

— the European Food Safety Authority <sup>(1)</sup>;

— the European Aviation Safety Agency <sup>(2)</sup>;

<sup>(1)</sup> Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 June 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety (OJ L 31, 1.2.2002, p. 1) — EESC opinion: OJ C 155, 29.5.2001, p. 32.

<sup>(2)</sup> Regulation (EC) No 1592/2002 of the European Parliament and of the Council on establishing common rules in the field of civil aviation and creating a European Aviation Safety Agency (OJ L 240, 7.9.2002, p. 1) — EESC opinion: OJ C 221, 7.8.2001, p. 38.

— the European Maritime Safety Agency <sup>(3)</sup>.

3. Amending the legal acts establishing these agencies involves consulting the European Economic and Social Committee.

4. The European Economic and Social Committee welcomes the Commission's proposals.

<sup>(3)</sup> Regulation (EC) No 1406/2002 of the European Parliament and of the Council establishing a European Maritime Safety Agency (OJ L 208, 5.8.2002, p. 1) — EESC opinion: OJ C 221, 7.8.2002, p. 54.

Brussels, 11 December 2002.

*The President*

*of the European Economic and Social Committee*

Roger BRIESCH

### **Opinion of the European Economic and Social Committee on the 'Economic and social consequences of enlargement in the candidate countries'**

(2003/C 85/18)

On 16 and 17 January 2002, the European Economic and Social Committee decided, under Rule 23 of its Rules of Procedure, to draw up an opinion on the 'Economic and social consequences of enlargement in the candidate countries'.

The Section for External Relations, which was responsible for drawing up the Committee's work on the subject, adopted its opinion on 7 November 2002. The rapporteur was Mr Dimitriadis and the co-rapporteur was Mrs Belabed.

At its 395th plenary session (meeting of 11 December 2002), the European Economic and Social Committee adopted the following opinion by 98 votes to 2 with 3 abstentions.

#### **Summary**

The present opinion clearly demonstrates the special interest taken by the EESC in the completion of the accession negotiations for the candidate countries in the current enlargement exercise, even if certain important parameters remain to be decided. The enlargement presents the EU with its most demanding test since it was set up, but at the same time poses the great challenge of achieving the Lisbon Council's objective of making the EU the most competitive economy in the world.

The EESC supports enlargement in every way and shares the view of the Danish Presidency that the timetable for enlargement must be respected, taking account of the progress achieved by each candidate state individually.

The EESC offers various kinds of support to the enlargement process, and in particular in the development of cooperation with and support for the socio-occupational organisations, the social partners and specialised NGOs in the candidate countries, so that (a) they can operate productively at national level, (b) they organise more effectively by acquiring the

necessary know-how, (c) they can take part in problem-solving at local level, (d) they can take an active part in European activities. The EESC endorses this idea and will make every effort to achieve it, even after accession, which in itself is not the solution to all the candidate countries' socio-economic problems. The EESC is committed to promoting enlargement as a horizontal theme running through all its work, in accordance with the aims of the 2002 action programme for enlargement.

## 1. Introduction

1.1. The enlargement procedure constitutes a dynamic progress towards the unification of Europe, strengthening peace, security and prosperity throughout the continent. In the course of the last decade, under particularly unfavourable conditions, the countries which are candidates for accession have achieved particularly striking economic and administrative progress on the road to membership of the EU. Nonetheless, continued efforts are needed in order to maintain this progress, particularly in the next few years, which are regarded as critical on the one hand for the successful conclusion of their accession negotiations, and on the other for tackling the problems of adjustment which will arise from the full, substantive implementation of the Community *acquis*.

The vision of creating a united Europe with a large single market of more than 500 million European citizens, including those from the candidate countries, could become a reality, provided that (a) the economic and social changes in those countries proceed rapidly and without setbacks of any kind <sup>(1)</sup>, and (b) that the socio-economic conditions allow it, i.e. if the citizens of the candidate countries accept the new situation and feel secure in a united Europe.

1.2. The candidate countries face a double challenge: while still endeavouring to reform their whole political, economic and social system, it is necessary at the same time for them to adjust immediately to the Community *acquis*. These are two parallel, often overlapping, but still distinct processes imposed by a whole series of commitments and obligations to international actors which often point in different political and economic directions on the basis of their respective strategies and social models. Accession to the EU is therefore very much influenced by the transition and vice versa. In addition to the economic and social effects of enlargement in the candidate

countries, the EU will experience a considerable impact from the systems established in the candidate countries, once these countries join the EU. It seems that the current Member States are not yet aware of the full extent of this impact.

1.3. At the Conference on Enlargement held on 16 November 2000 (in Brussels) under the aegis of the EESC, representatives of various social groups discussed the actual situation and the impact of the candidate countries' accession to the EU. The Conference 'signalled to the Council and the other EU institutions, as well as to the governments of the candidate countries, the need to properly anchor the forthcoming accessions of new members in the civil society... The Conference expressed its conviction that a sustainable and prosperous enlargement of, and accession to, the European Union, relies much on these actors' successful involvement in the preparatory efforts.'

1.4. In the course of the meetings on enlargement held at the EESC from 5 to 7 November 2001 <sup>(2)</sup>, Mr Günter Verheugen, the Commissioner responsible for enlargement, called on the EESC to concentrate its attention on the economic and social effects which enlargement would have on the candidate countries.

1.5. In addition, the members of the Joint Consultative Committees (JCCs) set up with the candidate countries were called upon <sup>(3)</sup> to help ensure the success of enlargement, both for the EU and for the candidate countries. Their meetings deal with the most important issues affecting the enlargement countries and there is unrestricted dialogue covering some of the main questions relating to agricultural payments and quotas, regional policy, bureaucracy in public administration, the absence of social dialogue, the free movement of people, the causes of the delays observed in EU funding, the economic contribution of SMEs, the limited research in the scientific field, vocational training, low competitiveness and, finally, the lack of public information on enlargement in the candidate countries.

1.5.1. The criteria for assessing the progress of each country, as defined by the Copenhagen Summit in 1993, still remain in force. Apart from Turkey, the candidate countries continue to meet the political criteria laid down in Copenhagen. In most of the enlargement countries, a good deal of progress has been made in deepening and consolidating democracy, in respect for the rule of law, in protecting human rights and in strengthening democratic structures.

<sup>(1)</sup> See also the EESC opinions: The employment and social situation in the central and eastern European candidate states (OJ C 193, 10.7.2001) EU enlargement: the challenge faced by candidate countries of fulfilling the economic criteria for accession (OJ C 193, 10.7.2001).

<sup>(2)</sup> Summary Report on the European EESC Enlargement Meetings 5-7 November 2001.

<sup>(3)</sup> EESC Enlargement Week Conference 'Towards a partnership for economic growth and social rights', 14 to 17 November 2000.

1.6. Every effort, however, will need to be focused on the capacity of the candidate countries to fully adopt the Community *acquis* and particularly to transpose it into national legislation. It is noteworthy that, while a good many laws were adopted to complete the Community *acquis*, these have not been accompanied by the necessary supporting measures and, above all, we do not know what the effects will be when they are fully implemented in practice. In general the candidate countries have clear objectives to achieve with a view to accession; this is particularly helpful to them in defining their priorities and in speeding up specific reform procedures.

The opinion gives priority to examining the following themes:

## 2. Present economic situation — Restructuring

### 2.1. Economic data — Statistics

2.1.1. On average, the increase in the real GDP of ten of the candidate countries almost reached 5 % in 2001. In the first half of 2001, there was a slowdown in the increase in the GDP of the candidate countries. The per capita GDP as a percentage of the Community average (measured in purchasing power standards, PPS) reached 39 % in 2000, as against 38 % in 1999 for the ten central and eastern European countries. The total GDP of the candidate countries amounts to only 5 % of the EU's GDP<sup>(1)</sup>. The large rises in the price of oil caused inflation to rise from 10 % to 15 % in 2000. Despite the good growth figures, unemployment rose from almost 11 % to 12,5 % in 2000, and to 18 % in 2001 (even reaching 25-31 % in some regions). The rise in unemployment reflects the negative effect of structural changes on the labour force, distortions in the labour market and the lack of correlation between vocational capacities and the jobs on offer.

2.1.2. The collapse of the 'command economy' system in 1989 and the transition to a market economy have given rise to a new conception of economic, social and entrepreneurial processes in the candidate countries, with a parallel shift of their economic orientation from east to west. In most cases, there was intense public reaction to the drastic change in socio-economic conditions, because of (a) the increased political and socio-economic cost of transition, (b) the inefficiency of public authorities and (c) the collapse of internal economic mechanisms and processes.

2.1.3. Economic restructuring has generated new jobs in new sectors, while simultaneously eliminating a large number of jobs from the traditional branches of industry, thus leaving high unemployment, inadequate infrastructure and gloomy prospects for large geographical areas. This, in combination with financing problems, is the greatest development challenge in those regions. Efforts must centre on bringing all the parties involved together to develop a strategy for these regions and to create the right conditions for investment and job creation. In addition to skill-development measures, there is a need for an effective labour market policy, improved infrastructure, and a balanced policy for social benefits, wages and salaries, so as to foster the right climate both for investors and for workers so that new job vacancies can be offered and filled.

2.1.4. The trade of the candidate countries has undergone significant restructuring in recent years, with the EU now the main trading partner for most of them. Moreover, as expected, the increase in imports of goods and services has created a deficit in the trade balances of the majority of these countries.

2.1.5. The new competition conditions which will be created by accession will most probably lead to significant realignments in key sectors of these countries' economies (agriculture, processing etc.). Particular importance will need to be given to preparation for all the complex factors involved in the new competition conditions arising from enlargement, and the probable effects of these on apparently 'healthy' sectors.

### 2.2. Industry — Services — Trade

2.2.1. Foreign direct investment has contributed significantly to balancing the external debts of all the candidate countries. It has also been an important source of new jobs, preventing a serious employment crisis both in large firms and in SMEs. The bulk of this foreign direct investment comes from privatisations, mainly of public industrial firms, yielding the majority of inward capital flows. One fifth of foreign direct investment in the commercial sector goes to labour-intensive branches, such as textiles, clothing, electrical machinery and motor-vehicle manufacturing. Foreign direct investment also remains the principal means of replacing obsolete heavy equipment, and introducing and teaching new technologies and forms of management as well as modern sales promotion

<sup>(1)</sup> Eurostat — Statistical Yearbook 2002.

tools. Despite the substantial changes which have taken place, heavy industry remains a vital economic and social factor in many regions; if it is not supported significantly it will give rise to further social problems.

2.2.2. Privatisations have been a key tool in the transition process. They had and still have varying results depending on country, sector, size of companies, selected method and the legislative and institutional environment. In many cases, although privatisation has considerably boosted individual companies' productivity, this has been at the expense of a rise in unemployment and growing income disparities.

2.2.3. Privatisation has spread from industry to other sectors such as the public utilities, transport and energy, in tandem with efforts to achieve the overall restructuring of these sectors. Banking sector privatisation programmes have been completed in most of the candidate countries, but governments continue to intervene in some state banks in operational matters or in framing credit policies. Special attention should focus on the lack of privatisation procedures in other financial and economic sectors in the candidate countries. It is, however, worth stressing that privatisations in the finance and credit system, and particularly in the banking sector, have not been and are not always a solution to all economic and social problems.

2.2.4. Transport in candidate countries faces a tremendous challenge in transforming and implementing *acquis* into legislation. Specific measures should be streamlined in administrative and organisational support for the candidate countries in order to implement in practice transport legislation <sup>(1)</sup>.

2.2.5. The lack of up-to-date financial instruments acts as a deterrent to investment in the growing private sector. In most cases, further progress is needed prior to accession, in order to boost the efficient transposition of instruments for establishing monetary policy. It should be emphasised that the existence of controls to verify that the banking sector is operating in compliance with the law does not mean that similar regulatory machinery exists in other sectors, where intermediary service companies could be developed, offering development and efficiency. It should be emphasised that the regulatory machinery is not absolutely strict and secure in financial terms, while it often creates considerable delays and hindrances

to entrepreneurial activity. Similarly, the absence of firms providing mutual guarantees for credits to SMEs significantly increases the investment risk.

2.2.6. Unjustifiable delays in implementing the necessary land ownership reform remain the major cause of the lack of development in the housing, construction and property markets, with a direct and negative impact on the labour market, SME growth, new enterprises and financial intermediaries. This particular problem is also hindering the entry of domestic and foreign investors in both these and a wide range of other sectors, especially when compounded by the legal loopholes affecting property rights.

2.2.7. Horizontal infrastructures need to be put in place or reinforced in the internal market sector, particularly those which facilitate a good business environment and entrepreneurship. Examples of areas where there is considerable room for improvement include: market supervision, standardisation, certification and industrial and intellectual property rights.

2.2.8. Competition in the broad sense has only been fostered as an economic, social and entrepreneurial principle over the last decade in the candidate countries. The progress made so far must be maintained and stepped up by creating institutional bodies to monitor the competitive framework and individual competition policies, as in the EU 15.

2.2.9. The lack of the necessary culture for producing innovation and the unclear definition of the research and development contribution to sectors of the economy call for special attention on the part of the candidate countries.

### 2.3. *Small and medium-sized enterprises*

2.3.1. The EESC takes the view that SMEs are the most important source of growth for the CEECs because of their flexibility and adaptability, and that they can make an important contribution to reducing unemployment. Enterprises, and especially SMEs, have an important role to play in the enlargement process. The EESC has already pointed out that 'Enterprises have an essential contribution to make to the creation of new jobs and the generation of income, which are prerequisites for further economic and social development'. Thus it is particularly important to encourage the authorities in the candidate countries to speed up the machinery for informing firms affected by the Community *acquis* and boosting the entrepreneurial spirit in SMEs.

2.3.2. The SME sector has shown itself capable of growth and flexibility, despite its relative lack of experience and the

<sup>(1)</sup> See EESC Opinion on Transport/Enlargement, September 2002.

absence of specific financial resources, and it contributes very substantially to GDP and employment in all the countries concerned. SMEs in the high technology/informatics, specialised production and services sectors, in particular, tend to have similar characteristics and results in terms of employment to larger companies benefiting from direct foreign investment.

2.3.3. In other sectors, however, SMEs operate in an economic environment where the 'parallel economy' has a considerable influence on their chances of surviving and maintaining their place in the market. The impact of the parallel economy on labour relations leads to: (a) precarious forms of employment; (b) payments at the level of the minimum wage or even lower; (c) in some cases, additional 'cash-in-hand' payments; (d) limited-duration contracts or complete absence of contracts, ignoring labour agreements and the rules on working hours.

2.3.4. The EESC calls upon the Commission to give more attention to improving conditions for SMEs in the candidate countries, further encouraging the entrepreneurial spirit and proposing measures for support and training, always accompanied by the fullest information on the European Union's policies on SMEs.

#### 2.4. Public services

2.4.1. The public-interest services sector (public utility bodies) deserves special attention. As experience in Western countries has shown, the total liberalisation of this sector, in competition with private enterprises, can lead to problems of supply and/or safety. In some candidate countries, the rise in energy prices has left households unable to pay for their electricity consumption, so that their supply is cut off. This has often led to serious social unrest. A common problem in the privatisation process is the failure to set up a statutory legal framework in sectors which provide such services (transport, energy, telecommunications). This can lead to the creation of monopolies.

2.4.2. The European Parliament has highlighted the crucial role of investment in developing and enhancing the social fabric of the countries of central and eastern Europe<sup>(1)</sup>. This represents an important factor in forestalling the unfavourable social effects the implementation process is likely to produce.

<sup>(1)</sup> European Parliament Resolution of 17 April 1996 on the White Paper on Preparing the associated countries of Central and Eastern Europe for integration into the internal market of the Union (OJ C 141, 13.5.1996).

2.4.3. The public services urgently need to be modernised in most of the candidate countries, particularly in terms of serving the citizen in his dealings with public authorities. Special emphasis will also need to be placed on introducing IT management solutions in the public sector.

#### 2.5. Agriculture

2.5.1. The process of bringing CEEC agriculture into the CAP is a difficult and lengthy one. The starting points situations differ very considerably. There are fundamental differences as regards agricultural structures. Major differences also occur in the way in which structural problems and the issue of competitiveness are being tackled. In most of the candidate states agriculture accounts for a very much higher percentage of overall employment and GDP than is the case in the existing EU Member States. The percentage of the total working population employed in agriculture varies from 5,1 % in the Czech Republic to 42,8 % in Romania (the average figure for the EU Member States is 4,3 %). There are similar major differences as regards agriculture's contribution to GDP, which varies from 2,9 % in Slovenia to 15,8 % in Bulgaria (the average figure for the EU Member States is below 2 %).

2.5.2. As the figures make clear, there is a very considerable difference between the economic importance of agriculture and the social importance of this sector. A relatively large number of workers makes a relatively small contribution to the economy. Particularly in the case of rural areas in the large candidate states, such as Poland and Romania, special note needs to be taken and particular consideration paid to the high level of importance of agriculture to local labour markets, bearing in mind, in particular, the above average level of unemployment in rural areas and the difficulty in creating new jobs in these very areas.

2.5.3. Restructuring in certain branches of industry and the unemployment which has been generated in urban areas have led many people in the candidate countries to return to the countryside<sup>(2)</sup>.

2.5.4. The percentage of declared employment accounted in agriculture in the 13 countries has remained close to 1999 levels, falling slowly in most of them but with a slight increase in employment in the farm sector in certain cases, such as Poland and Romania.

<sup>(2)</sup> DIW-Wochenbericht 1-2/02: Grundlinien der Wirtschaftsentwicklung 2002/2003, DIW, Berlin, 2002; Eurostat: Regional unemployment rates in the Central European Candidate Countries 2000.

2.5.5. The impact of the CAP budget on rural areas and on the overall economy will vary greatly depending on how funds are applied. If decoupling were to apply it could have implications for employment in rural areas. This of course will have social implications, which will require alternative sources of employment needing education and training.

2.5.6. Because of the way in which it is structured, labour-intensive agriculture in the candidate countries is often not competitive. There is clearly considerable pressure for change within agriculture in these countries. Higher productivity is needed, but this could have severe social and environmental consequences.

2.5.7. For the EESC, it is important to reiterate firmly that the development of agriculture and rural areas in the candidate countries must respect the principles of sustainability and that past mistakes must not be repeated.

2.5.8. The preparatory programmes will play an important role right up to the time of accession. The EESC is in favour of decentralising the implementation procedure for the ISPA and especially the Sapard programmes, which ought to be up and running in all the candidate countries as soon as possible. However, it is particularly regrettable that the Sapard programme is being implemented in some countries only after considerable delay — and then in some cases not even in the planned form. This hinders the necessary adaptation process and the reorientation of agriculture towards sustainable production.

2.5.9. At its meeting of 25 October 2002, the European Council decided to phase in direct payments to farmers in the candidate states, in line with the proposal made by the Commission. The EESC believes that this represents an important step towards ensuring that the negotiations on the difficult agriculture chapter are concluded successfully and on time. The EESC hopes that, when judging this decision, the candidate states also take account of the other aid measures, particularly those designed to improve agricultural structures and develop rural areas.

2.5.10. The Committee supports efforts to develop the CAP further, in such a way that European agriculture can not only better match the expectations of society, but also cope well with the new challenges arising from enlargement.

2.5.11. In putting forward its proposals, the European Commission has clearly indicated that it wishes to make greater use of the CAP instruments set out under the second pillar of Agenda 2000, these instruments promote, in particular, rural development and agri-environmental programmes. The EESC has already pointed out in a variety of opinions that, in principle, it regards this policy as the right policy to follow; this observation applies also, and in particular, in the case of the candidate states.

### 3. Current social situation

#### 3.1. Employment

3.1.1. In spite of rising overall unemployment, significant labour market differences exist between urban and rural areas. The restructuring of most branches of industry and the growth of the service sector, particularly in urban centres, have accentuated the employment disparities between urban centres and the regions<sup>(1)</sup>, leaving large numbers of workers, especially in rural areas, without the right qualifications to match the needs of the new economy, which is increasingly service-oriented. In addition to the measures referred to above for regional development and for attracting investors, a balance must be struck between the jobs on offer, the qualifications required and the salaries offered, in order to use and develop human potential in the candidate countries in line with the Lisbon strategy objectives.

3.1.2. The blueprint of reforms as part of the process of social transformation in the CEECs is based on the assumption that there will be high rates of economic growth, especially through development of a vibrant private sector in the economy. Foreign direct investment (FDI) inflows and SME development have had to serve as the main 'shock absorbers' for the inevitable shedding of manpower and falling living standards. Despite the dramatic changes in the structure and operation of the economies in the region, results have fallen far short of expectations. In most of the cases, employment problems remain a key determinant for success in the accession process.

3.1.3. Experience gained to date from the 'transition' to the free market indicates that high economic growth rates have not been matched by the creation of more or better jobs as an automatic consequence of efforts to restructure and modernise. In some cases (Poland) the highest growth rates have been accompanied by persistent and often growing unemployment problem.

<sup>(1)</sup> OJ C 51, 23.2.2000.

3.1.4. Significant segments of the 'pools of cheap labour' have been tapped by the rapid development of the 'parallel economy' and proliferation of cases of 'parallel' practices in legitimate companies. The cumulative effect of the freedoms brought by the reforms and intended as a foil to poverty and a mainstay of social order has helped to fuel the spread of corruption and has had a severely detrimental impact on budget revenues and the financial resources of social funds. No less significant is the impact on the efficient operation of market institutions and mechanisms and the distortion of fair competition in the emerging commodity and labour markets.

3.1.5. Large foreign companies have created the prospect of stable, better-paid and better-quality new jobs for one section of the labour market. They are among the limited group of firms which invest in health and safety at the workplace. However, the number of new jobs can only limit and not reverse the exodus of manpower.

3.1.6. Given the limitations of the economic environment in which SMEs operate, such as light industry, foodstuffs, construction, wood processing and furniture manufacturing, they have a low capacity to absorb unemployment.

3.1.7. Foreign companies' policies naturally attract the most highly skilled labour, which may lead to structural tensions in local labour markets. Territorial FDI concentrations tend to preserve or deepen regional disparities between labour markets both across the CEEC region (80 % in Poland, Hungary and Czech Republic) and within each country. The integration of foreign companies in the local economic systems is still insufficient and the spill-over effects (through new subsidiaries or subcontracting) have so far had limited input in employment creation.

3.1.8. The process of accession and harmonisation of standards, norms and practices involving tighter rules, better control and increased competition could exert pressure to 'clean up' and operate transparently from now on, but this process could be accompanied by a serious negative impact on the employment situation if measures are not provided in time to alleviate this by supporting 'healthy' companies.

3.1.9. In conclusion, the overall employment situation and its prospects necessitate an approach to employment and labour market policies reaching well beyond just 'active

measures' and incorporating policy packages on taxation, investment, education, etc. to provide real opportunities for stable and quality job creation.

3.1.10. Talks with the social partners in the joint consultative committees have raised the issues of professional training and the brain drain, among others. The EESC has undertaken to conduct an in-depth study of these issues and make appropriate proposals <sup>(1)</sup>.

### 3.2. *Wages and salaries*

3.2.1. As wages and salaries still remain relatively low, unemployment is rising and fiscal problems do not permit high transfer payments, the candidate countries face growing inequality and persistent poverty. In the candidate countries in the 1990s, the wage gap widened and the number of people living below the poverty line rose <sup>(2)</sup>.

3.2.2. The diversity of economic factors and forms of working spells a much more complex relationship between wages and total income than there often appears to be. Wage income in many cases constitutes less than half of the total income of households (as aggregate national indicator). Also quite important is the distribution of wages by size in the different countries. In some countries (Bulgaria) there is a tendency towards polarisation with a concentration of wages in the low skill/low pay branches of industries, with the next peak around the average wage and a low peak in the very high pay levels (MNCs, big state companies and utilities) with the private sector lagging behind the public sector.

3.2.3. One of the results of restrictive incomes policies in different forms in the individual countries is that it is often possible to observe the emergence of a new category in these societies — the 'working poor', fertile ground for the parallel economy.

### 3.3. *Social security systems*

3.3.1. As the EU has only a limited *acquis* in the area of social policy, changes to the social security systems of the candidate countries have been influenced considerably by other international organisations, e.g. the IMF and the World Bank, which have a broader jurisdiction for strategic aid to

<sup>(1)</sup> Summary Report — European EESC Enlargement Meetings 5 and 7 November 2001.

<sup>(2)</sup> Presentation by a Commission representative at the study group meeting on 28.5.2002.

these countries. Their influence has geared the changes towards a social model with private elements, with accountability and risk-taking centred more specifically on the individual.

3.3.2. While warmly supporting the European social model, which is based on the principles of social and territorial cohesion, the EU has limited competence or presence to influence the changes and planning of these systems. As a result, in many cases, including the field of social security, the way in which the social model has been planned cannot in the EESC's view serve as a model for Europe <sup>(1)</sup>. The EESC proposes that greater attention be given to these questions through the open method of coordination, laid down by the Lisbon Council, in which the candidate countries have already been included by the Barcelona Council; thus they have the opportunity to plan and develop their social security systems according to their own needs and the principles of the European social model.

#### 3.4. *The role of social dialogue and civil society*

3.4.1. The arrangements for social dialogue in the central and eastern European countries (CEECs) feature similar combinations of central tripartite agreements at national level and bipartite collective bargaining concentrated mainly in private companies and in some cases employers' groups. The example of Slovenia is a clear-cut exception as a leading role is played by sectoral bargaining and the established works council system.

3.4.2. The tripartite approach has been introduced mainly with the 'transfer' of a model from abroad, which is also based on the need to preserve social order in the critical stages of the transition process, while the old political system is dismantled and the foundations laid for the development of a market economy — the roller coaster of liberalisation and the initial restructuring of the economy. As the new political and market systems have stabilised, the importance of social dialogue is not so immediately obvious, and interest in it, especially on the part of governments, has diminished significantly.

3.4.3. The accession negotiations have given new impetus to the development of arrangements for social dialogue. They have accelerated the introduction of works councils in the workplace and improved the prospects of CEEC representatives taking part in the European Works Councils of the corresponding multinational companies. However, more efforts are needed to ensure that the harmonisation process leads to effective integration in everyday practice.

3.4.4. In the light of the growing pressure and trend for labour relations to be individualised, the development of labour legislation as the legal basis for labour relations will need to be closely monitored in order to ensure that it proceeds according to the principles of the European social model, of which the social dialogue constitutes an important pillar.

3.4.5. Development is still hampered by:

- a limited understanding of the meaning of national sovereignty in decision making by the executive and legislative powers and their frequent reluctance to inform the social partners in practice and to consult them on matters in their areas of expertise;
- problems with the representation of the social partners, the lack of the necessary institutional framework, and the fragmented representation of interests by the social partners, complicating joint decision-making within the social dialogue structures; there are signs that certain trade associations will join forces, but the problem remains for employers' organisations in a number of cases;
- identity and clearly-defined roles of social dialogue in the new circumstances.

3.4.6. There are still three areas presenting serious challenges for the future development of social dialogue in line with EU standards and practices:

- the development of substantive rules for bargaining at general and sectoral level;
- full acceptance and effective operation of works councils in the workplace;
- the development of social dialogue structures, mechanisms and procedures for SMEs.

#### 4. **Equal opportunities**

4.1. Legislation in the individual candidate states is largely consistent with the key requirements of EU law relating to the equal treatment of women and men. Unfortunately, practice often differs. As in the Union, the main problems arise above all because economic difficulties affect women and men in different ways <sup>(2)</sup>. In addition, publicity on the importance of equal opportunities for men and women remains at a low level.

<sup>(1)</sup> Employment, economic reform and social cohesion — Towards a Europe of innovation and knowledge — OJ C 117, 26.4.2000.

<sup>(2)</sup> Agenda 2000, Vol. II: The challenge of enlargement (impact study), p. 46 (COM(97) 2000).



4.2. Equal opportunities, however, relate not only to the relationship between men and women, but also to the avoidance of any kind of discrimination based on 'racial or ethnic origin, religion or belief, disability, age or sexual orientation' (Article 13, EC Treaty). With regard to the situation of minorities in particular, there are still considerable problems to be addressed in the candidate states.

4.3. Forceful measures will need to be put forward to deal with the continuing problems relating to conditions and terms of detention in certain candidate countries, the exploitation of women and children, equality of the sexes and prevention of discrimination.

4.4. In particular, the socio-economic gap between the Roma people and the majority appears to be widening. Special measures will need to be taken with a view to facilitating their access to social services and infrastructures <sup>(1)</sup>.

4.5. The ethnic dimension of economic and social problems must be addressed systematically. Business opportunities, living and working conditions, schooling, access to public services, etc., differ greatly for ethnic minorities. Minorities tend to remain closed in on themselves for a variety of reasons, some cultural and relating to economic motives, others systemic problems arising from the fact that a number of EU policy measures do not work, as they were designed for the West <sup>(2)</sup>.

## 5. Consumer rights

5.1. The EESC supports the efforts of bodies representing civil society, and more specifically consumers' associations, as they enter the fray in the candidate countries and make a start on the difficult tasks facing them. They deserve support and encouragement. The EESC calls on the Consumer Protection Directorate-General to use all possible means to bolster the consumer movement in the enlargement countries and provide the necessary know-how.

5.2. The EESC is closely following legislative and administrative developments in the field of consumer protection, particularly with regard to food safety in the candidate countries, where efforts have begun in a fairly difficult environment and with very substantial shortcomings in protection measures.

(1) EU-BULGARIA JCC Working Document on Social Policy Issues in Bulgaria.

(2) e.g. funds for minorities to preserve their identity.

## 6. Environmental issues

6.1. Protection of the environment had in the past a very low priority in the candidate countries, with the result that, for example, heavy industry has caused considerable environmental damage, which is in many cases irreversible. In recent years very positive changes have taken place; many types of efforts have been made, above all in technical protection of the environment. However, a great deal remains to be done in order to meet the EU environment standards, to complete the mainstreaming of environmental protection in other policy fields, and to ensure sustainable development. The Committee regrets that, in the debate on environmental matters in the candidate countries, the social and economic aspect has hardly been mentioned. The opportunities of future job creation offered by environmental protection, but also the social questions which can be linked with increased environmental expenditure, should be given greater attention. The EESC calls upon the Commission to promote this hitherto all too brief process, at the same time further to assist the efforts now underway by transferring funds and know-how, and to press strongly for the necessary reforms where the need to protect and conserve the environment has not yet been understood.

6.2. Special attention will have to be paid to protection of the environment and ecosystems — including the protection of the still relatively rich biodiversity — in relation to the other accession questions. The development of environmental infrastructure and use of effective control mechanisms to implement effective regulations will play an important role here in all the candidate countries.

6.3. The EESC urges all EU institutions to review even more closely the environmental impact of their pre-accession programmes and investment aid.

## 7. Safety

7.1. Public safety remains a key issue in the enlargement process. Safety in general covers various areas such as food safety, nuclear safety, road safety, etc. The social implications need to be examined more carefully when implementing safety measures. For instance, unemployment in the Koslodui region is still at 21 %.

## 8. Conclusions and recommendations

8.1. The EESC would reaffirm its view that EU enlargement presents an historic opportunity to unite Europe and its citizens under the same roof, securing stability and prosperity for the European continent.

8.2. The EESC expresses its serious concern at the rise in Euro-scepticism and the fluctuations in public opinion in the Member States and the candidate countries.

8.3. The EESC notes that the improved organisation of public administration, reduced bureaucracy, the crackdown on crime and the creation of flexible and modern mechanisms for legal, administrative and judicial protection will contribute to an increased sense of security among the public in the candidate countries and to further growth in foreign investment and increased confidence on the part of foreign investors in these countries, which have an ongoing need for direct foreign investment and support from international credit organisations.

8.4. The EESC calls for greater transparency in the implementation of the European programmes and initiatives concerning the candidate countries. The lack of know-how and of transparency could very easily result in resources being wasted.

8.5. The EESC is doing everything it can to support the efforts of the Commission and those of the candidate countries to successfully push through agricultural reforms, which will be crucial to these countries' integration into the EU.

8.6. The EESC warmly supports the efforts to set up and articulate organisations and bodies representing civil society organisations and NGOs, basic elements in democratic development.

8.7. The ESC believes that a key point in the enlargement process is the free movement of workers, which is also a particularly sensitive matter.

8.7.1. In its common position, the EU has already agreed on transitional provisions with nearly all the candidate countries. The EESC welcomes this fact and expresses the hope that during the transitional periods every effort will be made to move forward, by bringing in the necessary preparatory measures and ensuring that the EU will provide an efficient common labour market for all its future Member States.

8.8. The EESC would emphasise the fact that economic and social convergence remains the most important factor today. As the EU falls short of full economic, political and social integration, the greater diversification which is likely to arise from the successful accession of certain countries will put a

strain on the efforts at economic and social convergence made by the current partners, unless the necessary mechanisms and procedures are provided for.

8.9. The EESC urges the Commission to cooperate with governmental bodies in the candidate countries to provide fuller information for citizens on the enlargement of the EU and its institutional set-up, through publicity campaigns, putting special emphasis on introducing relevant branches of learning into the educational and vocational training systems in these countries. The EESC welcomes additional efforts by the candidate countries to strengthen communication with the citizens on progress in the EU accession procedure.

8.10. Entrepreneurship is the most important source of growth for the candidate countries. Enterprises and especially SMEs have an important role to play in the enlargement process. Enterprises have an essential contribution to make to the generation of income and creation of new jobs, which are prerequisites for further economic and social development. Thus it is essential to really encourage the authorities in the candidate countries to speed up the information to firms affected by the Community acquis and to foster entrepreneurship.

8.11. A number of different European as well as international organisations are active in the candidate countries. These institutions and organisations represent different models of society and policy, and their recommendations should be coordinated in order to ensure that the future Member States advance towards the European social model, which is based on the idea of promoting social and territorial cohesion and combating poverty and social exclusion, as the basic principle of economic policy.

8.12. During the enlargement conference in November 2000, it was suggested in this context that the Committee take a co-ordinating role between the different institutions involved — a role which matches its capabilities and which it shows every sign of fulfilling successfully.

8.13. The EESC supports the communication strategy launched in May 2000 by the European Commission with the aim of providing appropriate information on the enlargement procedure. Similarly, it warmly supports the participation of EU bodies, together with elected representatives, political leaders and governments, the economic and social partners and representatives of civil society in general, both from the Member States and from the candidate countries, in the developing dialogue.

8.14. The EESC attaches importance to the role of countries outside the EU which border on those preparing for accession. Specific plans need to be drawn up in this area, given that new opportunities and challenges will arise after enlargement, such as free trade areas, illegal migration, customs checks and trafficking in human beings and drugs. The enlarged Union will need to develop further its relations with the emerging markets of neighbouring countries and develop a common approach, particularly with the Western Balkans, the Commonwealth of Independent States and the countries of the Mediterranean Basin and North Africa.

8.15. The EESC supports the strengthening of an independent and unimpeachable judicial authority in the candidate countries, which constitutes a guarantee for the proper operation of the administrative and political system. The fight against corruption needs to be speeded up, and tangible results are required to ensure transparency in the business

environment, with corresponding progress in legislation on bankruptcy.

8.16. In the first half of 2001, the Ecofin Council agreed to begin cooperating more closely with the candidate state finance ministers and central bank governors by meeting twice a year and through regular reports to the Ecofin Council on the economic situation in those countries. The Committee welcomes this development and suggests that it should be extended to other Councils in order to promote dialogue with the enlargement countries, especially in the light of the objectives set at the Lisbon summit.

8.17. The candidate countries should remain within the exchange rate mechanism (ERM2) for at least two years. The EESC would repeat its recommendation that the new Member States should enter ERM2 immediately on joining the EU so that their exchange-rate policies are conducted within a more stable Community environment.

Brussels, 11 December 2002.

*The President  
of the European Economic and Social Committee*

Roger BRIESCH

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