two Mediterranean island nations of Malta and Cyprus. In Western Europe, Norway and Switzerland are the only countries not to have joined the EU. In the East, only the successor nations of Yugoslavia (with the exception of Slovenia) and Albania remain outside the EU, while Romania and Bulgaria are on course for entry in 2007.

The new members to be invited to join at the Copenhagen summit also include three Baltic states that are former Soviet Republics: Estonia, Lithuania and Latvia.

The population of the European Union will grow by 75 million, bringing it up to 451 million people. With 9,200 billion euros, the EU's gross domestic product (GDP) will equal that of the US. In addition, the summit in Copenhagen will discuss the future of Turkey. The Turkish government expects to get a concrete date to begin negotiations on joining the EU. The country could finally then be admitted in 10 years at the earliest.

Even though the summit is expected to formally ratify eastern expansion after many years of negotiations, there is no mood of festivities or celebration in the run-up to the event. Rather, it is dominated by political tensions, petty squabbles and haggling over finances. The enlargement of the EU will not create a continent united in harmony. On the contrary, it will fuel the political crises and further intensify the sharp social antagonisms throughout Europe.

The main supporters of the eastern expansion are to be found in the top echelons of large European corporations, particularly in Germany. According to the *Financial Times*, German big business will pop the champagne corks as soon as the decision has been ratified. On the economic field, German companies have anticipated the EU expansion by using Eastern Europe as a reservoir of cheap, well-qualified labour. They expect that this practice will be protected by political arrangements.

Trade and direct investments have increased significantly during the past decade. The Eastern European candidates for EU membership account for nearly 10 percent of German foreign trade—almost as much as the US. And about 40 percent of all EU trade with the new countries in the East is carried out by Germany.

Germany's interest in the eastern expansion is underlined by the fact that a German politician, Günter Verheugen (Social Democratic Party), is the EU commissioner responsible for expansion.

German corporations have invested massively in Eastern Europe. Last

year alone, direct investments amounted to 3.6 billion euros. This figure does not include profits that were reinvested, so that total investments are in fact much higher.

In Poland, the Czech Republic and Hungary, German companies employ 350,000 people. Siemens, the well-known manufacturer of electrical, electronic and related products, has 95 subsidiaries with 25,000 employees in these countries. Volkswagen, having acquired the Czech car manufacturer Skoda, has since tripled its production figures and is now turning out half a million vehicles per year for the entire European market.

“These investments guarantee high quality, comparable to our country, while wages are incomparably lower,” the German newsmagazine *Der Spiegel* comments in its recent issue. “As a consequence, profit margins are much higher than in the West.” The labour costs for a skilled Siemens worker in Germany are eight to 10 times higher than those of his colleagues in the new EU member states. The German Chamber of Industry and Commerce (IHK) gives another example: production costs in mechanical engineering and plant construction are 20 percent lower in Poland than in Germany, while quality is more or less equal.

A survey of the IHK among its members in German industry has shown that companies with more than 100 employees are generally in favour of EU eastward expansion, while small businesses with less than 50 employees regard it as risky. They fear low-price competition from the East.

The EU Commission, the executive organ of the EU, is loyally administering the interests of the large corporations in industry and finance. By putting up innumerable criteria, conditions and rules, the Commission ensures the creation of a “favourable competitive climate” in the former countries of the eastern bloc. In plain terms, this means massive cuts in social spending, the privatisation of large companies and the destruction of large portions of industry and agriculture deemed unprofitable.

The consequences for the large majority of the population are catastrophic. While in some cities foreign investments and EU subsidies bring about small, prospering centres providing a comparatively good income for a small upper social layer, all other regions are sinking in misery and hopelessness. This is particularly obvious in Poland with its 39 million inhabitants—more than the other nine candidates for EU membership taken together.

Of the two million Polish farms, only 100,000 are expected to survive under conditions of EU membership. Polish farmers will be entitled to just 40 percent of the subsidies paid out by the EU to farmers in the West. And this money will generally go to the more wealthy farmers or to agrarian companies already standing in wait at the border, ready to till Polish ground with industrial methods. Furthermore, once the borders are open, cheap foodstuffs from the West will flow into the country.

Given the extremely backward state of Polish agriculture, its small farming businesses are expected to die like flies. While the agrarian sector generates only 3.4 percent of the net domestic product in Poland, it employs a fifth of all workers—3.7 million people. Most of them will lose the basis of their livelihood. They have only minimal chances of finding another job, because the official unemployment rate is at 18.4 percent.

In heavy industry, too, large numbers of jobs are threatened. The Polish steel industry, which still employs several hundred thousand workers, is considered as hopelessly outmoded and unable to stand up to competition in the EU. The same applies to mining and energy production. The EU Commission has already been blaming the economic downturn in the country on the hesitant stance taken by the Polish government towards the closing down of these industries. However, if the Polish government caves in to the pressure of the EU Commission, it risks a social explosion at home. In the mining region of Silesia, workers have been demonstrating for months against the closure of pits as planned by the state.

A similar situation prevails in the other new EU member states. Unemployment is high while labour productivity is low and living standards are accordingly poor. The combined GDP of all 10 new EU members is roughly equal to that of Holland alone. While the scheduled enlargement will increase the population of the EU by about 28 percent, its economic power, as expressed in its combined GDP, will grow by merely 5 percent.

Supporters of the eastward expansion frequently point to the experiences of southern Europe and Ireland. The gap between the relative wealth of the old EU member states and the poverty of those newcomers diminished following the latter's accession. However, the eastern expansion takes place under completely different circumstances. Stagnating growth and high unemployment in all the old member states, particularly in Germany, point to the opposite course of developments: the living standards in the wealthy EU states will be adapted to those in the new, poorer countries.

Business will increasingly transfer production to Eastern Europe in order to drive down wages and conditions in Western Europe. "Competitive pressures on simple, labour-intensive production are increasing," according to the German Chamber of Industry and Commerce. "That is to say, companies in the low-wage sector are demanding the deregulation of the labour market in order to avoid competitive disadvantages caused by excessively high wages."

In addition, growing numbers of immigrants try to escape the misery in the East by accepting low-paid jobs in the West. Unemployment is expected to rise significantly in regions close to the borders and in industries such as construction.

Pointing to these developments, the EU has limited the free movement of EU citizens from the new member states for another seven years. This measure was supported by the labour unions. Even though they belong to the EU, workers from Eastern Europe will not be allowed to live and work in the country of their choice. The decision on who will be accepted as immigrants remains with the individual old EU members. Special regulations will be provided for certain industries.

While capital can move freely, workers from Eastern Europe will face discrimination. This will not mitigate the pressures on wages in the West, as claimed by the unions. Rather, the preservation of a certain difference in wages creates a constant lever to be applied against the higher wage level in the West.

The poorer regions in Western Europe will also be especially hard hit by the Eastern enlargement. A significant portion of the money that will flow into EU subsidies for the new member states is provided by the Regional Fund of the EU. This Fund serves to support regions with a per capita income below 75 percent of the EU average. Given the fact that this average will drop significantly through enlargement, many regions in Portugal, Spain and Eastern Germany will no longer be eligible for support.

In spite of this, the 40 billion euros that the EU intends to spend on subsidies for the new member states over a period of three years are merely a drop in the ocean. The Federal Republic of Germany has spent no less than 50 billion euros per year on subsidies for the Eastern part of the country since reunification in 1991 without being able to halt its economic and social decline.

The subsidies have become an issue of heated disputes, which might even lead to the failure of the expansion altogether. Denmark, which is heading the EU Commission at the moment and is thus leading the negotiations, has promised 42 billion euros to the new countries, whereas the EU had granted only 39.3 billion in October. Whether this relatively minor difference of 2.7 billion euros will be paid out or bring about the collapse of the negotiations depends on the agreement of Germany as the largest net contributor to the finances of the EU.

The eastern enlargement of the EU takes place against the background of growing transatlantic tensions. Numerous trade conflicts between the US and the EU remain unresolved. The intense disagreements between the German and the American government about war plans against Iraq are caused by fundamental antagonisms concerning the relationship of forces between these two rival powers. Influential sections of the American establishment view the expansion and growth of the EU into an economic giant as a challenge to the hegemonic position of the US.

This conflict with the US, the arbitrator of European affairs since the end of World War II, calls into question the relationship of forces within the Old World itself. The growing weight of Germany, which profits most from EU expansion to the East, is met with apprehension by many European governments.

This is why for a long time EU enlargement was blocked by a conflict between France and Germany over agrarian subsidies. The French president, Jacques Chirac, wanted to keep them in order to satisfy the French farmers, while German Chancellor Gerhard Schröder sought cuts for the benefit of his budget. The conflict was only resolved when Schröder gave in—much to the anger of the British government, which also wants to reduce agrarian subsidies.

The political tensions are especially apparent in relation to Turkey's prospects for EU membership. This issue combines a multitude of interests and antagonisms that are almost impossible to disentangle.

The US is putting considerable pressure on the EU to accept Turkey, a NATO member, as soon as possible, because this would strengthen America's most important ally in the Middle East. Within the EU, this position is supported by Britain, Italy, Spain and, most recently, Greece.

Germany and France, on the other side, have strong reservations about Turkey joining the EU. With 70 million people, Turkey has a larger population than each of the present EU members with the exception of Germany, which would give it a major political representation and weight in the organs and institutions of the EU. However, its economic strength amounts to less than a quarter of the EU average and is even below that of Eastern Europe. The opponents of admitting Turkey argue that its membership would paralyse the EU and transform it from a political union into a mere free trade zone. At the same time, the conservative right wing are exploiting the issue, protesting in the name of the "Christian Occident" against the admission of a country with an Islamic majority.

On the other hand, the French and German governments don't want to risk a lessening of their influence on Turkey by categorically denying its prospects for joining the EU. Chirac and Schröder have therefore agreed on a compromise which they intend to present to the Copenhagen summit. They propose that the EU set a date for the accession negotiations to start at the end of next year, following another investigation into the development of Turkey. According to this schedule, membership negotiations could begin in 2005 at the soonest, which means that the earliest date for Turkey to join the EU would be the year 2013—an issue that is expected to generate major disputes in Copenhagen.



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