

**Social Developments  
in the European Union 2006**

**Eighth annual report**

edited by  
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# Christophe Degryse and Philippe Pochet

## Foreword

Although the European Union seemed to become bogged down in constitutional crisis during 2006, the world around it continued to turn. Europe has a straightforward choice in the face of globalisation: to consolidate its prior achievements – fundamental rights, social and environmental standards – in an enlarged Union, or else to sacrifice them in the global race to be competitive. This tension lies beneath the surface of all the contributions to this review of social developments in Europe. Whether it be socially responsible management of corporate restructuring, the affirmation of fundamental rights or social dialogue and workplace health and safety standards, two opposing forces are ever-present in this volume: to champion all that is specific about the European model of economic and social development, or to jettison the ‘burdens’ and ‘obstacles’ to international competitiveness.

From an international perspective, one might – despite a lack of hindsight – venture the hypothesis that 2006 was a year of upsets. The (temporary) suspension of the World Trade Organisation (WTO) negotiations in July puts the much-discussed Doha Development Round on hold; most importantly, however, it highlights the deep divisions between groups of nations on the principles, scope and intensity of international trade liberalisation. The ascendancy of China, no longer just as a trading power but as a diplomatic giant, has been remarkable. China was a presence on all fronts in 2006: drawing up a new cooperation agreement with the European Union, bolstering its economic cooperation in Africa, consolidating its energy partnership with Russia, laying down its diplomatic priorities to the United States, especially on the subject of Iran’s nuclear power – and so the list goes on. Russia seems equally inclined to flex its muscles, not only in its own ‘back yard’ but also as an inescapable Eurasian player, not hesitating for a moment to use its vast energy resources to exert leverage. In the United States, on the other hand, the triumphalism of the Neoconservatives came to an end in 2006: they have been greatly weakened by the quagmire of Iraq (Baker report) and at the mid-term elections. The US is having to reconsider some of its policies, including on the sensitive topic of global warming.

Therefore, owing to the emergence of new world players, as well as what is now the inevitability of global challenges linked to neo-liberal logic (growing social inequalities, global warming, degradation of natural resources and the ecosystem), the model of triumphant neo-liberalism is revealing its limitations and, no doubt, starting to wane. In November 2006, in a bid to rise to the challenges of globalisation, the two former international trade union confederations united in a new organisation, the International Trade Union Confederation (ITUC). At its founding conference in Vienna, the ITUC pledged to ‘change globalisation fundamentally, so that it works for working women and men, the unemployed, and the poor’. This undertaking likewise reflects a shared analysis, within the trade union movement worldwide, of the causes to be tackled and the strategies to be deployed in order to attain this goal: ‘It is essential [...] that the policies of free market neo-liberalism, and the manifest failings and incoherence of the international community in respect of the current process of globalisation, give way to governance of the global economy’ (on the issue of striking a competitive balance on the European market, see the chapter by Marie-Ange Moreau).

Environmental challenges now rank beside social challenges on the international agenda. In 2006 it was no longer only ecologists who were alerting public opinion to the threat of global warming, but a former US presidential candidate. It was no longer non-governmental organisations, but the UK government, which used calculations by the former chief economist at the World Bank to estimate that the effects of climate change would cost €5,500 billion if nothing is done (Stern report). None other than the *Financial Times* is now telling us that ‘companies must adapt or die in a changing climate’<sup>(1)</sup>. Meteorologists are no longer alone in speaking out on the climate; they have been joined by entomologists and farmers – since nature, for its part, has already begun to adapt – along with insurance companies and the world of finance. The economic and social damage done by the dominant economic model is now an immediate, quantifiable, concern. In this context, the European Union must opt between upholding its specific form of balanced, fair and sustainable economic, social and environmental development, or continuing to remove the ‘barriers’ to competitiveness on the international scene, its eyes glued to the short-term performance of its rivals.

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<sup>1</sup> John Llewellyn, ‘Companies must adapt or die in a changing climate’, *Financial Times*, 29 January 2007.

Neo-liberalism has been contested in a series of national ballots in EU Member States. However, these protest votes have not solely taken the form of a come-back by the Left; there has also been an upsurge of populist, nationalist and extreme right-wing parties. With the exception of Sweden, all the elections held in 2006 were won either by the Left or by the nationalist, populist Right (or both together, in Slovakia). The formation of the 'Identity, Tradition, Sovereignty' (ITS) political Group in the European Parliament in January 2007 is a reflection and consequence of these results. This trend fully substantiates the need for a proactive European policy on fundamental rights (see, in this volume, the contribution by Olivier De Schutter on the creation of the European Agency for Fundamental Rights).

In Hungary, after a closely-fought campaign against the nationalist Right, the electorate opted for continuity by re-electing Socialist Prime Minister Ferenc Gyurcsany in April (<sup>2</sup>). At the May legislative elections in the Greek part of Cyprus, the Communist Party Akel retained its position as the largest Greek Cypriot formation, the other parties in the coalition being the social-democratic party Edek, the European party Evroko and the Greens. The June elections in the Czech Republic put the anti-Communist, Eurosceptic, liberal Right in power, and a 'blue-black-green' coalition was eventually established after a political crisis lasting until January 2007. In June, the general election in Slovakia brought victory for the Left and the nationalists, in a reaction to years of liberal reforms. The Social-Democrat Party allied itself with the populist Movement for a Democratic Slovakia and the ultranationalist Slovak National Party, causing the European Parliament to suspend the left-wing party. In Sweden, at the September legislative elections, a coalition of conservative, liberal, centrist and Christian-democrat parties put an end to twelve years of social-democratic government. Social democracy nevertheless remains the principal political force in the country. In October, the Austrian general election resulted in unexpected defeat for the conservatives, victory for the opposition social-democrats and a resurgence of the extreme Right. The elections held in the Netherlands in November saw endorsement for the traditional parties, a breakthrough for anti-liberals and the emergence of an anti-immigrant party. So, whereas there have for some years been hints of a left-wing revival (Spain, Italy, Portugal, Hungary and Austria, as well as in coalition governments: Belgium, Germany etc.), this is accompanied by a rise of the nationalist, populist Right (in the United Kingdom, Poland, Belgium, the Netherlands, Austria, Slovakia, the Czech Republic, Romania etc.).

Turning to the 'usual' large States and their policies on Europe, none of them apart from Germany and Spain seems to have been in a position to help Europe overcome the deadlock in 2006. France, in pre-campaign mode for the 2007 presidential elections, appeared unable either to make sense of the no-vote on the constitutional Treaty or to envisage a way out of the crisis. The disarray of the anti-capitalist Left, the main force behind the no-vote, has made the question of Europe disappear from the radar screen. In the United Kingdom, the failure of Prime Minister Tony Blair's Europe policy and the weariness of the Labour Party (evident at the local elections on 4 May) contributed to the growing popularity of David Cameron's Conservatives and an enduring upsurge in British Euroscepticism. John Major's former political adviser, Lord Blackwell, argued in January 2007 for the United Kingdom to withdraw from the institutional structures of the Union (<sup>3</sup>). In Italy, there was of course the electoral victory of Romano Prodi over Silvio Berlusconi and an avowed determination to strengthen European policy-making by relaunching the idea of an integrationist nucleus of countries with France, Germany and Spain. But the considerable political difficulties faced by the new Prime Minister at home have weakened his government. Besides, Italy's budgetary situation is less favourable than predicted. In Spain, Prime Minister José Luis Rodríguez Zapatero supports European integration and ratification of the constitutional Treaty. At the 19<sup>th</sup> Franco-Spanish summit in November, French President Jacques Chirac announced that he now regarded Spain as a 'special strategic partner' in pushing forward European integration, on a par with Germany. But Madrid raised hackles in Paris in January 2007 by jointly holding, with Jean-Claude Juncker of Luxembourg, the 'Friends of the Constitution' conference, a gathering of countries having ratified the text. In Poland, the conservative Law and Justice Party (PiS), which signed an agreement with the anti-liberal populists and the extreme right-wing League of Polish Families in late April, is at odds with its European partners on a whole range of issues: the European Parliament investigation on CIA flights, the freezing of the cooperation agreement with Russia, the lack of effective measures to reduce Poland's deficit, and so on.

As we complete this rapid tour of the major countries, it would seem that only Germany and Angela Merkel's grand coalition are in a position to play a key role in reinvigorating the European Union.

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<sup>2</sup> But the conservative Right was victorious at the local elections in October.

<sup>3</sup> Norman Blackwell, 'The forces pushing us away from European integration', *Financial Times*, 29 January 2007.

Indeed, this state of affairs raised a good many (too many?) expectations at the start of the German presidency on 1 January 2007. Its room for manoeuvre will however depend on the results of the presidential and legislative elections in France, as well as on political developments in the United Kingdom now that Mr Blair has announced his intention to step down during the course of 2007. Just as new players and new global challenges are emerging, therefore, the European Union is running into the sand and most of its Member States seem to have lost their political vision.

On the 'domestic' policy front, 2006 saw the closure of some important chapters opened under the previous European Commission: the 'services' directive was adopted (see the chapter by Éric Van den Abeele), as was the REACH Regulation on the placing of chemicals on the market. In an upbeat economic climate accompanied by an overall reduction in unemployment, there is little talk any more of the Lisbon Strategy, the alpha and omega of Community policies between 2000 and 2005. Several policy dossiers have been postponed or suspended, which is a sign of tension within the Commission itself and/or between the Commission and the Member States: a delay in the mid-term review of the White Paper on European transport policy for 2010, postponement of the publication of the Green Paper on modernising labour law, postponement of the Commission's action plan on energy efficiency, postponement of the action plan on a policy in respect of patents, suspension of the draft recommendation on private copy levies, postponement of a communication on follow-up to the White Paper on services of general interest, delay in the adoption of the strategy on reducing CO<sub>2</sub> emissions from private cars, etc. In addition, several social dossiers are behind schedule or have been stalled for much too long: reform of the 'working time' directive, the directive on temporary workers, the review of the directive on European works councils, etc. The European Trade Union Confederation points out that: 'while two social directives per year were adopted between 1957 and 2002 [...], in 2005 and 2006 not even one legislative initiative was taken' (ETUC memorandum to the German presidency of the European Union, January 2007).

Concerning environmental policy, the differences of opinion and conflicts between European Commissioners are common knowledge; the Commission responsible for heading up Europe's strategy on climate change is deeply divided. In terms of social affairs, various contributions to this edition of *Social Developments* depict a Commission which is in retreat, providing little input into debate and putting forward few initiatives on matters such as services of general interest and social services (see the chapter by Rita Baeten), health and safety at work (chapter by Laurent Vogel) and European social dialogue (chapter by Christophe Degryse).

The challenges – both internal and external – confronting the EU, its institutions and its Member States call for imagination and strong political commitment in many fields: these include climate change, social inequality, territorial cohesion, the affirmation of a sustainable model of development, and Europe's role in international diplomacy. In the multi-polar world of the future, where regulation will be more necessary than ever, the European Union is one of the few players capable of fostering an international consensus and garnering the political resources to confront the global challenges. But in 2006 the main question concerning all of those challenges was: does the Union have ambitions to match its resources?