

COM-6/033

Brussels, 10 December 2001

OPINION

of the

Committee of the Regions

of 14 November 2001

on the

Employment policy aspects of EU enlargement

The Committee of the Regions:

HAVING REGARD TO its bureau's decision on 12 June 2001 to draw up, in accordance with the fifth paragraph of Article 265 of the EC Treaty, an opinion on the subject and to direct Commission 6 - Employment, Economic Policy, Single Market, Industry and SMEs - to carry out the preparatory work;

HAVING REGARD TO the study of the "Rheinisch-Westfaelisches Institut für Wirtschaftsforschung" in cooperation with the European Policies Research Centre, University of Strathclyde, Glasgow, concerning the "Impact of the Enlargement of the European Union on Small and Medium-sized Enterprises in the Union", Essen and Glasgow, November 2000;

HAVING REGARD TO the report of the European Commission "The free movement of workers in the Context of Enlargement", 6 March 2001;

HAVING REGARD TO the study of the European Commission, DG Economic and Financial Affairs, "Enlargement Papers Number 4, II/419/01-EN", June 2001;

HAVING REGARD TO the conclusions of the European Council meetings in Stockholm in March 2001 and in Gothenburg in June 2001;

HAVING REGARD TO the report of the European Commission about the impact of the enlargement for the border regions neighbouring the accession countries "Community Action for

the Border Regions”, 25 July 2001;

HAVING REGARD TO its resolution on “The European Employment Pact” CdR 156/99 fin¹;

HAVING REGARD TO its resolution on “The Implementation of the European Employment Strategy” CdR 461/99 fin²;

HAVING REGARD TO its opinion on the “Institutional Aspects of Enlargement - Local and Regional Government at the heart of Europe” CdR 52/99 fin³;

HAVING REGARD TO its resolution on “The ongoing EU enlargement process” CdR 424/99 fin⁴;

HAVING REGARD TO its opinion on “The structure and goals of European regional policy in the context of enlargement and globalisation: opening of the debate” CdR 157/2000 fin⁵;

HAVING REGARD TO the draft opinion adopted by Commission 6 on 28 September 2001 (CdR 269/2001 rev. 1) (rapporteur: **Mr Volker Schimpff**, D, PPE, member of the Saxony Landtag);

unanimously adopted the following opinion at its 41st plenary session held on 14-15 November 2001 (meeting of 14 November):

Views of the Committee of the Regions

1. Introduction

The CoR sees the enlargement of the EU to include the Central and Eastern European Countries as the decisive opportunity for European policy at the beginning of the 21st century, as through enlargement the decades-long division of Europe by the Iron Curtain will be finally ended and the unity of Europe truly established in freedom, peace and prosperity.

The CoR underlines its unconditional political commitment to enlargement and it recommends that the momentum of the accession process be maintained.

2. Prospects for the economy and employment

1. The CoR believes that the planned enlargement will bring benefits for all concerned. The Committee is convinced that enlargement of the internal market, the establishment of a pan-European market economy and the development of a new, larger-scale European division of labour in the existing and new EU Member States will be an opportunity to create new, sustainable prosperity and stability. The CoR also believes, however, that the challenge posed by this enlargement to the Community and the applicant countries is far greater than that of previous enlargement rounds.
2. The CoR points out that the process of enlargement will bring about a changed division of labour. Thus, on the one hand, the demand in the existing Member States for qualified workers in higher-skill and service occupations can be met by workers from the applicant countries. On the other hand, capital from the old Member States, used with the benefit of entrepreneurial experience and initiative, can make a decisive contribution to overcoming development and structural deficits in the new Member

States, for example for the modernisation of industry, the establishment of small and medium-sized businesses, the restructuring of agriculture and the development of the service sector, which under Communist rule was of negligible importance. The CoR is aware that such investment will be necessary to ensure favourable economic and employment trends in the new Member States, and that it will come mainly from the existing Member States. The Committee believes that enlargement will also have a positive impact on the research sector.

3. The CoR expects enlargement to give a positive impetus to growth in the EU as a whole. The Commission estimates that accession will - depending on progress on reforms - boost GDP growth in the applicant countries by 2% annually in the first ten years. For the period to 2009 the Commission expects annual growth of between 3 and 4% in the economically strongest applicant countries. The Commission expects an annual average GDP growth boost of 0.7% in the existing Member States.
4. The CoR stresses that EU enlargement will decisively improve the conditions for the development and deepening of economic cooperation with the CEEC. The more intensive the cross-border economic relations, the greater the prosperity gains will be for all the states and regions concerned. The development of this changed competitive situation will make it possible to boost prosperity in the applicant countries and the existing Member States.
5. The CoR believes that the geographical shift associated with EU enlargement will also change the competitive positions of Europe's economic and growth centres. It will offer them particular competitive advantages and economic opportunities if they have good existing transport links with the economic centres of the applicant countries, or if they develop these.
6. The CoR points out that, in terms of its transport and economic geography, Europe essentially divides into a central economic zone (which geographers call the "blue banana") on the one hand and coastal and border regions on the other. The Committee believes that with enlargement the development of a third zone, the "new centre", can be expected, stretching from the existing central economic zone to the EU's future eastern frontier.
7. The reorientation of pan-European transport routes and the development of the future economic structures in Central and Eastern Europe will be driven by the markets and by the decisions of firms. In the interests of balanced development, however, the CoR recommends that the EU, the national governments and the regions and local authorities familiarise themselves with these processes at an early stage.
8. The CoR expects that both the linking of the existing central areas with those in the applicant countries and the development of the "new centre" will from the outset have a significant impact on employment, the development of self-employment and new business start-ups. In the long-term the demand for workers in the "new centre" will actually lead to immigration.
9. In view of the marked disparities in wage and prosperity levels and social standards between the EU and the applicant countries, the CoR does not exclude the possibility of structural distortions. Apart from the applicant countries' far lower labour costs, other reasons for this are lower environmental, social and technical standards, lower taxation and expected aid disparities.
10. The freedom to provide services which will come into effect with accession may lead

to competitive pressures in border areas, for example in craft industries and construction, cleaning and repair services and other "mobile services". Low hourly wage rates will give providers of simple services an irresistible price advantage. Moreover, service providers from the applicant countries will be able to undercut regional businesses significantly in tendering for public services. This will weaken regional markets which mainly provide services for local and regional bodies.

11. The CoR is convinced that the four basic freedoms of the common market must apply without restriction in the enlarged EU. The applicant countries already benefit from the basic freedoms of movement of goods and capital under the association agreements. With enlargement, freedom to provide services and freedom of establishment will be added, and the free movement of goods and capital will apply without restriction. The impact on employment will vary from one region or sector to another, both within the existing EU and in the applicant countries.
12. The CoR points out that the expected economic upswing following enlargement will mean job losses in the applicant countries, particularly in traditional economic sectors such as heavy industry and agriculture, with workers unable to find new jobs immediately in the newly developing economic sectors. The resulting supply of both highly skilled workers and low-paid workers will lead to migration, estimates of the extent of which vary, in the emerging integrated and liberalised pan-European labour market.
13. The CoR expects to see permanent immigration from the applicant countries into the existing Member States, as well as weekly commuters and - especially in border areas - day commuters, which will have a significant influence on the employment situation in the old Member States. Clearly border regions, and especially towns, will be subject to increased competition, not only in goods with a limited sales radius but also in services. It is not yet possible to estimate the scale of the impact on employment with any degree of certainty.
14. The CoR also expects the applicant countries to enjoy a very strong competitive position outside border regions, e.g. in the transport sector. This imbalance can be expected to right itself only when the major disparities in wage levels and social and labour standards between the old and new Member States begin to disappear.

3. The Union and the (existing) border regions

1. With regard to the preparations for enlargement, the CoR draws attention to the decision of the Heads of State or Government in Nice to submit an action programme to strengthen the economic competitiveness of frontier regions. The Committee points out that this assistance must not be restricted to drawing attention to support facilities in the various areas or to extending existing measures. Rather, direct additional support is needed for those affected at the EU's external frontiers, in order to promote cross-border and transnational cooperation at a devolved level.
2. The CoR therefore welcomes the Commission's intention of providing substantial assistance to frontier regions with its action programme adopted in July. The Committee is convinced, however, that this is in itself insufficient to satisfy the needs referred to above and the requirements of the Council. In this context the Committee points out that the Commission's proposals must be guided by the policy line laid down by the Council.
3. The CoR calls for additional support for SMEs in the affected sectors, to enable them

to prepare actively for enlargement. The Committee feels that they should be offered support in developing cross-border activity even before the borders are opened up. SMEs are of course a part of the economy which offers a very large number of jobs and training places, and they must receive information, guidance and support in developing cross-border business. Thus, language courses or introductions to legal and economic systems could be useful with a view to subsequent activity in the applicant countries. An overall strategic approach should, the Committee feels, include systematic training of management and workforces in small and medium-sized firms. They could then help promote the use of information and communications technologies on a cooperative, cross-border basis, and the acquisition of experience via specific joint ventures and networking.

4. The CoR reiterates its call for improved integration of INTERREG IIIA and PHARE/CBC. It urges that INTERREG III A resources be doubled in the current support period. This will make possible the rapid construction of cross-border infrastructure (bridges, roads), which fell into disrepair under communist rule. Only in this way can the situation at the EU's external frontier be used as a bridgehead for economic commitment in the applicant countries.
5. The CoR calls on the regions and local authorities at the EU's external frontier to begin the job of tackling the employment dimension of enlargement. Special attention needs to be paid in this context to the education sector. Successful projects like cross-border measures for initial and further training, bilingual schools and cross-border universities could play an exemplary role here. The local and regional employment pacts should also begin to be applied across borders. The "Euregios" could be a suitable framework for this. The regions and local authorities at the EU external frontier should also plan and approve cross-border commercial zones, assisted by national government action to deregulate tax and customs arrangements.
6. The CoR considers it necessary to mitigate the effects of the aid disparity to be expected following enlargement between the new Member States and neighbouring regions in the existing EU. If the opening up of markets to the applicant countries causes structural problems in the existing Member States, options should continue to be available enabling these areas to adapt to changes in their economic structure and to react in an appropriate way to the need for post-enlargement restructuring. In this context the CoR also suggests that, with a view to specific developments after enlargement, the regions should, in line with the subsidiarity principle, be given greater control over the use of European funding in their areas than they have at present.
7. The CoR is convinced that, in the long-term, enlargement will mean existing border regions finding themselves at the heart of Europe and benefiting accordingly. In the short and medium-term, however, disadvantages will be concentrated in border regions to such an extent as to constitute a serious potential threat to the Community's employment objectives. The Committee notes that these border regions were in the past already disadvantaged as a result of their geographical location at the Iron Curtain and, in the case of Germany's new Länder, as a result of the partition of Germany.
8. The CoR considers it to be an important task of the Union to make sure that these regions do not, in the process of enlargement, have to shoulder their burdens alone in the interests of all. As it would be contrary to the principles and tasks of the EU if, as a result of enlargement, unemployment were to rise sharply in these regions, counter-measures are needed in order to achieve the employment policy target.
9. The CoR stresses that workers and firms in the border regions will have to confront

the new competition once borders are opened up. However, the expected intensification of competition does not, the Committee firmly believes, constitute a sufficient argument for systematic and long-term barriers aimed at restricting freedom of movement for workers or the freedom to provide services.

The CoR points out, however, that it is nonetheless legitimate, in view of the likely migratory movements of workers, to give consideration to transitional periods, if unacceptable structural dislocations are expected to arise as a result of enlargement. Any transitional periods agreed with the applicant countries must not, however, be designed to preserve the status quo for a number of years in those existing Member States with a lesser degree of flexibility or a lack of commitment to reform, or to introduce protectionism within the EU.

10. The CoR stresses that any such transitional arrangements must be both extremely limited in scope and temporary. If transitional arrangements are agreed, they should be capable of adaptation to the specific needs of particularly hard hit areas of the economy, the labour market or social security systems. Individual Member States should be allowed the scope to review the transitional periods regularly and to curtail them.
11. Finally, transitional arrangements should not be aimed primarily at workers whose migration is dictated by market circumstances. The CoR is opposed to transitional arrangements aimed primarily at workers, and it stresses the employment benefits of migratory movements of workers which are the result of real demand in the labour market. The Committee suggests that transitional arrangements concentrate on migratory movements which are purely the result of institutional arrangements such as differences in social security systems.
12. The CoR suggests making towns the driving force behind cross-border development. In this way towns can give a major impetus to employment through the local employment pacts. A particularly important role falls here to towns formerly divided by the EU external frontier (Frankfurt an der Oder, Görlitz).
13. A key role will also be played by the Euregios with cross-border cooperation between border authorities serving to mitigate the strains arising as a result of enlargement and to exploit the opportunities thus created. Euregios at the existing EU external frontier will then find themselves in the situation of the old Euregios and will be able to learn from their experience.

4. Demands on the applicant countries

1. The CoR stresses that EU law must be fully implemented and EU policies applied in the applicant countries, if enlargement is to produce the positive impact on employment described above. The Committee sounds a warning against the mistaken approach of a selective or delayed adoption of EU principles and legal requirements. In particular the applicant countries must create legal certainty and adopt decisive measures against discrimination and corruption.
2. The CoR is convinced that an active role by the regional and local authorities in the applicant countries is essential to enlargement. Particularly in view of the centralism practised in these states now undergoing transformation which were formerly dictatorships, a modern democratic society can take root only if regions and local authorities take on a growing importance. Implementation of EU law enacted at

national level is above all the task of these levels of government.

3. The CoR points to the need for effective structures and capabilities in the applicant countries for drawing on the Structural Funds from the time of enlargement onwards. To ensure that structural policy can be implemented, the regional authorities have to be granted appropriate co-decision rights.
4. The CoR calls on all the regional and local authorities to step up their cooperation with regions and local authorities in the applicant states. The Committee points to the high importance of cooperation between these levels of government which are close to the citizen and directly involved in problem-solving. The assistance made available to regions and local authorities in the future Member States in building effective devolved structures will be a good investment in the achievement of a high level of employment throughout the enlarged Union and in the cushioning of structural dislocations. In view of the employment dimension of enlargement, it is in the interest of all the regions and local authorities to ensure that no avoidable mistakes are made.
5. The CoR reiterates that enlargement must be understood as a challenge. It is up to the regions and local authorities to recognise the opportunities offered them and to exploit competition actively as an inseparable part of the market economy. State dirigism and protectionism would represent a surrender in the face of the challenges of the EU's eastward enlargement. The CoR stresses that the desired employment effects can be achieved only if after enlargement the four basic freedoms of the common market are applied in both directions and without restriction.

Brussels, 14 November 2001.

The President

The Secretary-General

of the

of the

Committee of the Regions

Committee of the Regions

Jos Chabert

Vincenzo Falcone

¹ OJ C 293, 13.10.1999, p. 70

² OJ C 226, 8.08.2000, p. 43

³ OJ C 374, 23.12. 1999, p. 15

⁴ OJ C 57, 29.02.2001, p. 1

⁵ OJ C 148, 18.5.2001, p. 25

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