

# THE IRISH TIMES

## Barroso intent on shifting EU to right of centre

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The trade union movement wants to see the concept of a Social Europe realised, writes **David Begg**

Some nights ago on the BBC's Newsnight I watched the new president of the European Commission, Mr José Manuel Barroso, give a polished interview about his redefinition of the objectives of the Lisbon Strategy. Even Jeremy Paxman at his most sceptical failed to provoke other than the most reasoned and calm response from Mr Barroso. Mr Barroso is intent on shifting policy in Europe firmly to the centre right, a long way from the Social Europe envisioned by Jacques Delors.

Of course Mr Barroso is well positioned to change the axis of policy. Despite a difficult start to his presidency, in terms of relations with the Parliament, the economic liberals are in the majority and will support his strongly pro-business agenda. If there were any doubts among those on the left about Mr Barroso's intentions, they were quickly dispelled courtesy of a supportive article in the following day's Financial Times, from Peter Mandelson, Britain's EU Commissioner.

The Lisbon Strategy was built on three pillars being given equal priority - economic, social and environmental. The stated objective was to "make Europe the most dynamic knowledge-based economy in the world by 2010 with more and better jobs".

What Mr Barroso appears to be saying is: "Forget social policy and the environment, focus on pro-growth, pro-business policies, cut regulation and create more jobs - but don't worry too much about the quality of those jobs."

It is a seductive enough message, particularly where the received wisdom is that the Lisbon Strategy, five years on from its inception, is not working.

Moreover, it is a message which is not overtly threatening to Ireland. Although he did not say as much, the probability is that Mr Barroso would regard the Irish model as an example for the bigger European countries to follow.

After all, according to data published regularly by the right-wing Heritage Foundation, Ireland is the fifth most economically free country in the world, had the highest average labour productivity in Europe between 1995 and 2004 (even ahead of the US), with lower unemployment than the US and European average.

But the reality is more complex. Ireland enjoys social partnership, which allows unions, employers and government to negotiate on many complex issues. And while income taxes have been cut, this only occurred at the tail end of the Celtic Tiger boom, with negligible impact on economic activity. We

also have high indirect taxes and this has contributed to the highest price levels in Europe.

The reason for the disappointing levels of growth experienced by the larger European countries has to do with ageing populations placing unsustainable demands on welfare systems, fiscal constraints imposed by the Stability and Growth Pact and serious inefficiencies in financial markets. Employment in the EU is rising, although the population of working age is still far lower than the US. German unification has also been a big drag on that country's economy.

Tax cuts have not worked for Germany. Not only have they failed to produce an investment boom, they have contributed to a widening structural budget deficit. High-tax Germany in 1990 was a much more successful economy than lower-tax Germany in 2005.

Europe will not achieve a sustainable higher growth rate solely by improving its international competitiveness, for example by producing goods and services at lower unit labour costs than Asia. Whatever the problem of the low growth in the EU, it is not due to a lack of global competitiveness. Germany is already the largest exporter in the world. It has very competitive industries and companies. The principal objective should be to stimulate domestic demand.

One of the policy instruments being developed by the Commission to reshape economic policy is a directive for the liberalisation of services in Europe. To the extent that services are the fastest growing economic sector it makes sense to legislate to maximise the potential of the sector.

What does not make sense is to allow service industries to base themselves in the low-cost accession countries and from there outsource jobs to provide services in the EU 15, on pay rates and conditions of employment which apply in the base country. This is a crazy proposition which would cause great resentment and potentially undermine support for the European project. Europe also needs a clear framework within which to deal with public services or "services of general interest" as they are called.

Thankfully, the Commission has now recognised the absurdity of those proposals and has undertaken to "make some changes" - thanks in no small part to the campaign waged by Europe's trade unions.

At face value Mr Barroso's agenda is of limited interest to us in Ireland. But while we have managed to make great economic progress in recent years we remain a very unequal society in terms of the division of wealth and the level and quality of our public services.

The concept of a Social Europe first advocated by Delors, now formally part of the EU draft constitution, and embodied in social systems of the majority of the EU 15, is what we in the trade union movement want to see realised.

Mr Barroso's apparent abandonment, or at least downgrading, of that pillar of the Lisbon Strategy is disappointing. Preventing a "race to the bottom" in terms of employment conditions is our biggest single challenge in a globalised

world and this change in direction on the Lisbon Strategy is likely to make that more difficult.

This week the TUC in Britain will publish a report on migrant labour, commissioned after the tragedy of the 23 Chinese cockle pickers who died at Morecambe Bay a year ago. It presents an appalling picture of violence, threats, debt bondage, dangerous conditions and enforced long hours - exactly the circumstances exposed recently by SIPTU, with regard to migrant labour in Ireland.

It is hard to avoid the conclusion that exploitation of migrant labour is related to the drive for competitiveness at all costs. In my opinion it calls for a rethink of the free market philosophy which advocates sub-contracting, outsourcing, labour flexibility and a light touch of red tape.

Unless our social model is robust enough to protect these most vulnerable people, it is only a matter of time before everyone joins the "race to the bottom".

And if you think this is fanciful, just consider the reaction of some business representatives to the 65 cent an hour increase in the minimum wage, as recommended by the Labour Court last week.

Mr Barroso's new focus is misplaced and could come at a great cost to Europe's peoples.

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