The consequences of eastward expansion of the European Union

Ulrich Rippert (Socialist Equality Party (Germany) candidate for EU elections)
1 May 2004

European heads of government will celebrate the eastward expansion of the European Union (EU) on May 1 with a pompous ceremony held at a castle in the Irish capital of Dublin. Their speeches will emphasise this "historic moment" that will make Europe "bigger, more united and peaceful" (*Die Zeit*).

Working people should not allow themselves to be deceived by the high-flown speeches, glossy brochures and fireworks displays. This expansion is not designed to benefit and advance their interests. Quite the contrary! The expansion of the EU to the east will only serve to intensify social and political problems on the continent.

Expansion will increase the gulf between the richest and poorest countries of Europe under conditions where, in contrast to earlier rounds of European expansion, no significant measures exist to compensate for such tendencies. Extremely low wage levels in east European countries will be employed as a lever to undermine wages and living standards in the wealthier countries in the west.

The fact that the unification has been undertaken by the EU bureaucracy based in Brussels under conditions where ordinary people have had no say in the matter makes clear that the whole project has been designed to further the interests of the economic and business elites of the wealthiest European countries. None of the 25 governments involved in working out the expansion can be said to genuinely represent the interests of working people. Instead, the huge social issues and problems confronting the eastern European countries joining the Union—problems that have only intensified over the past weeks and months—have been taken up by extreme right-wing parties seeking to divert social discontent into reactionary nationalist and chauvinist channels.

Workers can side with neither the European governments celebrating expansion with popping champagne corks in Dublin, nor the right-wing rabble-rousers who campaign against the EU from an egoistic and backward orientation. Instead, working people must reject the union of Europe at the behest of big business and the banks, and adopt an independent standpoint based on solidarity with their fellow workers across Europe for the construction of the United Socialist States of Europe.

To act as an independent political force, workers require a new party. They cannot place the least reliance on the social democrat bureaucracies or the turncoat Stalinists of eastern Europe. This is the significance of the campaign undertaken by the Fourth International and Socialist Equality Party, which is standing its own candidates in the European election.

One of the first and most important tasks to enable workers to develop their own conscious response is to draw a frank balance sheet of the consequences of European unification up to now. Based on the information detailed in the SEP election manifesto ["Election statement of German SEP: For the United Socialist States of Europe "], the following developments and trends can be plainly identified:

Expansion will increase the total EU population by nearly 20 percent to 451 million. The size of the internal EU market will grow by 23 percent. In contrast, GDP in the expanded EU will rise by barely 5 percent. Taken together, the combined GNP of the accession countries corresponds to that of Holland, although the 10 countries have a population five times greater. Their per-capita GDP is less than half that of the old EU member countries.

The glossy leaflets produced by Brussels to accompany EU expansion speak of a coming upturn in economic and cultural life in eastern Europe, but the figures point to very different conclusions. Over the next two years, the EU will provide support for the new members to the tune of 20 billion euros per annum. In light of the economic and social crisis in these countries, such a sum is a drop in the ocean. This can clearly be seen by looking at the costs of German reunification. Since 1991, the German treasury has transferred 50 billion euros a year to the eastern half of the country, which has a total population of 17 million—considerably less than the 75 million in the prospective eastern European members. Despite this level of support, unemployment in eastern Germany is twice as high as in the west of the country.

At the same time, EU expansion eastward will hit the economies of the poorer regions of western Europe, which will receive correspondingly less money from EU regional funds.

Before the expansion, the EU commission had already undertaken measures that will intensify social contradictions in the new member states. Through a host of criteria, conditions and stipulations, it sought to ensure that a climate existed in the former Eastern bloc countries that was "friendly to free market competition." This has meant massive cuts in state expenditures for social services, the privatisation of state-owned companies, and the closure of entire branches of industry and agriculture regarded as unprofitable.

The consequences for broad layers of the population have been catastrophic. Foreign investment and EU subsidies have made a small prosperous centre possible in a few towns, while the rest of the country sinks ever deeper into poverty and hopelessness.

This is particularly clear in the case of Poland, which has a population of 39 million—more than the rest of the other nine accession countries together. At the end of the 1980s, large parts of the country's heavy industry (steel and docks), mining and the energy sector had been plunged into bankruptcy by a "shock therapy" programme. Industrial production declined by nearly 50 percent between 1988 and 1992. Over the same period, limits on wages for those working in state-run industries resulted in a 25 percent decline in real wages. Now the EU is pressing for privatisation to be accelerated and is demanding that the remaining unprofitable factories be closed down.

The situation is equally explosive in the countryside. Nearly 20 percent of the working population in Poland works in agriculture, which has a low level of productivity. According to EU estimates, only 100,000 of Poland's current 2 million farmers are expected to survive the process of EU expansion. After accession, Polish farmers can expect to receive just 40 percent of the subsidies currently paid to farmers in the west. This money goes mainly to richer farmers or to agricultural concerns set up on the borders, to ensure the exploitation of Polish land using industrial methods. Moreover, it is expected that cheap western food products will flood eastern markets as soon as trade barriers are lifted—meaning there is nothing to prevent a mass liquidation of Polish farming interests.

German business, in particular, has considerable interests bound up with eastward expansion. It already uses the east as a market for its goods and as a source of well-trained but cheap labour. The share of German exports to the new member states in eastern Europe is nearly equivalent to that of the US (i.e., around 10 percent). Total German trade with these countries amounts to 40 percent of the EU total. German companies have invested massively in eastern Europe. Fully 350,000 workers in Poland, the Czech Republic and Hungary are employed by German companies. One German concern—Siemens—has 95 subsidiary companies with 25,000 employees. In 1991, Volkswagen took over the Czech car producer Skoda.

Total labour costs for a skilled worker in the accession countries are just one eighth of the equivalent figure for a worker in Germany. But there will be no rapid levelling up of wages. This is not only due to high levels of unemployment, but also because of a regulation stipulating that the free movement of persons will only come into effect seven years after membership.

It is estimated that, based on the size of its population, Slovakia will, within the space of a few years, become the biggest producer of autos worldwide. Service and high-technology industries are also being switched into the country. The transport and logistics company DHL plans to undertake a major project in the Czech Republic involving a total investment of 500 million euros. At the same time, the company will pull out of depots and factories in Great Britain. Over the next few years, the number of cheap labour call centres in the Republic is planned to rise by 70 percent.

The economic conditions of today, designed to encourage free market investment, were established during the 1990s principally by former Stalinist bureaucrats who emerged as the most avid advocates of unrestrained capitalism.

The policies adopted by the social-liberal government of Hungary in the mid-1990s are a good example. The so-called "Bokros package," named after the finance minister at the time, and which involved draconian cuts in pensions, health care and education provision, together with a radical devaluation of the currency, led to a real drop in incomes of 10 percent. In a parallel development, state industry was rapidly privatised, creating a veritable army of new unemployed.

A former director of the Philips concern gave an interview to a company magazine recalling these years with satisfaction. He declared: "We counted and did our sums. Suddenly we were competitive with Asian industrial sites."

During the 1990s, Philips increasingly transferred its production to Hungary, where wages on average are a fifth of the rates paid in the west. In 2001, the company turned further to the east—to the Ukraine, where labour costs are even lower. Other west European big players such as Siemens, which recently announced it was planning to shift 5,000-10,000 jobs to cheap-wage east European sites, have followed its example.

To attract foreign capital, an outright race in Europe has broken out to sink taxes for companies shifting production. The first moves having been made in the east, west European countries are now following suit. For years, Austria has had the lowest rates of company tax in the EU, but now the government has announced a tax reform due to take affect in 2005 that will lower corporation tax from 34 to 25 percent. Additional incentives for investors are also in the pipeline. The reduction in taxes going to the state are to be recompensed by even more drastic budget cuts.

In its election manifesto, the German SEP wrote: "The SEP decisively rejects the European Union, its institutions, and planned constitution, as well as the process of eastward expansion under the control of the EU. Our rejection, however, has nothing to do with the position that seeks to seal off Europe to the east or rejects the admission of countries like Turkey because it would be 'too expensive.'"

The overcoming of European borders and the joint application of the enormous technical and cultural resources and material riches of the continent would create the preconditions for overcoming poverty and backwardness in a short period, enabling a rise in living standards throughout Europe. This remains impossible, however, as long as the profit interests of big business determine the process of unification. In its present form, unification guarantees complete freedom of movement for capital, under conditions where the broad mass of the European population is divided by huge differences in wages and living standards, immigrants are subject to discrimination, and democratic rights are being done away with.

A progressive unification of Europe is only possible in the form of the United Socialist States of Europe. This presupposes the political unification of the European working class. It is only possible through the construction of a new party that rejects the demands and aims of big business lobbies, and organises social and economic life in accordance with social needs.