

<https://www.internationalviewpoint.org/spip.php?article555>



Europe

# Then there were 25

- IV Online magazine - 2005 - IV364 - February 2005 -

Publication date: Sunday 13 February 2005

---

**Copyright © International Viewpoint - online socialist magazine - All rights reserved**

---

**At a time when the Cold War political division of Europe has ended, European governments are presenting the European Union Constitution as the way forward. It is being touted as merely the consolidation and simplification of existing Treaties, with some additions and alterations necessary for the smooth functioning of the enlarged Union. But what direction is the EU going in with this Constitution? Will it, as its social-democratic supporters argue, be the framework for a deepening of a 'social' Europe, with guaranteed social rights enshrined in the Charter of Fundamental Rights? Or is it a further step in the establishment of an EU quasi-state, consolidating neo-liberalism, and militarising the EU? Here Brendan Young argues that in ignoring this issue the left is sleepwalking and that we should be organising a campaign against the Constitution in any referendum.**

It is likely that the EU Constitution will be ratified in all the new East European Member States and most of the 'old' EU-15 over the coming two years. But the socio-economic prospects for the new Members and across the EU are rather inauspicious. The entry conditions laid down by the EU for the new East European member states, to be followed by Bulgaria and Romania in 2007, have de-industrialised their economies. Official unemployment in southern Poland is 40%, with an overall rate of 20%. Imports are primarily consumer goods, with little import of capital goods; and exports are predominantly of labour-intensive goods. This indicates that the de-industrialisation of the 1990's has not changed. A similar pattern exists in Hungary and Slovakia, Slovenia and the Czech Republic having fared a little better. But the future is not the rosy one of a Polish or Hungarian 'Tiger', reflecting the recent Irish experience.

The EU bluntly stated in 2000 that levels of capital formation, productivity and GDP per person in the Central and Eastern European Countries (CEECs) would take decades to match those of Western Europe. That projection was based upon European patterns of production and accumulation of the 1990s: it did not account for the boom in the Chinese economy and its impact on the Eurozone economy. Globalized sub-contracting has had a sharp impact. Unemployment in Germany, the industrial motor of the Eurozone economy, is 10% in the 'west' and 20% in what was the 'east'. General Motors (GM) is planning to shed 9,500 German jobs in its Opel operations, though its 'eastern' plant is safe due to lower wage rates; the GM-owned Saab plant in Sweden is under threat of closure; VW and Siemens have increased working hours for no extra pay; and both VW and Mercedes have set up car factories in China.

Sub-contracting component production to China, where wages are approximately 5% of British rates, has had the effect of turning part of the German economy to more of an 'assembly' than 'production' economy. This 'east-west' polarisation in Germany reflects the general failure to re-industrialise the CEECs after the collapse brought about by capitalist restoration. And this is despite massive financial transfers to Germany's 'eastern' Lander - â,~130 billion over 13 years, equivalent to approximately 5% of German GDP per annum.

Add to this the changed conditions on the farm, and the mix is heady. The present enlargement of the EU to twenty-five countries will double the area of agricultural land, and more than double the agricultural workforce in the EU. The number of Polish farmers is at present more than the total for France and Germany combined. [1] Agricultural unemployment, almost 40% in south-eastern Poland, [2] will be worsened by the Common Agricultural Policy, which favours large-scale farming over smaller units. EU estimates are that only 600,000 of the estimated 2 million Polish farms will survive full EU membership. A serious crisis for the rural population of Eastern Europe is on the cards. This will have significant knock-on effects, both on small farmers and on migration patterns, in Western Europe.

So the chickens are coming home to roost. Flowing from the EU and International Monetary Fund's neo-liberal policies, an enlarged Union including Bulgaria and Romania would have approximately 153 million - almost a third of a total population of approximately 485 million people - living in regions with Gross Domestic Product (GDP) per head below 75% of the previous EU-15 average. [3]

# Competition between poor and very poor

Neo-liberal enlargement has thus created competition for scarce EU resources between the poor regions of the EU-15 countries (where GDP per capita is below 75% of the EU average), [4] and the very poor of the CEECs, where average GDP per capita is approximately 50% of the EU-15 average (not to mention Bulgaria and Romania, where GDP per capita is approx 30% of EU-15 average). None of the core EU states is willing to increase its contributions to bail out the CEECs: Germany's Finance Minister Hans Eichel has argued that money going to the poor of Eastern Europe is money being taken away from poor regions of Germany; and that the transfer regime is holding back the German economy. [5]

And even if bigger financial transfers were made, 'East' Germany illustrates that of themselves these do not work. Controls on the movement and location of capital are an absolute necessity if regional disparity is to be addressed. EU Regional Policy, comprising small-scale subsidies and infrastructural development, is marginal. It was and is designed to placate political movements that reflect dissatisfaction with regional inequalities in the EU-15, and will have little impact in the enlarged EU. The indications are that the capital cities and western border regions of the CEECs will experience a growth of investment and employment. [6]

But in the context of globalised production systems, de-industrialisation and extensive regional impoverishment in Eastern Europe are likely to become structural features of the EU.

What has emerged from EU enlargement is the creation of a very large internal periphery with its own pattern of uneven development; and a pool of very cheap labour of about a quarter of the EU's working population. Combined with this we have stagnation in the German economy - the biggest in the EU - and increased competition from a booming low-cost Chinese economy.

# A Race to the Bottom

The response to this from the European Commission, from governments and capitalist organisations has been calls for increased competitiveness and productivity, as well as cuts in social spending. These are encapsulated in the Lisbon Agenda, 'to make the EU the most competitive knowledge-based economy in the world', during the coming years. But for European workers, competition with an increasingly capitalized Chinese economy, where millions of peasants provide a vast pool of cheap labour, is a race to the bottom. [7] Likewise the calls for increased competitiveness will do little for impoverished regions other than drive down wages, since the tendency is for high value-added production to locate in core EU regions. [8]

The official leadership of the European labour movements have bought into this 'competitive approach' although there is some fraying at the edges. The most significant breach has been over the 'country of origin' principle in the Commission's Directive on Services in the Internal Market - the Bolkestein Directive. This would allow a privately-owned provider, based in a country where regulations allow low standards, to operate according to 'country of origin' regulations in other EU countries. It has been argued that the Bolkestein Directive will nullify existing laws which require a foreign employer to observe the pay and conditions of the country of employment. The dispute over 'outsourcing' of staff at Irish Ferries, where the company is using low-paid agency workers from

Eastern Europe to replace unionised Irish staff, showed just how weak this protection already is: Bolkestein would wipe it out.

While not opposed to the whole Directive, the European TUC and other union organisations have declared their opposition to the 'country of origin' aspect of Bolkestein and in favour of retaining existing protection regimes. This 'national' defence against the use of cheap Eastern European labour to undermine 'western' wages and conditions is a useless strategy in the face of the relative impoverishment of one third of the EU population and the emergence of a huge pool of cheap labour; and it abandons millions of people in the CEECs to the mercy of the market.

Does the EU Constitution provide the means to deal with impoverishment in the 'east' and attacks on wages, conditions and social provision in the 'west'? The Constitution contains some positive values and objectives: the broad statements of Parts I and II. But these are undermined and contradicted by the means, as detailed in Part III - the policies and functioning of the Union.

## The Neo-liberal Agenda

In continuity with previous EU treaties, the Constitution commits the EU to economic liberalisation. It enshrines the 'free movement of persons, services, goods and capital', and 'an internal market where competition is free and undistorted'. This rules out public control of capital movement or economic planning. Public utilities, water, energy, transport, communications, and state firms are also subject to the EU's competition rules: they cannot be given priority, for social or environmental reasons, above the interests of private capital. The European Central Bank, which has no democratic accountability, has price stability as its objective, rather than employment or sustainability. It is this neo-liberal approach that created and has failed to correct the current polarization - rich west and poor east.

But the Constitution takes liberalisation a step further by providing a framework that makes it much easier for the Commission to liberalise trade in health, education, cultural and audio-visual services. The new Common Commercial Policy would end the unrestricted veto on international trade in these areas, in particular through the General Agreement on Trades and Services (GATS). The GATS agreements entail progressive elimination of regulations, so that a foreign company can compete to provide a service, with no preferences allowed for existing domestic providers. The provisions of the Bolkestein Directive are very similar to the GATS rules, and would bring both deregulation and a single European market in services, enhancing the negotiating position of EU trade negotiators (led by Peter Mandelson) in the GATS talks.

Such trade leads to part or full privatisation and means that profitability becomes increasingly important in the provision, quality and access to these services. And the drive to liberalise applies also to trade with developing countries, as illustrated by the European Partnership Agreements currently being negotiated by the EU with the ex-colonies - the African-Caribbean-Pacific (ACP) countries. These agreements require the ACP countries to lift their restrictions on imports and service providers from the EU in return for limited access to EU markets - to the advantage of European companies and contributing to poverty in these countries.

So rather than alter the socio-economic trajectory of the EU, the Constitution will deepen it and enshrine it in constitutional law.

## A Superstate?

As to structures and democracy, the Constitution would give the EU some more of the characteristics of a state. The EU is to have 'legal personality', enabling it to act internationally on behalf and instead of the Member States. There is to be an EU President and a Foreign Minister, with foreign policy being formulated by a Foreign Policy and Security Committee, supporting a diplomatic corps of 40,000. The Constitution explicitly states that EU law is superior to Member State law in those areas where the Constitution gives the EU the competence to do so. In the past this referred to broadly economic matters. But the Constitution ends the previous distinction between 'Community' areas, where EU law was supreme, and 'intergovernmental' areas, where national laws applied. In principle, all government policy can now come under EU law, with foreign policy, civil and criminal law immediately coming under EU influence.

Member States have lost the power of veto in 27 policy areas, in particular on liberalisation of trade in public services. The European Parliament has gained power of veto in a number of areas, but despite it being the only directly elected institution of the EU, it still cannot initiate legislation: only the Commission can do this. While the Charter of Fundamental Rights is incorporated into the Constitution, this can be overridden: the Council of Europe (25 heads of state) can limit these Rights by law, 'to meet general objectives recognized by the Union'.

ETUC leaders have lauded the Constitution for the supposed right to hold a Europe-wide strike. But this right to strike does not override the labour laws of the Member States, and is thus highly restricted, if not nullified, by them. And while the Charter gives legal standing to public services, such legal standing does not override relevant national legislation. So there is no provision requiring minimum levels of service or adequate funding to ensure universal access to high quality services. Under the Constitution, the European Commission and the Council of Ministers would gain powers in at least 25 new areas, Member States would lose powers, and there would be limited additions to public accountability via the European Parliament. These changes will undermine rather than enhance democracy in the EU. While the new powers gained by the EU, including military enhancement, advance the state-like characteristics of the EU, it remains a quasi-state. The EU does not have a police force; and none of the Member States is giving up its armed forces. All EU law, including tax-raising, is implemented by the state institutions of the Member States themselves, rather than an EU state as such.

There has been a passing-up of legislative and executive powers to supra-national bodies, but the European social formation remains nationally fragmented and the nation state remains essential in the maintenance of capitalist social power. The EU does not challenge this order. But although the class struggle begins at the national level and against the 'nation' state, an internationalist strategy is vital for the workers' movement. Such a strategy must also include support for the right to self-determination, which is absent from the Constitution. Indeed the leader to the conservative Partido Popular in the Spanish state, Mariano Rajoy, has cited Article 1.1 of the EU Constitution - which refers to citizens and states as establishing the EU - as 'shutting the door on delusions of self-determination', in his denunciation of the Ibarretxe plan for Basque autonomy within the Spanish state.

## Mirroring the Bush Doctrine

On military matters, the EU agreed a new Security Strategy in December 2003, which was followed by a European Council agreement specifying the 2010 Headline Goals. These expanded the security and military brief of the Amsterdam Treaty and included a commitment to engage in 'preventative' wars. This mirrors the Bush doctrine. The same Council confirmed the EU's links with NATO, confirming the EU-NATO permanent arrangements for crisis management. NATO military doctrine includes first-strike strategy, with a willingness to use nuclear weapons.

It is in this military framework that the Constitution would oblige Member States to show mutual solidarity and loyalty to the EU's Common Foreign and Security Policy; to make civilian and military facilities available to the EU; and to progressively improve military capabilities. It declares that EU defence policy 'will lead to a common defence when

the European Council acting unanimously so decides'. Some States can also, 'establish permanent structured co-operation within the Union framework....in accordance with the principle of a single set of forces', which amounts to an EU army. Nowhere is it mentioned that EU military activity overseas will require a UN mandate; or that nuclear disarmament is an EU objective. Indeed the Constitution commits the EU to continued support for nuclear power by incorporating the Euratom Treaty.

All of this is supposedly for 'peace-making'. But of course it will be a Pax Europeana, as against a Pax Americana. The likely theatre of EU military activity is Africa. European states want to stabilise African states that are sympathetic to the needs of European capital regarding strategic raw materials, cheap food production, markets for EU goods, and to control mass migration to Europe in the context of social crisis. [9] And the Spanish Socialist Party prime minister Zapatero revealed the aspirations of European leaders when he said last November that the EU will be one of the great military power-blocs of the world in 20 years' time.

In summary, the Constitution reduces democracy and accountability within the EU; it prioritises the market above the needs of working people and enshrines neo-liberalism as European economic policy; it advances the militarisation of the EU in strategic alliance with NATO; and it undermines social and environmentally sustainable development, at home and abroad.

## Social Democrats as Grave-Diggers of the Welfare State

Good sense tells you that when you are in a hole, you should stop digging. But in the face of social storm-clouds gathering on the horizon, the social-democratic supporters of the EU Constitution are acting as the grave-diggers of the post-war social contract. The essentials of this were the ceding of control of production to capital, in exchange for basic social protection for the working class, education, health-care, unemployment protection, pensions - the welfare state. While pensions are under attack across Europe and there is pressure to replace welfare with workfare, education and health-care had been regarded as sacrosanct. But the Constitution would provide the framework for commercialisation of these services, deepening two-tier patterns of access and quality that already exist.

By embracing the EU Constitution, which entrenches in constitutional law the economic precepts that have given rise to the current socioeconomic circumstances, the official leadership of the labour movement is politically neutralised in the face of the assault on wages, working conditions, and the social wage; nor has it any strategy to reverse the crisis faced by impoverished millions in the 'east' - and their impact in the 'west'.

## NO to the EU Constitution

In the spirit of solidarity rather than mutual competition, we reject this Constitution and call for a NO vote in any referendum. We reject the de-humanising race to the bottom advocated by the EU and by governments across Europe. Where is the social rationality in lengthening the working week and working life when millions are without work? We need a trans-European strategy that puts social and environmental needs to the fore, irrespective of the protestations of big business. The commitment to liberalisation must be broken if regional and social polarisation are to be tackled. Public utilities, including transport, water, communications, energy and environmental services should be run as need-driven services, not profit-oriented commercial activities. Essential social services like health and education should have no commercial influences acting on them. A Constitution that allows trade in public utilities, and facilitates trade in health, education, cultural and audio-visual services should be opposed. Nor should we support a Constitution that maintains the current secrecy in the EU's international trade negotiations at the GATS and

WTO.

There must be an end to the militarisation of the EU. The total military spending by EU Member States is approximately E200 billion per annum, about half of the US military budget: this should be diverted to socially useful projects. The history of the European imperial powers is one of plunder and exploitation, we can place no trust in them to extend their military remit under the cover of the EU. Similarly, there should be no support for nuclear power, no nuclear weapons, and no military alliance with NATO.

Giving the European Parliament - the only directly elected EU institution - full law-making powers would go some way to redressing the democratic deficit at the heart of the EU. Under current circumstances, preservation of Member State vetos is the only means of political accountability: why elect a left-wing government that can be outvoted in the Council of Ministers. To enshrine in constitutional law a set of political institutions as anti-democratic as those of the EU is to acknowledge that the future trajectory of the EU will be anti-social and unpopular; and that decision-making bodies must be insulated from popular pressure. No supporter of democracy can tolerate this. No future left-wing government could abide by it.

The coming debate on the EU Constitution will see the nationalist right attempting to lead a NO campaign. If this is to be avoided, the Left will have to unite in a fight to take the leading role - using internationalist arguments and challenging the neo-liberal trajectory of this reactionary Constitution. Vote No in any EU Constitution referendum.

*This article first appeared in Socialist Outlook, a marxist review produced by the ISG, British section of the FI.*

---

[1] Monica Boduszynski (2003) [â€œChallenges of EU Expansion: can the CAP be uprooted?â€](#)

[2] European Commission (2004) Third Cohesion Report on economic and social cohesion. [www.europa.eu](http://www.europa.eu) includes Main Regional Indicators.

[3] Ibid

[4] The criterion for Objective 1 funds

[5] The EU agreed a 2004-07 development budget of E22 billion for the ten new Member States, E7 billion per annum for approx 75 million population, compared to transfers of E100 billion per annum to â€œEastâ€ Germany for a population of approx 20 million. Britain, France and Germany want to reduce the EU budget from 1.23% to 1% of EU GDP.

[6] Martin Heidenreich, â€œRegional inequalities in an enlarged Europeâ€, Journal of European Social Policy 13:4., 2003 Sage

[7] Mike Davis, â€œPlanet of the Slumsâ€, New Left Review 26, 2004

[8] Janicki & Wunnava, â€œDeterminants of foreign direct investment: empirical evidence from EU accession candidatesâ€, Applied Economics 36, 2004. DIW - EPRC, â€œThe Impact of EU Enlargement on Cohesionâ€, DIW (German Institute for Economic Research) & EPRC (European Policies Research Centre). European Commission Tender PO/00-1/RegioA4. 2001

[9] See Davis, 2004