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Making the enlarged Europe an area of solidarity and cooperation

As the 2004 deadline draws nearer, I am increasingly convinced that successful enlargement eastwards will be the European Union's greatest and most exhilarating project over the next 15 years. At the same time, I am well aware of the lack of enthusiasm among the European public. The citizens of the Fifteen often worry that in embracing 10 or 12 new Member States the enlarged Europe will be reduced to no more than a free trade area and that it will no longer be true to the vision we hammered out for the European Union in Maastricht. That vision was based, let us remember, on a dynamic balance between competition, cooperation and solidarity. It is true that the Copenhagen criteria, as well as the attentions of EU negotiators, have tended to prompt the governments of the candidate countries to focus their efforts on the transition to a market economy once democracy has been consolidated. Similar concerns can be detected in the countries of Central and Eastern Europe (CEECs). Though the goal is close, a certain fatigue is beginning to show, particularly among the young. They often ask us "Are all our efforts, dearly paid for by a deepening of social and regional inequalities, in vain or simply insignificant in terms of the road we still have to travel?" or "Is the European Union going to go back on its promises by suddenly turning mean just as we join?"

To give the best chances of success to enlargement, we need to take these fears seriously and come up with coherent responses. We need to perform an objective diagnosis of the obstacles and opportunities which the Union of 25 or 27 will encounter over the next ten years. Then, having weighed up the problems, but also the positive points for the cohesion of the Union, we will be able to sketch out solutions. In a word, we need to act without delay to prepare for the post-enlargement if we want to make the enlarged Europe an area of solidarity and cooperation.

It was with this aim in mind that the "Notre Europe" Research and Policy Group, of which I am President, organised a seminar in Warsaw with the Fondation Lucchini and the Polish authorities on 21 and 22 February this year.

1. First of all, what are the problems?

In economic terms, it is likely that the "large single market effect," which has been so beneficial since the accession of Spain and Portugal, will be less spectacular after 2004. The CEECs should nonetheless see their growth rates increase by between 1% and 2% as a result of joining. In fact, liberalisation of trade took place during the 1990s and has already delivered most of its potential benefits, including a shift in the candidate countries' trade from East to West. Moreover, with privatisation these countries have enjoyed an influx of foreign direct investment from all the developed Western countries, particularly Germany and Austria. These investments have helped them restructure and modernise their economies.

That said, we can expect to see a second wave of restructuring in the wake of strategic decisions taken by multinational companies, which will compare the performance

(capital and labour productivity, labour costs, availability of financial/natural resources, size of the national market) of their various operations in a large market of 500 million people and a geographical area of 4 million square kilometres. This means that the 267 regions of the enlarged Europe will, when operating in the same market niche or industrial sector (e.g. textiles and clothing, furniture, vehicles), find themselves in competition with one another. This is likely to result in redundancies and higher unemployment among unskilled and poorly qualified workers, unless politicians prepare the economic and social structures for the impact by providing appropriate support for industrial innovation and workforce training.

In social terms, without wishing to overstate the danger, there is a risk that pressure to emigrate will increase. Fortunately the agreements negotiated in 2001, providing for a transitional period of between three and seven years, will enable us to avoid trauma following enlargement. However, we should be aware that the gap will take decades to close and, taking into account demographic evolution, that two types of person will continue to migrate for some time: firstly, workers living in border areas who commute daily over distances which are likely to increase with unemployment and, secondly, highly qualified workers, generally young people, attracted by higher salaries and greater job opportunities in the West.

In terms of geography, the European Commission has recently issued startling statistics on inequality: the gap between the richest and poorest regions (the 10% at the extremes) will rise from 2.6 in the Union of 15, to 4.5 in the Union of 25, and as much as 5.8 in the Union of 27. Looking at this in terms of structural handicaps, we find four types of area which are problematic:

- the least developed regions of the current and future Member States, which will continue to lag behind economically, socially and institutionally and which will be competing directly with one another for the distribution of Structural Funds;
- areas situated on the edges of the new enlarged Union. Those which are located on the Atlantic coast and in Southern Europe will see the EU's economic centre of gravity move eastwards and will be facing tension with the Southern Mediterranean countries. Those areas which will make up the EU's new Eastern border will find themselves separated from their traditional trading partners as a result of the new "Schengen frontier." In the long term, they will also see pressures rise due to widening economic, social, environmental, political and other gaps between themselves and the other countries of the former Soviet Union;
- the existing external borders, which will become internal borders. Local political, economic and social players will, on a daily basis, need to manage significant gaps in revenue and substantial administrative differences to either side of the border;
- areas in the CEECs which are in the process of industrial and agricultural restructuring, where needs relating to training, public and private management, investment and modernisation will be immense.

Without wanting to paint too black a picture, I am going to raise two more cultural and institutional issues, which I think are sources of uncertainty or even concern. During the first few years following accession, the authorities in the CEECs will no doubt be annoyed by the regulatory requirements of the single market and by the intervention of Brussels. National susceptibilities may be exacerbated, especially as some populist discourse is likely to find a keen audience amongst those whose economic situation has been destabilised by enlargement. A further problem could be posed by the administrative and institutional weaknesses of the candidate countries when faced with these new challenges; here, I am essentially referring to the fragility of the fledgling

local and regional authorities. Their legitimacy is still being questioned by the people of the CEECs, and they often have insufficient financial and human resources available. In short, post-enlargement needs will be both quantitative and qualitative. They relate, firstly, to the lack of regional and national development, support for economic activity and modernisation of the structures it depends on, and transport infrastructure.

Secondly, they relate to agricultural and industrial restructuring. As I see it, in rural areas we need to separate the needs of agricultural activity (modernisation, marketing, equipment) from those of other areas of activity (including tourism, services for the community and small-scale industry). Industrial restructuring needs to involve the modernisation of equipment and, above all, a more tailored business-support policy to help firms implant in an area by upgrading equipment and the workforce, providing access to finance and R&D, and creating an environment which fosters innovation. In qualitative terms, there is a need for efficient public services and human resources training, not only to achieve the requisite levels of technological skills but also to increase management and entrepreneurial capacity.

2. Now let us turn to the opportunities that enlargement offers.

There is no doubt that the future European Union will draw on a wider asset base, as its existing experience will be supplemented by that of the candidate countries. Four examples spring to mind straight away: the Community method, the cohesion policy, the experience of cooperation and cultural diversity.

Firstly, the EU can pride itself on its renewed capacity to give weight to the participation of small countries. Aware of their individual limits, they are surpassing themselves as members of the EU. The example of the three Benelux countries is certainly the most well known; but during the 1990s, in their own different ways, Ireland and Portugal made their mark and gained recognition in the EU for their specific talents. More recently, the three Scandinavian countries have been able to champion subjects on the European agenda which are close to their hearts, such as gender equality, sustainable development and the transparency of public finances. In my opinion, we owe this tremendous experience to the Community method and, more specifically, to the initiating role which has been conferred on the Commission. Very often, this unique institution has successfully prevented large States from dominating smaller ones, without provoking an outcry or leading to paralysis. In a Union of 25 or 27 this method, which has proved itself, should certainly be adapted, but does not need to be reinvented. In terms of economic and social cohesion policy, I would not wish to deny the importance of the financial transfers from which Greece, Ireland, Portugal and Spain have benefited. However, in my opinion, the main reason for the success of the Structural Funds lies in the basic principles laid down in 1988: concentration of aid, partnership, additionality and multiannual programming. These conditions placed on the granting of funds have played a key role in changing not only public accounting methods in the regions of the Member States, but also attitudes and, ultimately, performance outcomes.

The requirement to diagnose the strengths and weaknesses of an area, to set priorities and put in place multiannual regional development programmes has delivered benefits in terms of rigour and stability. The Structural Funds have also resulted in the development of models specific to the EU, which have helped certain rural, urban and industrial areas that are either in decline or located on or near borders to resolve their structural problems.

One might say that 40 years of building Europe, plus 12 years of structural intervention, has forged a kind of culture of cooperation, which has spread geographically as well as amongst the many economic, political and social players of Europe. Community added

value is particularly apparent in the practice of partnership, in the integration of the sectoral policies and in transnational cooperation based on multiple networks between regions, towns, companies, unions and civil society associations. These forms of cooperation are a major informal factor in European cohesion. They have already been extended naturally through the twinning schemes aimed at enhancing the institutional capacity of the candidate countries. They should be developed further.

The final asset, it seems to me, is Europe's cultural wealth. We have already discovered how to tap the wealth of our regions, create appellation of origin schemes to denote quality products, develop forms of tourism linked to our history, architecture, culture and landscape, stimulate innovation by means of communication technologies, to the extent that these become new industries in themselves - I am thinking, most notably, of the Italian design, British multimedia and French cinema industries. These success stories are the result of the exchanges of experience which have taken place between regions and people. In the future they will provide a starting point from which, together, we can identify the best democratic practices, the best way to promote sustainable development, add value to rural areas in Poland, Lithuania or Romania, respect ethnic minorities but also to avoid retreating into outdated, intransigent and egotistical localisms.

The enlargement eastwards is a tremendous opportunity for the governments and peoples of the existing Member States. It challenges us to look forward, that is, to move to help the candidate countries become the new champions of twenty-first century Europe. We need to provide them with the tools with which, instead of following an accelerated version of the route taken by the richest and most developed Member States, which would be painful in social terms, they can instead skip several steps and land directly in the knowledge society. The dynamism they demonstrated throughout the 1990s, and the extraordinary capacity which most of them possess for mixing modernity and tradition, should give us pause for thought. More than anything it should persuade us to risk the wager with them, on the one hand placing confidence in them and lending them financial aid and, on the other, improving their chances of success by providing technical assistance.

3. The fact is that we need to start preparing for enlargement right away.

I readily quote Bronislaw Geremek "This is an emergency!" I refer not only to the institutional reforms the Convention is working on, or to budgetary considerations - although financial matters are important, and inadequate grants risk fuelling long-lasting resentment and leaving problems unresolved for years to come. I am thinking of three areas requiring action, which in my opinion are crucial conditions for successful enlargement.

Firstly, the candidate countries need to decide without delay what role they wish to play, individually and collectively, in the EU of 27. This is not a matter of whether they will speak with the voice of the North, the South or the East, but of them answering the question: "What economic and social development do we want to promote for our country, our regions and our cities?" This capacity to project into the future is the starting point for mobilising the population, economic players and politicians. It is a precondition without which the Structural Funds and other EU funds will serve no purpose and will, furthermore, risk ensnaring the new members in an enduring cycle of dependency.

Secondly, the EU needs to reinforce its message and practice in terms of cooperation: I am aware, from a number of discussions on enlargement with representatives of the Member States and the candidate countries, that this dimension of building Europe is

little-known and poorly understood. Europe does not need to be involved in everything, but it does need to encourage all the players, at every level, to work together to move forward. I believe that the analysis of 1986, which concluded that the cohesion policy was a necessary condition for the proper functioning of the internal market, remains entirely valid. If it needs to be updated and expanded, then we should be mindful that its success depends not only on the transfer of funds but also on working methods.

Solidarity therefore needs to go hand in hand with cooperation.

Thirdly - and this is more of a challenge for Europe than an area of action - we need to find a way to combine the exploitation of diversity with control of nationalist and populist tendencies. It is important that we safeguard the Community acquis as the product of a practice which has transcended egoism and a misplaced pride which can sometimes be arrogant or obtuse. We need to guard against the temptation, under the pretext of preserving national identities and finances, to step back from the achievements of the Community practice. Renationalising common policies would without question be a move backwards for Europe's political maturity and economic competitiveness.

I am convinced that, by following action in these three areas and identifying problems in advance we will succeed in overcoming the obstacles. We will thus be working productively to ensure that the Union of tomorrow continues to be a large area bringing together competition, cooperation and solidarity, and an example of how interdependency can be managed and globalisation mastered.