MANCHESTER
1824

The University of Manchester

The Political Economy of European Integration and the Impact of the 2004/2007 EU Enlargement.

Paul Copeland

Politics – School of Social Sciences, University of Manchester.

Introduction

The EU's emerging polity is characterised as featuring a clash of capitalisms for the normative governance of the European political economy (Callaghan and Höpner 2005; Clift 2009; Hooghe and Marks 1999). Put simply, the process of European integration represents a struggle between the two dominant varieties of capitalism found within the European Union, the Liberal Market Economy (LME) and the Coordinated Market Economy (CME) typologies. During EU policy negotiations, EU Member States and the broader transnational actors divide into two political cleavages, the liberal and regulator coalitions, in order to influence negotiations and determine outcomes.

Prior to the 2004 EU enlargement, the balance of power between the two coalitions was relatively equal and the European political economy represented a mixture of liberal and regulator policies. The completion of the EU's Single Market (liberal policy) had been complemented in the 1990s by policy activity within the social sphere, commonly referred to as the European Social Dimension (regulator policy).

The 2004 and 2007 EU enlargements are considered to be a threat to the balance of power between the two coalitions because of the different historical developments of the political economies of the new member states (Vaughan-Whitehead 2003; Bruszt 2002). The former state-socialist countries of East Central Europe have constructed capitalist democracies at the height of neoliberal globalisation and are therefore believed to be more sympathetic to the liberal coalition (Bohle and Greskovits 2007a, 2007b; King 2007). EU enlargement therefore has the potential to strengthen the liberal coalition within the EU; shift the current balance of power between the two coalitions; and create a European political economy with a much greater composition of liberal policies.

Aims

1) To analyse the positions and influence of the 2004 and 2007 new member states within EU political economy negotiations.

2) To analyse the impact of EU enlargement upon the EU's clash of capitalisms and the political economy of European integration.

Methods

Qualitatively analyse three EU political economy policy negotiations that relate to the development and construction of the European Social Dimension (the Revision of the Working Time Directive, the Services Directive and the Europe 2020 Poverty Target).

Based on an analysis of both official and unofficial documentation produced during the negotiations and supported by approximately 80 semi-structured interviews with representatives from the various EU institutions (Commission, Parliament, Permanent Representations of Member States in Brussels, Social Partners, interest groups).

Results

Revision of the Working Time Directive

The revision was intended to modify the original Directive to further protect employees from the detrimental effects of working excessive hours. During the negotiations for the original 1993 Directive, the liberal coalition had been in a minority position (which opposed the passing of the Directive). In 2004 when negotiations for a revised Directive began, all of the new member states aligned themselves with the liberal coalition. The result was that the liberal coalition had shifted to a majority position; the negotiations reached a stalemate and both sides were unable to reach an agreement. The original 1993 Directive continues.

Protests outside the European Parliament in support of a stronger Working Time Directive.

The Services Directive

The proposed Services Directive (2004) aimed to liberalise the EU's service sector and make it easier for EU service providers to both permanently and temporary operate in other Member States. The proposed Directive utilised the Country of Origin Principle (CoOP) for temporary cross-border service providers. This would enable temporary cross-border service providers to operate in another Member State without having to adhere to all of their labour law and had the potential to undermine more generous welfare states. Negotiations between to two coalitions to remove the CoOP were fierce, with the regulator coalition in favour of its removal and the liberal coalition against. All of the new member states joined the liberal coalition, but the coalition lost the negotiations and the CoOP was removed in the agreed Directive.

Protests in Brussels over the proposed Services Directive.

The Europe 2020 Poverty Target

The formation of the EU's economic reform programme, Europe 2020, includes a specific target to reduce the number of EU citizens living in poverty by 20 million by 2020. The original proposal was based on a 'relative poverty measurement'. The liberal coalition, in which the new member states joined, not only opposed the target, but also the use of the 'relative poverty indicator' as a measure of poverty. The finally agreed target aims to reduce poverty based on three indicators (relative poverty, jobless household, material deprivation), as a result of the activism of the liberal coalition. Anti-poverty groups based in Brussels question weather such usage will have the desired outcome.

The President of the European Commission, Barroso, launching Europe 2020 which includes the aim to reduce EU poverty by 20 million.

Conclusion

• The 2004 and 2007 new member States joined the liberal coalition in all three negotiations. Claims made prior to EU enlargement regarding the political economy of the new member can be confirmed.

• In two of the three case studies, enlargement has had a profound impact on the negotiations and the outcomes have favoured the liberal coalition.

• As a result of the 2004 and 2007 EU enlargement, the liberal coalition in the EU's polity has been strengthen. This has undermined the further development of the European Social Dimension and creates a European political economy with a much greater composition of liberal (market-making) policies.

References

Bohle, D. and Greskovits, B. (2007a) 'The State, Internationalization, and Capitalist Diversity in Eastern Europe'. *Competition & Change, Vol.* 11, No. 2, pp. 89-115.

Bohle, D. and Greskovits, B. (2007b) 'Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe'. *West European Politics,* Vol. 30, No. 3, pp. 443-466.

Bruszt, L. (2002) Making Markets and Eastern Enlargement: Diverging Convergence? *West European Politics* Vol. 25, No. 2, pp. 121-140.

Callaghan, H. and Höpner, M. (2005) 'European Integration and the Clash of Capitalisms: Political Cleavages over the Takeover Liberalization'. *Comparative European Politics,* Vol. 3, No. 3, pp. 307-32.

Clift, B. (2009) 'The Second Time as Farce? The EU Takeover Directive, the Clash of Capitalisms and the Hamstrung Harmonization of European (and French) Corporate Governance'. *Journal of Common Market Studies,* Vol. 47, No. 1, pp. 55-79.

Hooghe, L. and Marks, G (1999) 'The Making of a Polity: The Struggle over European Integration'. In Kitschelt, H., Lange, P., Marks, G. and Stephens, J. (eds.) *Continuity and Capitalism in Contemporary Capitalism.* (Cambridge: Cambridge University Press).

King, L. P. (2007) 'Central European Capitalism in Comparative Perspective'. In: Hancké, B., Rhodes, M. and Thatcher, M. (eds.) *Beyond Varieties of Capitalism*. (Oxford: Oxford University Press).

Vaughan-Whitehead, D. (2003) EU Enlargement versus Social Europe? The Uncertain Future of the European Social Model, (New York: Edward Elgar).