

**THE 1996 INTER-GOVERNMENTAL
CONFERENCE: WHAT'S IN IT FOR THE LEFT?**

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Does the 1996 Inter-Governmental Conference (IGC) offer any hope for the progress of left-wing politics in the European Union? Even the most enthusiastic 'Eurosociologist' would be hard-pushed to argue that a distinctively social-democratic policy direction is likely to emerge directly from decisions taken by the IGC, which is expected to complete its business of revising the Maastricht Treaty by the summer of 1997. Nevertheless, the IGC represents an important stage in the development of political integration, and the constitutional decisions it makes will have an important bearing on the evolving political culture of the EU. This paper examines the extent to which a distinctively social-democratic vision of Europe has emerged in the process of preparing for the IGC, and assesses the prospects for its realisation.

The IGC will be dominated by constitutional matters such as the right of veto and majority voting in the Council, co-decision making between the Council of Ministers and the Parliament, and the conditions and timing of the enlargement of the EU. The major inputs in the formation of the agenda have come from the Reflection Group, which comprised two MEPs, a Commissioner, and representatives of the member states' Foreign Ministries; the European Parliament, which has set out its agreed targets for institutional reform in the Martin-Bourlanges Report; the major political groupings - the Party of European Socialists (PES), the European People's Party (EPP), and the European Liberal, Democrat, and Reform Party (ELDR), which have all set down position papers; and perhaps most importantly, the statements of major government leaders, particularly Helmut Kohl. The weight of Germany's position as the EU's economic powerhouse

adds greatly to the strength of its strongly pro-federal position.

The British Conservative Government's adherence to the idea of a loose association of sovereign states in a trading bloc governed by neo-liberal assumptions is guaranteed to raise temperatures and grab the headlines. The Reflection Group's report made frequent reference to 'just one member state' which stood out against various measures strengthening political integration, such as increased powers to the Parliament and the Court of Justice, the ending of optouts and the limitation of the power of veto. British exceptionalism is likely to mire the negotiations, but the IGC will be deliberately spun out in the hope that the obstacle is removed by the election of a Labour Government. The future constitution of the EU would then rest on the compromise that can be struck between social democracy and christian democracy.

In the lead-up to the IGC there have been attempts to build on the idea of a 'Social Europe' pioneered by Jacques Delors, who envisaged the European Union as 'the theatre in which social democracy accomplishes its mission.'¹ Supported by Francois Mitterrand, the idea was promoted with much success among social-democratic and trades union elites, but it gained little wider support. Against a background of mass unemployment and zero growth, the acceptance of Maastricht was accomplished with great difficulty and little enthusiasm, with large sections of the Left openly hostile, particularly in France, Britain, and Denmark. Moves to promote an active Eurosocialism are still largely confined to elites, namely the leaderships of the various social-democratic parties, which act in concert through the PES, and the PES Group in the European

Parliament. The fact that this is an inter-governmental conference means that a direct place in negotiations goes only to those in government, giving disproportionate importance to the social democrats who are secure in government, as in Sweden and Portugal. The process of developing common positions from which to negotiate the shape of the EU into the next century is new and inevitably involves tensions, but we may be witnessing the foundations of a genuinely supranational politics.

THE PARTY OF EUROPEAN SOCIALISTS

The PES was set up in November 1992 as a result of Article 138a of the Maastricht Treaty, which gave legal status to the formation of Union-wide political parties. Despite the adoption of the 'party title' and the establishment of its own secretariat, it does not recruit directly and operates in a similar fashion to its predecessor organisation, the Confederation of Socialist Parties in the European Community.ⁱⁱ The official position of the PES must be agreed by all of its constituent parties, and it is therefore more difficult to arrive at common positions than in the European Parliament's PES Group. Indeed Bardi has argued that that common positions arrived at by national party leaders owed little to the existence of the supranational parties, and, furthermore, that the EPP and ELDR parties have displayed more cohesiveness than the PES.ⁱⁱⁱ The Party Leaders' Conference, inaugurated with the PES at the Hague Conference, performs an ambiguous role; it reflects the potential for autonomous

supranational activity while simultaneously asserting control of EU-wide initiatives or responses by the leaders of the state parties. It was made clear from its inception that the 'organic development' of the PES was to be left to national parties, thereby circumscribing its autonomous development.^{iv} The priority of the views of state elites was fully revealed in July 1994 when the Socialist Group in the European Parliament decided to vote against accepting Jacques Santer as President of the Commission. When it came to the vote, the socialists from those countries where they were in Government (Spain, Greece, Denmark and Ireland), and from Portugal (with a Socialist President), voted for Santer, indicating that they were unwilling to go against the choice made by their national party leaders.^v While this episode provided more evidence that social-democracy had failed to develop a supranational politics, subsequent developments in preparation for the IGC have revealed clear signs of a nascent "Eurosocialism".

The Parliament's PES Group has been quite forceful in developing a 'Left' position on the future of the EU which has had a significant impact on the development of the PES's pre-IGC position paper, which was announced in Madrid in December 1995.^{vi} The process of developing a common position began in 1994 when a Working Group on the IGC was set up within the PES Group. The initial "First Thoughts" document presented by Richard Corbett in June 1994 concentrated on constitutional issues and demanded that the IGC should provide 'clarity, openness, efficiency and democracy.'^{vii} It contained virtually no distinctively social-democratic content, and indeed most of the recommendations were later embodied in the Parliament's

collective position paper; an extension of qualified majority voting to avoid paralysis in decision-making, increased rights for Parliament to approve appointments and to initiate legislation, and more openness in decision making, especially in the Council of Ministers. These suggestions were endorsed at the Party Leaders' Conference prior to the Essen Summit in December 1994, attended by all the PES member-parties' leaders, Socialist Commissioners, the leader of the EP Socialist Group and the President of the Socialist International. The Essen Declaration pledged the leaders to present a joint position at the 1996 IGC in order to 'revive the vision of a social and democratic union.'^{viii}

A more ideological turn was taken thanks to the work of Elisabeth Guigou, European Affairs Minister in the last French Socialist Government and once an acolyte of Delors. Her own 'Reflection Document' of February 1995 was far broader in scope than Corbett's technocratic paper, linking the IGC with the long-term development of the EU. She outlined three different scenarios for the future of the EU, depending on the outcome of the 1996 IGC:

- i) a politically strong Europe committed to sustainable growth and social progress;
- ii) a mini-reform requiring postponement of further enlargement;
- iii) a mini-reform accepting enlargement with few common policies, leaving a large free trade area for each state to seek advantage without concern for solidarity with others.

The real danger of stumbling into the third scenario prompted Guigou to express the need to 'find ways of reconciling widening and deepening of the EU' by emphasising the social commitments which must be fought

for at the IGC.^{ix} Guigou called for the application of the Delors White Paper of December 1993, "Growth, Competitiveness, Employment", which outlined a programme of trans-European investment designed to create 15 million new jobs by 2000. The Guigou Report also demanded legislation against social dumping, a top-level investigation into ways of reducing work-time, and the specification of minimum levels of social protection. The call was made for the integration of the Social Charter of Fundamental Social Rights into a single 'clear and concise' Treaty, and the encouragement of a dialogue between the 'social partners' in transnational sectors.

The Guigou document led to a two day discussion in the full PES Parliamentary Group, which produced a much shorter report, "An Initial Approach to the 1996 Treaty Review Conference," presented by the leader of the PES Group, Pauline Green, in March 1995. The Green Report, in attempting to maximise support among the various socialist parties, adopted a cautious approach. Whereas Guigou had placed the social and economic policy demands at the forefront of her report, here they appeared only after a carefully considered stance on the constitutional issues. Indeed 17 Socialist MEPs voted against accepting the Report because they considered it too weak.^x Nevertheless, a consensus on constitutional and social questions was beginning to emerge. The demand was made for a single concise Treaty with the various aspects referring to citizens' rights to be grouped together and supplemented by a specific competence to take action against racism, xenophobia, and anti-semitism. It was suggested that the Treaty should specify the obligation to respect the European Convention on Human Rights. There was a stress on openness

and accountability, with the demand that meetings of the Council at which binding legislation was discussed must be public, and the strengthening of powers of both the European Parliament and the national Parliaments. The latter would be able to appeal to the Court of Justice to cancel legislation which was deemed to be beyond the field of competence of the European institutions. The European Parliament would have its powers of co-decision making with the Council expanded to all areas, and would be granted the power to submit legislative proposals to the Council. It would have the power to elect the President of the Commission, who would then choose the Commissioners, in consultation with national governments and subject to a votes of confidence from the European Parliament. In social and economic policy, the report reiterated the demands for the prioritisation of the Delors White Paper proposals as an 'immediate intermediary target' and for the fullest measure of social convergence. It reaffirmed the opposition to the UK opt-out on social legislation and insisted that the drive for monetary union should recognise the stated goals of maintaining a high level of employment and social protection. It also called for ecologically viable transport, energy and agricultural policies, and investment in the 'greening' of Europe.

The next major step to the definitive Eurosocialist position came in June 1995 with the presentation of the Wiersma Report of the PES Working Group to the Party Leaders Conference in Valbonne.^{xi} Like the Guigou Report, its basic approach was driven by the conviction that 'the right wing, liberal concept of the EU as just a free-market zone has to be countered.'^{xii} It also followed Guigou in placing 'issues' ahead of 'institutional change', and opened the discussion

of issues with unemployment and ecological renewal, the priorities eventually shared by the Conference of Leaders in December 1995. As it is these aspects of the position piece which can claim a distinctively social-democratic character, they are worthy of close consideration. Do they offer a realistic programme which can renew social-democratic politics following more than two decades of failures and setbacks at the level of the nation state?^{xiii}

"Bringing the European Union into Balance" is the title of the Declaration of PES leaders, a reference to the need to secure treaty amendments 'putting employment, social and environmental policy goals on the same level as economic and monetary integration.' On unemployment the PES wants a Treaty commitment to maximising the level of employment, plus provisions strengthening the capacity of the EU to co-ordinate job creation, labour-market and training and retraining programmes. It seeks the optimal use of EU funds for employment generation, the implementation of trans-European investment programmes, the common promotion of information and communication technology, and a reduction of working time. These suggestions are made within the framework of a reaffirmed commitment to monetary union on schedule with as many states as possible on board. How realistic is all this? Although the specific endorsement of the Delors White Paper has been dropped, the substance of the suggestions contained in it has been reaffirmed. However, the means by which such commitments might be implemented are left unstated in the Declaration, despite the fact that they are crucial to the feasibility of a European Recovery Programme propelled by a social-democratic vision. It is necessary to look more closely at

this problem.

ECONOMIC AND SOCIAL RECOVERY

The bulk of the funding for the new investment suggested in the Delors White Paper was to come from loans and bonds guaranteed by the EU, which would effectively act as a state financing a Public Sector Borrowing Requirement.^{xiv} However, this option was effectively blocked at the Essen Summit in December 1994.^{xv}

This idea would have to be revived, and the funding for other European-wide initiatives from the budget would have to be earmarked. In the Delors Report, just over a quarter of the new annual investment of 20 billion ecus was due to come from the budget. Unfortunately, the financial framework for EU funding has already been decided for the period up until 1999, and the Commission is not due to set out its proposals for the budget for the period 1999-2004 until the summer of 1997. The Commission will then be able to take into account the decisions of the IGC, the most pertinent of which will be the pace of enlargement. Cyprus and Malta are likely to be accepted quickly, but the central and eastern European countries will almost certainly have to wait until the early years of the next century. In the meantime, of course, the strict convergence criteria applied by Maastricht in preparation for monetary union have added to the pressures on public expenditure and borrowing which have been an ineluctable feature of the accelerated competition in the world market which followed on the collapse of the post-war boom in the

early 1970s. These neo-liberal prescriptions contributed greatly to the Euroscepticism displayed by many socialists in the wake of Maastricht.

The confident announcement of the Euro as the new currency unit at Madrid in December 1995 edged the EU closer to the reality of monetary union, but uncertainty remains over the timing of its implementation, the number of countries who will meet the convergence criteria and participate, and, of course, its consequences. Despite the 'must do' statements from the Bundesbank and the Commission over meeting the 1999 schedule, Germany itself would have failed the public deficit target in 1995. If we assume that the single currency will happen, early in the next century, with most of the member states on board, what will be the consequences? Considerable savings on transaction costs would result, and much speculation in the financial markets would be eradicated. But taking away a state's ability to devalue could produce unprecedented effects on national economies, despite the assurances offered by meeting the tight criteria. An extension of the structural funds which have assisted the poorer countries in the past could provide insurance against national crises, but with eleven new relatively poor member states, the demand could outstrip the willingness of the richer countries to contribute to a vastly enlarged budget. Those hostile to the EU like to portray Brussels as a vast drain on the wealth of member nations. Historically, a high proportion of the budget has been devoted to the Common Agricultural Policy, with unevenly distributed benefits, leaving a relatively small amount for other purposes; the overall annual budget is approximately three per cent

of the public expenditure of all the member states.^{xvi} Just how small is illustrated by the fact that the Japanese Government's recovery programme of 1992 involved an extra public investment equivalent to the entire annual budget of the EU.^{xvii} So, even if the IGC provides greater powers to the European Parliament and we move inexorably closer to a federal state, the 'centre' will still lack the powers available to other federal or unitary states.

The importance of attaching socio-economic commitments to the Treaty should now be obvious. But it is also necessary to come up with concrete and realistic plans for implementing a recovery programme. The Delors White Paper, which was based on the work of a group of economists headed by Stuart Holland, is a starting point.^{xviii} The specific proposal on employment policy which will be put before the IGC was presented by the Swedish Government in September 1995. The Swedes have asked for an 'Employment Chapter' to be added to the Treaty, requiring member states to regard the attainment of high levels of employment as a matter of common concern. More specifically, it calls for the Social Affairs and Ecofin^{xix} Councils to formulate annual guidelines for the employment policies of the member states, to provide each member state with full-employment programmes and to evaluate their progress, and to set up a permanent Employment Committee. The areas mentioned for coordinated action are labour market policy, training and retraining, and measures to prevent long-term unemployment and social exclusion. In true Swedish fashion they call for a strengthening of the 'Social Dialogue' between the social partners to ensure to improve the links between local decision-makers and the employment policy-makers at state and Union

level.

The Swedish initiative epitomises the image of a social corporatist Europe which draws apoplectic reactions from the British Conservatives. The flat contradiction between the social-democratic and the neo-liberal perspectives on employment was displayed at the Madrid summit in December 1995, when the issue was referred back to the Commission to produce a 'comprehensive review' for the Dublin summit at the end of 1996. This caused the new Portuguese Socialist Prime Minister Antonio Guterres to complain that the summit was 'spinning our wheels' on the issue and that things had to change.^{xx} But what might such a change look like? The British Conservatives favour the US model, minimising regulation to increase 'flexibility' in the labour market, creating employment because labour costs are so low. This is invariably presented as a 'technical' argument, without considering the social effects. The widening disparities in income and the constant diminution in social provision inevitably produce a divided, despairing, and dangerous society.^{xxi} It also ignores the high level of federal aid granted to US industry of the sort which Delors wanted to develop in the EU but was unable to develop. For example, early in the Clinton Presidency the Federal Government agreed to pump millions of dollars into research and development for a fuel-efficient car in collaboration with all three remaining US car manufacturers and the car workers' unions.^{xxii} A similar arrangement had already been made in Japan with its five car companies, and Delors, when President of the Commission, wanted to promote a similar initiative to encourage collaboration among European manufacturers. His complaint was that such an initiative

would be opposed by Britain on the grounds that Toyota was based in Britain and could not be excluded. He speculated that a similar initiative on retraining would also be opposed, and that, ultimately, the EU could not act in the way that its competitors had already acted.^{xxiii}

Between the neo-liberal model favoured by the British Conservatives and the social-democratic models articulated by the Swedish SAP, the official German position represents something of a *via media*. Kohl wants a single currency as quickly as possible for as many states as possible, and assumes that once it is a reality few states will find it advantageous to stay outside. The German Government has consistently supported the enhancement of the powers of the European Parliament and would have few problems with shoring up citizens rights. It would certainly balk at the degree of economic interventionism favoured by left social-democrats, but if the framework for a federal Europe were to be agreed in the short-term, the argument for a recovery programme with strong social-democratic elements could be developed quickly. All eyes therefore turn to Britain for the timing and result of the next general election.

CONCLUSION

Although it can be shown that a distinctively social democratic perspective on the development of the EU has evolved in recent years, it is evident that this process has been almost exclusively confined

to political and trade-union elites. Attempts have been made to develop a more popular base for the Social Europe position by groups such as the European Socialist Initiative, the Left European Forum, and Links Europa, but their success will be limited as long as the focus of political life remains fixed on the state. The IGC is an important stage in the process of developing democratic politics at the EU level, the appropriateness of which will be more generally understood when monetary union takes place. Many sections of the Left will be deeply unhappy with such a development, but their old dreams of a national road to socialism have irrevocably faded, and the EU offers the only prospect for a reassertion of political regulation of the power of global capital.^{xxiv}

This leads to a final point, a methodological one. It should be clear from our discussion that the changing nature of economic and political relations in the European Union can be understood only by transcending the conventional distinction between 'economics' and 'politics'. David Marquand has argued that the Maastricht process was imbued with a 'technocratic economism' which failed to take account of the political obstacles to monetary union. He concludes: The notion that politics can be a sort of cart, dragged along by the horse of economics, has no place outside the fairytale worlds of classical Marxism and classical economic liberalism. In the real world, politics is always the horse and economics the cart.^{xxv}

We concur with Marquand's characterisation of the Maastricht process,^{xxvi} but his simple reversal of the causal relationship between economics and politics merely reproduces the categorial problem

in an equally unsatisfactory way. Liberal theory has long held to a rigid separation of politics and economics (the state - civil society distinction), and in capitalist societies economic decisions are frequently taken without democratic consultation, irrespective of their political consequences. The Single European Act was enacted without serious political discussion, on the grounds that it was primarily economic, despite imposing enormous constraints on national governments. Only when the process was politically consecrated at Maastricht did the arguments erupt, *post festum*. But the fact that the capitalist world continues to operate a demarcation of politics and economics does not justify the simple epistemological reversal of the causal relationship which leaves the dichotomy intact; the 'horse and cart' nexus is as dated as the metaphor. Social democracy, as its name once implied, originally challenged the restriction of 'democracy' to the narrowly defined world of political life. In order to identify the structure of power relations today, what is required is a global political economy perspective, widened and deepened by cultural analysis. So far the process of European integration has diminished democracy and replaced it with technocratic elitism. The cautious advance of Eurosocialism offers a glimpse, and no more, of a future in which citizens are offered a choice when it comes to deciding what sort of society they want, and what sort of world.

NOTES

i. Jacques Delors, "A New Frontier for Social Democracy?" in Piet Dankert & Ad Kooyman (eds), *Europe Without Frontiers: Socialists on the Future of the European Economic Community*, New York, 1989, p. 32. In Britain the main forum for the Eurosocialist approach has been *European Labour Forum*, edited by Ken Coates, MEP.

ii. For a discussion of the EP Socialist Group and the Confederation of Socialist Parties of the EC prior to Maastricht see Robert Ladrech, "Social Democratic Parties and EC Integration" in the *European Journal of Political Research*, vol. 24, 1993, pp. 206-8; also Simon Hix,

"The Emerging EC Party System? The European Party Federations in the Intergovernmental Conferences" in *Politics* 13 (2), 1993.

iii. L. Bardi, "Transnational Party Federations, European Parliamentary Party Groups, and the Building of Europarties" in R. Katz and P. Mair (eds), *How Parties Organise* (London: Sage, 1994), pp. 359-68.

iv. Willy Claes, "What's In a Name?" in *European Labour Forum* 10, 1993, pp. 9-12; see also the immediately following comments of leading European social democrats indicating that the party was going to be little more than a coordinating committee.

v. Selection of MEPs by national list makes them particularly susceptible to pressure from their national party leaders.

vi. Party of European Socialists Conference of Leaders Declaration, *Bringing The European Union Into Balance*, Madrid, 14 December 1995.

vii. Richard Corbett was the a Principal Administrator in the European Parliament on secondment to the Secretariat of the PES Group. He later became Deputy Secretary General of the PES.

viii. *Agence Europe* 8 December, 1994.

ix. Elisabeth Guigou, "Reflection Document" presented to the extraordinary meeting of the Parliamentary Group of the PES, February 6-7, 1995, in Brussels.

x. *Agence Europe*, 31 March 1995.

xi. The working party was independent of the European Parliament's PES Group. It was chaired by Gerard Fuchs of the French Socialist Party. Wiersma was the vice-chair and rapporteur.

xii. Jan Marinus Wiersma (rapporteur), *The 1996 Intergovernmental Conference*, Report of the PES Working Party, Brussels, June 1995.

xiii. For a full analysis see Lawrence Wilde, *Modern European Socialism* (Aldershot: Dartmouth, 1994).

xiv. *The Economist*, December 11-17, 1993, pp. 27-8.

xv. Ken Coates, "The Sickness in the Heart of Things" in *European Labour Forum* 15, Summer 1995, p. 1.

xvi. Jacques Delors, "The Scope and Limits of Community Action" in Ken Coates & Michael Barratt Brown (eds) *A European Recovery Programme* (Nottingham: Spokesman, 1993), p. 46.

xvii. Stuart Holland, *The European Imperative: Economic and Social Cohesion in the 1990s* (Nottingham: Spokesman, 1993), pp. 38-9.

xviii. Ibid. Holland's book was a Report to the Commission of the (then) EC, and formed the basis for the White Paper.

xix. Economic and Finance Ministers.

xx. *Reuter Textline*, (Q2:39), 17 December 1995.

xxi. John Palmer has pointed out that two per cent of the potential US male labour force is in jail; "Europe Working" in the *Sunday Tribune* [Ireland], 27 November 1994, p. 3.

xxii. Martin Walker, *The Guardian*, September 30, 1993.

xxiii. Jacques Delors, "The Scope and Limits of Community Action," pp. 48-9.

xxiv. Ken Coates, "Creating A European Left" in *Labour Focus on Eastern Europe* 50, Spring 1995, pp. 62-70. See also Wilde, *Modern European Socialism*, passim.

xxv. David Marquand, "Reinventing Federalism: Europe and the Left" in *New Left Review* 203, 1994, p. 25.

xxvi. For an excellent analysis of the reaction to the steamrolling of Maastricht see M. Franklin, M. Marsh, L. McLaren, "Uncorking the Bottle: Popular Opposition to European Unification in the Wake of Maastricht" in *Journal of Common Market Studies* 32 (4), December 1994.