Dr. Andreas Bieler,[1]
School of Politics and International Relations,
University of Nottingham,
Nottingham NG7 2RD,
E-mail: Andreas.Bieler@nottingham.ac.uk

What future Union? The struggle for a Social Europe.[2]

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Abstract

This paper is based on the assumption that European integration is an open-ended process the outcome of which is the result of class struggle. Informed by a neo-Gramscian perspective, the paper analyses the social purpose underlying the revival of European integration since the mid 1980s. It is concluded that both the Internal Market and Economic and Monetary Union are instances of neo-liberal restructuring moving the European Union towards the market-oriented, Anglo-American model of capitalism. Enlargement towards Austria, Finland and Sweden in 1995 as well as towards Central and Eastern Europe in 2004 extended this economic-political model to other areas in Europe. In a second step, it is established that the driving force behind neo-liberal restructuring is European transnational capital and its hegemonic project of 'embedded neo-liberalism'. Nevertheless, hegemonic projects are always contested. The conclusion provides a brief look at alternatives to neo-liberalism based on inter trade union and trade union – social movement co-operation.

1. Introduction

This paper is based on two fundamental assumptions. Firstly, European politics/integration is an open-ended process the outcome of which is the result of class struggle. In other words, European politics is class struggle. This is obviously

[1] Andreas Bieler is a Senior Lecturer in the School of Politics and International Relations at the University of Nottingham, UK. He is author of *Globalisation and Enlargement of the European Union* (Routledge, 2000) and *The struggle for a social Europe: Trade unions and EMU in times of global restructuring* (Manchester University Press, 2006).

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very contentious. How can one speak about class struggle and class after the collapse of the Soviet Union? Have we not entered a class-less society? It is argued here that as long as capitalism is the mode of production and considering Marx's original definition of class, identified by relating human beings to their position in the production process, then it is still possible to identify classes. Not necessarily in the form of two big classes opposing each other, but in the form of different fractions of labour and capital. A white-collar worker in the service industry is clearly in a different fraction of labour than a blue-collar worker at the assembly line of a car manufacturer. Workers they are, however, in that they are forced to sell their labour power, used by capital for the extraction of surplus value and the accumulation of profit.

The notion of European integration being the result of class struggle is further less contentious, if one looks at comparative politics approaches and here especially new institutionalism. There is a wide literature, which, although it does not speak about class struggle, analyses current developments in (international) political economy in terms of the competition and struggle between different models of capitalism. The notion of struggle is retained, only the actors are different. Instead of class and class fractions, states and domestic interest groups are the crucial actors.

This notion of competing models of capitalism is important for this presentation. I argue that we currently witness and are involved in a struggle about the future economic-political model at the European level. Distinctions are frequently made between 'Rhineland capitalism' and 'Anglo-Saxon capitalism' (e.g. Albert 1992). Others speak about a market-led, Anglo-American model of capitalism, state-led capitalisms and negotiated or consensual social capitalisms (e.g. Coates 2000: 6-11). For the purpose of this presentation, it suffices to concentrate on the differences between negotiated/consensual capitalisms, which can also be called European social model of capitalism on the one hand, and the Anglo-American model of capitalism on the other. The Anglo-American model is characterised by neo-liberalism and liberal individualism as the underlying ideology, the European social model by the old social democratic ideology.[3] Economic recession in the neo-liberal perspective of Anglo-American capitalism is due to institutional rigidities in the form of excessive government intervention into the market, an overburdened welfare state and too rigid a labour market, resulting from powerful trade unions. To overcome recession, structural reforms are necessary including the privatisation of state enterprises, the liberalisation and deregulation of the economy and a flexibilisation of the labour market. State economic policy should be restricted to a focus on price stability and low inflation, leaving the rest to the automatic mechanisms of the market. The result would be a more competitive and thus efficient economy yielding higher profits, which through a trickle-down effect would eventually benefit everyone in the form of a general increase in wealth and the creation of employment. The European social model, by contrast, is characterised by the mixed economy, the partial redistribution of profits and high levels of social protection at the workplace and beyond. The state intervenes heavily into the economy in order to obtain full employment as most important policy goal. State intervention may occur in the form of demand stimulation

[3] While 'old social democratic ideology' refers to a Keynesian understanding of how the economy works stating that the state has to intervene in the economy in order to ensure full employment, neo-liberalism is closely linked to monetarism and its demand that governments should only concentrate on price stability and low inflation, but withdraw from the market otherwise. Neo-liberalism regained prominence in the 1970s as a political economy critique of Keynesianism, developed then into a programme of capitalist restructuring via deregulation, privatisation and flexibilisation of the economy, first implemented in the USA and the UK during the 1980s, before it became associated with a positive interpretation of globalisation in the 1990s, developing into a hegemonic creed (Gamble 2001). Three phases of neo-liberalism can, thus, be distinguished: (1) neo-liberalism as a de-constructive project of Keynesianism in the 1970s; (2) neo-liberalism as a constructive project, i.e. the implementation of concrete measures of neo-liberal restructuring during the 1980s; and (3) neo-liberalism in its consolidated phase as the hegemonic project of the 1990s (Overbeek 1999). In short, neo-liberalism refers to a particular school of economic thought as well as an ideology leading to concrete economic-political restructuring measures and a related institutional set-up.

via budget deficit spending, currency devaluations to engender export-led growth, partial nationalisation of the economy, employment creation via public sector expansion and/or the control and regulation of credit allocation. Productive capital dominates over finance capital, with the latter serving the long-term interests of the former in a stable credit relationship. Trade unions enjoy a strong position at the workplace and national level alike and social and economic policy-making is concertated in tripartite capital-labour-government institutional arrangements.

This brings me to my second fundamental point. Both academic theoretical and political discussions about European integration are characterised by the problem that they concentrate on the form of the European Union (EU), but not the content (van Apeldoorn 2001: 71, 2002: 11-13 and 34-44). This makes it impossible for them to deal with the questions just outlined, since the social purpose of European integration cannot be problematised. Theories of European integration whether they are from the neo-functionalist or the intergovernmentalist strand concentrate on the institutional development of the EU. Who are the core actors, how and to what extent does integration come about? Neo-functionalists focus on transnational interest groups and the supranational EU institutions, i.e. the Commission, the European Parliament and the European Court of Justice, and on the day-to-day policy-making, considered to prepare the more significant steps of further integration, such as the Single European Act (SEA) of 1987 (e.g. Tranholm-Mikkelsen 1991). On the other hand, intergovernmentalists emphasise the priority of the intergovernmental institutions, i.e. the Council of Ministers and the European Council, and concentrate on the inter-state treaty negotiations, considered to be the crucial arena where the future of the EU is decided (e.g. Moravcsik 1998). While neo-functionalists emphasise the supranational character of the EU with some speaking about the emergence of a new European super-state, intergovernmentalists highlight the intergovernmental nature of the EU with states being in the driving seat. Normatively, neo-functionalists support further integration, whereas intergovernmentalists stress the importance of national power and sovereignty. The social purpose, underlying European integration, is however overlooked. The situation is not much different in the public political debate. On the one hand, we find European enthusiasts, in favour of a European state regardless of what policies this implies, on the other hand people are worried about losing their particular culture and national sovereignty as well as their currency as a symbol of it. Again, there is no discussion about the social purpose of European integration. The question is whether one is in favour of European integration or not. The type of integration, the economic-political model of the EU is rarely discussed.

In this paper, I will concentrate firstly on the social purpose underlying the revival of European integration since the mid-1980s in order to establish whether integration is heading towards the European social or the Anglo-American model of capitalism. This will include a discussion of the Internal Market programme and the related Single European Act (SEA), the Treaty of Maastricht including Economic and Monetary Union (EMU), the development of a Social Dimension at the European level, but also a brief analysis of the 1995 and 2004 EU enlargements. The focus on economic, monetary and social policies is crucial for an analysis of the social purpose of European integration, because they are not simply sectoral policies. Rather, they are fundamental in that they determine what is possible in individual policy sectors and are, therefore, at the core of the debate about which model of capitalism will emerge at the European level. In a second step, I will then analyse which social forces drive European integration, before alternatives are considered in the conclusion. The analysis of this paper is based on the assumption that the revival of European integration has to be understood against the background of globalisation and the related transnational restructuring of social relations. At the material level, globalisation is, firstly, defined as the transnationalisation of production, i.e. the organisation of production across borders expressed in the rising levels of foreign direct investment and the related increasing importance of transnational corporations (TNCs),[4] and secondly, the transnationalisation of finance, characterised by the emergence of a global, integrated financial market.[5] Additionally, neo-liberalism is understood as the ideological component of globalisation, driving transnational capital's quest for hegemony in the global economy (Cox 1993: 259-60, 266-7). Globalisation is, thus, closely related to the Anglo-American model of capitalism, which is promoted as the generally best and only possible way of organising capitalist social relations in the global economy. Theoretically, a neo-Gramscian perspective is employed for the analysis.[6] Firstly, because such a perspective, coming from within the group of critical, post-positivist International Relations approaches (Cox 1981: 128), allows the problematisation of the social purpose underlying European integration (Bieler 2000: 8-17, van Apeldoorn 2002: 44-6). Secondly, neo-Gramscian perspectives focus on class and class struggle in their analysis of politics and thus also

[4] FDI outflows rose from $88 billions to $225 billions between 1986 and 1990, which is an annual increase of 26 per cent (UN 1992: 14). There was a downturn in 1991 and 1992, but FDI levels picked up again and increased to about $1150 billions in 2000 (UN 2001: 296). Overall, there were 63312 parent corporations and 821818 foreign affiliates world-wide in 2000 (UN 2001: 242).

[5] The global, integrated financial market has the following three main characteristics: '(a) the blurring of the line, in terms of ownership structures and market activities, between banking, securities and insurance industries, a process referred to as desegmentation; (b) the liberalisation of traditional cartel arrangements in national sectors through domestic market-oriented reform programmes, understood as marketisation; and (c) the integration of financial markets across traditionally closed national jurisdictions, or transnationalisation' (Underhill 1997a: 3).

[6] Since Robert Cox's path-breaking work in the early 1980s (Cox 1981 and 1983), a whole range of related yet different neo-Gramscian perspectives have been developed. For an overview, see Bieler and Morton (2004a). The plural of perspectives is important, since it avoids the formation of a school of thought and the related loss of critical theoretical development (Morton 2001).

European politics (Cox 1985/1996: 57). This makes it possible to incorporate globalisation in the analysis beyond regarding it as some kind of external structural pressure. Regarding social forces as engendered by the production process as most important actors, it is realised that globalisation must have led to new, transnational class fractions of capital and labour. Globalisation is, thus, also understood as agency, not only as structure. Importantly, while an analysis of the production structure allows us to identify the core actors and the structure, within which they operate, it does not imply that actors' strategies are determined by the production structure. Actors are shaped and constrained by their surrounding structure, in what they can do, but there are always several possible strategies available within one specific structure, from which they can choose. The actual activities, consequently, have to be investigated in an empirical analysis (Bieler and Morton 2001).

2. The revival of European integration

Initially, from 1952 but especially 1957 onwards, the EU had two main priorities; firstly, to make another European war especially between France and Germany impossible and secondly, to support the reconstruction of Western Europe. Economically, the main goal was the establishment of a customs union, i.e. the removal of tariff barriers between EU members and the establishment of a common external tariff. This was accomplished by the end of the 1960s. European free trade was successfully combined with the national right to intervene in the economy in order to maintain order and social peace. Thus, it was part of the compromise of 'embedded liberalism' at the international level (Ruggie 1982) and is sometimes labelled 'old regionalism' (Spindler 2003). In the two decades between 1965 and 1985 from de Gaulle's empty chair policy to the initiation of the Internal Market programme little further European integration occurred. It was against the background of perceived national failure by EU members to respond individually to world-wide economic recession in the 1970s that European integration was revived in the mid-1980s around the Internal Market programme.

The Internal Market programme

In 1985, the Commission published its famous White Paper 'Completing the Internal Market', which proposed 300 (later reduced to 279) measures designed to facilitate progress towards the completion of the Internal Market by 1992 through the abolition of non-tariff barriers. The Single European Act (SEA) of 1987, which institutionalised the Internal Market programme, spelled out the goals of the four freedoms, i.e. the freedom of goods, services, capital and people. While tariff barriers had been abolished by the end of the 1960s in the EU, there had been many non-tariff barriers, which had impeded free trade. This was now to be remedied. The rationale underlying the Internal Market programme was clearly of a neo-liberal nature (Grahl and Teague 1989). A bigger market was supposed to lead to tougher competition resulting in higher efficiency, greater profits and eventually through a trickle-down effect in more general wealth and more jobs. National markets should be deregulated and liberalised, national companies were to be privatised. An emerging common competition policy was to secure that the market was no longer disturbed through state intervention or ownership even in areas such as telecommunications, public procurement and energy. As for the EU financial system, legislation led to the creation of a European financial area based on the free flow of capital including the free circulation of 'securitised' financial instruments not quoted on stock markets (e.g. bonds, long-term commercial credit). This moved the EU firmly towards the Anglo-American model of capitalism. Banks and non-bank investment firms were provided with a single passport allowing them to set up business across the EU member states. As Underhill points out, by obliging banks to have their securities dealings supervised in the same way as non-bank financial institutions, the whole system is biased towards a securities-market-based financial system with banks re-orienting themselves away from intermediated bank-based lending towards increased capital market activities. Overall, 'the European Union has moved decisively in the direction of a more transnationalised, marketised, and desegmented financial system based on a single legislative framework' (Underhill 1997b: 118), which goes hand in hand with developments at the global level.

Economic and Monetary Union

The Treaty of Maastricht was signed in 1991. Amongst other changes, it laid out the plan for EMU, including a single currency to be administered by a supranational and independent European Central Bank (ECB). In other words, member states decided to give up monetary sovereignty. In January 1999, 11 member states carried out this step, when they irrevocably fixed their exchange rates. It is argued here, however, that the significance of EMU does not so much lie with the single currency and the related abolition of national currencies. What is crucial again is the underlying rationale of EMU and this is best embodied in the statutory role of the ECB and the convergence criteria. As for the former, a common monetary policy is now dealt with by the ECB. The primary target of the ECB and its interest rate policy, as spelled out in the Treaty of Maastricht, is the maintenance of price stability and low inflation. Economic growth and employment are only secondary objectives, subordinated to price stability.

In relation to the institutional set-up of the ECB, we experience, what Stephen Gill calls a ‘new constitutionalism’, which ‘seeks to separate economic policies from broad political accountability in order to make governments more responsive to the discipline of market forces’ (Gill 2001: 47). The ECB has to report to the European Council and the European Parliament, but neither states nor supranational institutions are in a position to force any kind of policy upon the ECB.

As for the convergence criteria, most importantly, the criteria obliged member states to have a government budget deficit of no more than 3 per cent of GDP and government debt of no more than 60 per cent of GDP (Grauwe 1992: 131). They do not include a criterion on unemployment. This is of secondary importance and thought to be solved through the trickle-down effect. The EMU member countries, in order to meet the criteria, had to implement tough austerity budgets in the run-up to EMU. Britain, Sweden and Denmark are not EMU members. Nevertheless, the second stage of EMU commencing in 1994 obliged them too to draw up convergence programmes, outlining how they would meet the criteria. In short, whether they participated in the final stage of EMU or not, they had to pursue the very same austerity policies as the EMU candidates themselves. Within EMU, continuation of neo-liberal budget policies is ensured through the Stability and Growth Pact, adopted at the Amsterdam European Council summit in June 1997. It firstly includes the so-called excessive deficit procedure, providing the possibility of automatic fines for those countries, which violate the 3 per cent budget deficit and the 60 per cent government debt criteria. Perhaps even more important, however, it also includes the commitment to a balanced budget and the related multilateral surveillance procedure with the task to ensure that governments adhere to this commitment. Here, the Commission, monitoring the general economic policy of member states, may recommend to the Council to issue a reprimand to countries, which do not meet the commitment. No fines are possible in this respect, but the potential public humiliation implies significant pressure on governments (Jones 2002: 37-40).[7] The commitment to a balanced budget implies that member states have to cut back public expenditure to an even greater extent than it is demanded by the convergence criteria. It makes public investment to stimulate demand in times of recession extremely difficult, if not impossible. In sum, both the Internal Market and EMU firmly put the EU on the road towards an Anglo-American model of capitalism. European integration, thus, has been part and parcel of the transnational processes of neo-liberal restructuring related to globalisation. It has not been an attempt to protect the EU against the negative consequences of global structural change.

The 1995 EU enlargement

European integration since the mid-1980s has not only been characterised by deepening, but also widening of the EU. In 1995, Austria, Sweden and Finland joined the EU as new members, and in 2004 ten further countries from Central and Eastern Europe (CEE) and the Mediterranean area acceded. I do not want to engage here with the debate about widening versus deepening of the EU, because this again deals only with the form of EU membership. What interests me is the social purpose underlying EU enlargement. Traditionally, Austria and Sweden rejected the EU for two main reasons. Firstly, they considered membership in a supranational economic organisation to be incompatible with their status as neutral countries. Secondly, and probably more important, they both considered their economic-political system based

[7] It has recently been argued that the Stability and Growth Pact would no longer be in operation, due to the fact that Germany's and France's failure to meet the criteria remained unpunished. Nevertheless, as in practice all governments still make attempts to fulfil the criteria, it is too early to speak about the demise of the Pact.

on traditional social democratic values such as equal opportunity, redistribution, gender equality in the workplace, a generous welfare system and full employment, to be superior to the EU, dominated by Christian Democratic parties and big capital. The paradox here is why did they join the EU in a moment, when the EU had moved even further away from the European social model as outlined above? The answer can be found by analysing these countries' accession to the EU against the background of global structural change (Bieler 2000). Partly due to structural pressure, especially exemplified in Sweden through the relocation of production units and investment by Swedish TNCs to locations in the EU, and partly due to a change in hegemonic ideas away from a Keynesian towards a neo-liberal understanding of the economy, the neo-liberal drive underlying the revival of European integration became suddenly an attractive option in times of severe domestic economic recession in the late 1980s, early 1990s. In Austria, it was even argued that EU membership would provide the external pressure from Brussels necessary for restructuring the heavily protected agricultural and food processing sectors of the economy (Bieler 2000: 53-65). In Sweden, representatives of transnational capital pointed out that the traditional Swedish model of capitalism had already been abandoned in the early 1990s. Nonetheless, some argued that membership was important in that it foreclosed any possible return to policies different from the general neo-liberal course (Bieler 2000: 107). In sum, the 1995 EU enlargement is also clearly an instance of European integration along neo-liberal lines.

EU enlargement towards Central and Eastern Europe

While the acceptance of the comparatively wealthy Austria, Finland and Sweden in 1995 was relatively uncontroversial within the EU, the moves towards the 2004 enlargement were puzzling, since the CEE countries had been much poorer and less developed than the EU (Holman 2001: 182). In 1989 and 1990, in an atmosphere of great euphoria, the so-called communist regimes collapsed across CEE. In the ensuing transformation processes, the CEE countries were fully exposed to neo-liberal globalisation (Holman 1998). The so-called shock therapy was most directly applied in Poland in 1990, but across the whole of CEE transformation was characterised by deregulation, privatisation, the opening-up to foreign direct investment and a general focus on price stability and low inflation. As an immediate result, economic growth stagnated and went into negative figures and GDP levels declined drastically. In the case of Poland, the Czech Republic and Hungary, GDP levels declined by 7, 11.5 and 11.9 per cent respectively. While economic growth had recovered by 1998, unemployment rates remained high with 10.4, 7.5 and 9.1 per cent respectively (Bieler 2000: 140-48). The result has been social hardship for large parts of the population (Pollert 1999: 76-80), which can potentially lead to political instability.

In CEE, the decision on application to the EU was taken by cadre elites within state institutions. Due to the lack of a developed civil society, neo-liberal economic restructuring had to be secured externally in a strategy labelled by Gramsci as ‘passive revolution’ (Gramsci 1971: 105-6). Structural change was not driven by domestic coalitions of social forces, but through the incorporation of international ideas and foreign production methods in tandem with an internalisation of transnational social forces in the national CEE forms of states (Bieler 2002: 588-9, Bohle 2000, Bohle 2006: 75-6). EU membership was the ideal external anchor in this respect. The EU itself also realised that the young CEE democracies were not consolidated enough to accommodate the political risks inherent in the transformation process towards a neo-liberal market economy (Cecchini et al 2001: 157-9). Hence, the promise of membership and future wealth can be regarded as a way of keeping the CEE countries on track with transformation. The promise of membership was made at the 1993 European Council summit in Copenhagen. It systematically pushed CEE countries towards adopting the neo-liberal economic-political model of the EU (Holman 2001: 178). It was stated that potential new members had to achieve a stable democracy, a functioning market economy, the ability to withstand competition within the EU, and to take on the full *acquis communautaire* including the aims of political, and economic and monetary union (Gower 1999: 7). Thus, the elements of the enlargement strategy of the EU clearly demanded adaptation to EU rules and thus measures of liberalisation and deregulation. Importantly, Bohle points out that the model exported to CEE is a more radical, market-oriented variant of neo-liberalism than 'embedded neo-liberalism'. Eastward EU enlargement does not extend substantial financial aid, the free movement of labour, nor the full amount of subsidies available to farmers within the Common Agricultural Policy to the new members (Bohle 2006: 69-74). In sum, the promise of membership locked CEE countries irreversibly into neo-liberal restructuring. In securing neo-liberal restructuring of CEE the process of future EU enlargement strengthens the Anglo-American model of capitalism within the EU itself.

The European Social Dimension

It would be wrong to argue that European integration is a purely neo-liberal project. Three developments are worthwhile mentioning. Firstly, the Treaty of Maastricht, in addition to EMU, added also the Social Chapter to the EU. The UK had initially an opt-out clause in this respect, but one of the first actions of the New Labour government in 1997 was to sign up to it. The Social Chapter has made it possible that, on the initiation by the Commission, the European-level social partners, i.e. the European Trade Union Confederation (ETUC) on behalf of trade unions and the Union of Industrial and Employers' Confederations of Europe (UNICE) for the employers' associations as the most important organisations, can directly negotiate work related issues. Agreements are transferred into binding EU law via directives passed by the Council of Ministers without further discussions. First directives have been passed along this road. Collective negotiations on the directive on parental leave were concluded in November 1995 and accepted by the Council in June 1996. The directive on atypical work was agreed upon in June 1997 and confirmed by the Council in July 1997 (Falkner 1998: 99-155). A social partner agreement and related directive on fixed-term work followed in 1999. Alternatively, collective negotiations can lead to voluntary agreements as in the case of the 2002 telework agreement, to be implemented by the social partners themselves without government involvement (Eironline, 23 July 2002, http://www.eiro.eurofound.eu.int/2002/07/feature/eu0207204f.html; 14/02/2003). The same is the case in relation to the latest agreement on work-related stress (Eironline, 20 October 2004, http://www.eiro.eurofound.eu.int/2004/10/feature/eu0410206f.html; 27/10/2004). The second innovation by the Treaty of Maastricht in the area of social policy was the introduction of QMV. In June 2001, the Directive on Worker Information and Consultation in national enterprises passed in the first Council reading against British reservations mainly thanks to the possibility of QMV (Eironline 28/06/2001, http://www.eiro.eurofound.eu.int/2001/06/feature/eu0106219f.html, 12/11/2001). Secondly, due to pressure by the new French government of Lionel Jospin at the Amsterdam summit in 1997, an employment chapter was added to the EU and a special job summit convened in Luxembourg later in the same year. As a result, member states have to present an annual national action plan on employment policy taking into account Council guidelines. The Commission has the right to make a non-binding recommendation, should a member state fail to observe these guidelines (Barnard and Deakin 1999: 356-7). In short, employment has been firmly put on the European agenda. Thirdly, the June 1999 Cologne European Council summit established the so-called macro-economic dialogue. It provided for two meetings a year, during which representatives of the European peak level organisations of unions and employers meet the members of EcoFin and the Council for Employment, Social Policy, Health and Consumer Affairs, the Commission and the ECB to exchange views on macro-economic policy in the EU (Koll 2005: 175-87). This provides trade unions with a direct contact to the ECB and the possibility to voice their concerns about the lack of a common economic policy with the goal of creating employment.

Overall, however, while these developments are not insignificant, they should not be overestimated either. The fact that there is an EU social policy is not significant in itself. The real question is in relation to the actual contents of a common social policy. The collectively negotiated directives constitute only framework agreements with an emphasis on minimum standards (Falkner 1998: 152). For Germany, France and Scandinavian EU members, for example, they have had no practical impact. The national action plans on employment are without defined quantitative objectives, resources, timetable and statistical tools (Goetschy 1999: 129). The Luxembourg job summit agreed on increasing the rate of employment, but there was no agreement on a quantitative target and timetable. ‘Likewise, the Commission’s target of reducing the EU unemployment rate to 7 percent of the working population was not included’ (Goetschy 1999: 128). The employment guidelines by the European Council must be compatible with the broad economic guidelines of EMU in the first place. EMU, however, has locked ‘member states into a path of economic development based on economic convergence around tight budgetary controls and the maintenance of price stability. Labour flexibility, in the sense of “structural reforms”, is the corollary of this process’ (Barnard and Deakin 1999: 363). Employment policies within the individual EU members consequently focus on supply-side measures such as improved vocational training. The possibility of active employment programmes, be it at the national or European level in the form of, for example, European-wide infrastructure projects, has been removed from the political agenda. The question of how more employment can be created without more demand is left unanswered. The European Council summit in Lisbon 2000 moved beyond the Amsterdam employment chapter by adopting the so-called Lisbon Strategy with the goal to transform the EU into the most competitive and dynamic knowledge-based economy in the world by 2010. Part of this strategy was for the first time the goal of full employment, mentioned under Point I.6 of the Presidency Conclusions (European Council 2000, http://ue.eu.int/en/Info/eurocouncil/index.htm; 19/02/2003). Nevertheless, a focus on price stability is still the dominating goal in the monetary, economic and social policy mix. The employment guidelines need to be adjusted to the broad economic policy guidelines. Nevertheless, a focus on price stability is still the dominating goal in the monetary, economic and social policy-mix. More employment is mainly to be created via restructuring through the deregulation and liberalisation of goods and services as well as capital and labour markets (AK, 2001: 83). Hence, the full employment policy as envisaged by the Lisbon strategy is in full accordance with neo-liberal restructuring. The macro-economic dialogue is not likely to change this either. 'Not only was the priority of stability-oriented objectives confirmed and fixed in the conclusions of the European Council, but the independence of the actors concerned and their policy autonomy were also strictly observed. Truly new was therefore only the inclusion of trade unions and employers in the European discussion forum, and the attention to wage policy' (Tidow 2003: 94). Overall, due to the strong symbolic impact of social regulation, social policy has been used to increase the legitimacy of the EU (Bieling 2001: 104). Considering its actual contents, however, the European social dimension to date has not been devised as a protection against market forces, nor has it been developed into a true component of a future European social model of capitalism within the EU. Rather, 'EU social policy interventions have grown up as part of the process of market-building itself' (Leibfried and Pierson 2000: 289).[8]

As said in the introduction, European politics is class struggle and the question addressed in the next section is who are the social forces supporting this neo-liberal direction of European integration?

3. Transnational capital and the compromise of 'embedded neo-liberalism'

Transnational capital is well organised at the European level. Here it may suffice to point to the European Round Table of Industrialists (ERT) and UNICE. The ERT was formed in 1983 by 17 leading CEOs of transnational European corporations and the

[8] For a more optimistic assessment of the Social Dimension and its potential especially with regard to EU employment policy, see Strange 2002: 358-60.

two commissioners Davignon and Ortoli. Membership is in personal capacity and on invitation only. Currently, there are about 45 captains of industry from European TNCs as members. They 'come from huge corporations with a combined turnover of 800 billion euro and more than 4 million employees worldwide' (Balanyá et al 2000: 26; see also van Apeldoorn 2002: 83-114). The ERT only maintains a small office in Brussels to co-ordinate its activities. The main strategy is the direct lobbying of the Commission and individual governments by the CEOs directly. Its main focus is on increasing competitiveness via benchmarking of best (neo-liberal) practice, further deregulation, flexible labour markets and transport infrastructure investment. UNICE was established in 1958 and consists of 33 employers' federations from 25 countries. Supported by a large presence in Brussels and a large network of working groups, it is reactive in its strategy, concentrating on the details of EU legislation. Although it has a different working style, it co-operates closely with the ERT in the promotion of European competitiveness. Driven by a neo-liberal understanding, this is to be achieved via benchmarking of best practice and structural reform. The problem of unemployment is to be solved through the flexibilisation of the labour market, not through government job creation programmes (Balanyá et al 2000: 37-40).

The ERT was the main driving force behind the Internal Market programme. In January 1985, the ERT chairman Wisse Dekker (Philips) published the report 'Europe 1990: An Agenda for Action'. Three days later, the new President of the Commission Jacques Delors gave a speech to the EP with a very similar contents. In fact, the Commission White Paper on Completing the Internal Market, published in June 1985, resembles very much Dekker's report. The only real difference is the postponement of the deadline from 1990 to 1992 (reference to Balanya et al 2000: 21). Nevertheless, as van Apeldoorn's detailed analysis of the different projects behind the Internal Market programme reveals, neo-liberalism had initially not been the only possible basis (van Apeldoorn 2001, 2002). Two further projects can be identified. Firstly, there was a neo-mercantilist project supported mainly by transnational European firms, which predominantly produced for the European market, but were still not fully global players. Considering the success of their US and Japanese counterparts, these companies regarded the fragmentation of the European market as the main cause of their lack of competitiveness. 'A strong European home market was expected to serve as both a stepping-stone to conquer the world market as well as a protective shield against outside competition' (van Apeldoorn 2001: 75). It was, therefore, hoped that the completion of the Internal Market would be complemented with a European industrial policy helping the creation of European champions, ready to face competition on the global market. The second alternative was a social democratic project, especially supported by Jacques Delors. For social democrats, the European level offered the possibility of re-regulation of the market at a higher level and thus the opportunity to regain some control over capital lost at the national level. In other words, the Internal Market was to be regulated and socially organised at the European level.

The eventual outcome of the struggle between these three projects constituted a compromise, aptly labelled 'embedded neo-liberalism' by van Apeldoorn (2001: 82). As outlined above, European integration since the 1980s has been predominantly characterised by neo-liberalism. Transnational social forces in favour of neo-liberalism and the corresponding model of an open Europe won over their neo-mercantilist rivals, partly due to the fact that several core member states such as Britain, Germany and the Netherlands were against the introduction of protective external barriers, partly because the European firms themselves had been involved in further transnational restructuring and had, thus, become more globally-oriented in the late 1980s and early 1990s. Additionally, some of their concerns for a European industrial policy had been met in the chapters on 'Trans-European [infrastructure] networks' and 'Research and Technological Development' of the Maastricht Treaty. The Social Chapter, finally, signified a concession to the social democratic project and incorporated social democratic forces and trade unions into the compromise. In the wake of the post-Maastricht legitimacy crisis of European integration, the Luxembourg jobs summit and Cologne macroeconomic dialogue can be interpreted as further concessions to the social democratic project in order to get trade unions on board. Overall, however, the social purpose underlying the Internal Market programme and Maastricht Treaty is clearly neo-liberal with all its implications.

Once the ERT had formed an internal consensus on neo-liberalism, it became strongly involved in the Commission's accession strategy for CEE applicants. From 1997 onwards, the ERT intensified its lobbying urging the EU to reform its institutional structure in order to facilitate enlargement and to work closely together with the governments of applicant countries towards meeting the EU conditions for membership. Additionally, the ERT has worked towards the establishment of so-called Business Enlargement Councils (BECs) in CEE countries. The Hungarian BEC, for example, brought together representatives from the head offices of ERT companies with senior management officials of local companies, as well as government and Commission officials and had the task to facilitate accession (Holman 2001: 174-8). This is clearly one trajectory of how the compromise of 'embedded neo-liberalism' is transferred to CEE and transnational capital's interest in neo-liberal restructuring has become internalised in CEE forms of state. Another good example of the internalisation of transnational social forces in national forms of state is provided by Bohle and Husz (2005: 87-96) and their analysis of the Hungarian-EU negotiations on membership. During the negotiations, Hungary pushed the Commission to accept 1 January 2003, a date much later than initially sought by the Commission, as the date for the transfer of Hungary's fiscal aid to foreign TNCs into regional investment aid, compatible with EU regulations. Hungary's strong stance – although it actually implied that the Hungarian government sustained considerable tax losses and undermined its national small and medium-sized enterprises and although it is clear that these subsidies were not the main factor behind attracting FDI – is explained through a detailed analysis of how the interests of transnational capital, those forces benefiting from the generous state subsidies, had become internalised in state policy. Close contacts between business organisations and here especially the American Chamber of Commerce (AmCham) and the Hungarian government, direct negotiations between TNCs themselves and government ministers and the Hungarian chief negotiator plus direct structural pressure of possible exit and legal challenges by TNCs led to a convergence of interests between the Hungarian government and its major foreign investors in a process of transnational class formation. This implied a direct impact of transnational capital on the formation of the Hungarian negotiation position, in which the Hungarian government mediated between transnational capital and the Commission on behalf of the TNCs (Bohle and Husz 2005: 94-6).

The ERT should, however, not be misunderstood as a lobby group next to other lobby groups such as environmental or human rights groups. Rather, from a neo-Gramscian perspective, the ERT is an institution which provides a platform for organic intellectuals, who formulate a coherent hegemonic project for transnational European capital, which is at the same time able to transcend the particular interests of this capital fraction to attract wider social forces towards the formation of a historical bloc, 'bringing about not only a unison of economic and political aims, but also intellectual and moral unity … on a "universal" plane' (Gramsci 1971: 181-2).[9] Embedded neo-liberalism can be understood as the hegemonic project of transnational European capital. The fact that it is so influential is not because it is the more effective lobbying machine, but because the neo-liberal ideas, underpinning embedded neo-liberalism, corresponded positively to the general shift towards neo-liberalism, itself a part of the structural change of globalisation since the mid-1970s, early 1980s (Gamble 2001). Nevertheless, not all ideas are equally relevant. According to Gramsci, 'it is on the level of ideologies that men become conscious of conflicts in the world of the economy' (Gramsci 1971: 162). Thus, only those ideas are 'organic' ideas and have a chance of success, which are rooted in the material structure (Bieler 2001). Embedded neo-liberalism has gained predominance within the EU, because this project has been backed up by increasing structural power of transnational capital. Partly driving the move towards the Internal Market programme in 1985, but especially also in response to it, European production and finance have become increasingly transnationalised. While the annual average of inward FDI flows into the EU between 1989 and 1994 was $76634 millions, inward FDI in 2000 was $617321 millions (UN 2001: 291). The corresponding figures for outward FDI are $105194 millions as annual average between 1989 and 1994, and $772949 millions in 2000 (UN 2001: 296). Overall, there were 33249 parent corporations and 53753 foreign affiliates located in the EU in 2000 (UN 2001: 239). Cross-border mergers have been the driving force behind the transnationalisation process. 'The 1997 record of US$ 384 billion spent in European mergers - an increase of almost 50 per cent in one year - was topped by even higher levels and an unprecedented number of crossborder

[9] For a definition of the concept of 'organic intellectual', contrasted to the traditional, vulgarised type of intellectual, see Gramsci (1971: 5, 8-9).

mergers in 1998. These mergers are instigated by Single Market competition, which grows increasingly fiercer as the remaining barriers to trade are dismantled one by one' (Balanyá et al 2000: 9). The fact that this is combined with 'a steep increase in transatlantic mergers and acquisitions between EU- and US-based corporations, reaching a record of US$ 256.5 billion in 1998' (Balanyá et al 2000: 9) illustrates again that European integration is not counterpoised to globalisation. Finally, the ERT's engagement for further EU enlargement too is not a lobbying effort separated from developments at the structural level. It is a reflection of, and support for, a process of increasing transnationalisation of production in CEE driven by European transnational capital. In a recent FDI report by the UN it is pointed out that the rapidly rising level of 'outward FDI of the EU is increasingly directed towards countries in Central and Eastern Europe, in pursuit of favourable business opportunities in the EU candidates, and driven by privatization' (UN 2001: 18).

The pressures resulting from the Internal Market and EMU are unevenly distributed. While capital gained flexibility and new room for manoeuvre, states gave up the possibilities to stimulate the national economy via currency devaluations and lowering of interest rates. Moreover, the introduction of the single currency in combination with the deregulatory and monetarist bias of EMU as well as the lack of social re-regulation at the European level, facilitates the comparison of different national systems of industrial relations regulations. As a result, workers and trade unions as their institutional expression are most under pressure from EMU. Workers in regions with lower levels of productivity may be pressed to accept lower wages and a cut-back in working conditions, left as the only possible adjustment mechanism in the struggle for remaining a competitive location for industry and FDI. 'This may happen even without asymmetric shocks, insofar as employers (and governments) seek price advantages, no longer attainable by currency depreciation, through wage and benefit cuts instead' (Martin and Ross 1999: 345). In short, due to the general deregulation and liberalisation within the Internal Market and EMU there are general pressures to lower conditions and to make labour markets more flexible. 'The logic of 'regime competition' … has become a main feature and a driving force of current industrial adjustments within the European Union' (Bieling 2001: 94, see also 103).

Considering these implications, why have many trade unions supported the revival of European integration around neo-liberal restructuring? Bieling (2001: 100) identifies three core reasons for why trade unions accepted the Internal Market. Firstly, against the background of economic recession and the rise of the neo-liberal discourse in the early 1980s, unions had accepted that deregulation and privatisation were economically beneficial or at least unavoidable already before the Internal Market programme was initiated in 1985. Secondly, there was an optimistic view that the Internal Market was a step towards political union including also a social union, comprising the necessary re-regulation at the European level. Thirdly, the presence of Jaques Delors as President of the Commission and his emphasis on the necessity of a social counterpart to economic integration including the participation of trade unions in European politics convinced unions to support the Internal Market. Acceptance of EMU and the institutionalisation of neo-liberalism in the convergence criteria together with the establishment of the ECB, its focus on price stability and the lack of democratic control was more difficult for unions. In the end, considering unions' political weakness during the economic recession in Europe in the early 1990s and the small gains of the Social Chapter, trade unions accepted the Treaty of Maastricht (Bieling 2001: 105). This support was not uncritical, but followed a 'yes, but' attitude. European integration was supported as such, but additional social policy measures were demanded. As outlined above, this strategy has not led to significant changes to the predominant neo-liberal rationale of integration. Instead, the result is, it is alleged, some kind of symbolic Euro-corporatism, where unions can participate in discussions without having the chance of making a more significant impact on individual proposals (e.g. Ryner and Schulten 2003). As Taylor and Mathers (2002: 54) have put it, '"the social partnership" approach that dominates the thinking of leading members of the European labour movement amounts to a strategy that not only further abandons the autonomy of the labour movement but confirms the logic of neo-liberalism through "supply side corporatism" or "progressive competitiveness".' Thus, trade unions are accused of having been co-opted into neo-liberal restructuring and are, therefore, of no importance to anti – neo-liberal movements.

It is argued here that such assessments write off trade unions too quickly as possible actors in the resistance to neo-liberal restructuring. The 'yes, but' attitude should not be regarded as acceptance of neo-liberalism as such. As argued at the beginning, European politics is class struggle and unions could simply not match the structural power of capital, nor challenge the dominant discourse of neo-liberalism at the time. A detailed analysis of the Austrian, British, French, German and Swedish labour movements has demonstrated that the vast majority of unions, including those which have accepted EMU, continue to resist neo-liberal restructuring (Bieler 2006). For example, German unions criticise the neo-liberal implications of EMU as represented in the convergence criteria and the ECB's exclusive focus on price stability. Unions generally demand active employment policies at the national and European level, a more flexible interpretation of the convergence criteria, with some even wanting to add an unemployment criterion to demonstrate a stronger emphasis on employment and growth. Some unions also mention wage increases in line with inflation and productivity increases in order to ensure domestic demand as well as tax harmonisation to avoid regime competition within the EU as additional steps. This argument is based on the understanding that employment cannot only be achieved via structural measures, but also requires demand management. Public investment in European-wide infrastructure programmes is one possible way forward in this respect (Bieler 2003a: 34-6). In Britain, criticism of the neo-liberal EMU is even more outspoken. Trade unions, which organise workers in export-oriented and transnational manufacturing such as Amicus are in favour of EMU membership. Their industrial sector has suffered from the high Sterling exchange rate with the Euro. EMU membership would remedy this problem. On the other hand, however, unions which organise workers in national production sectors, such as the public sector union UNISON, strongly oppose EMU. It is rejected, because it would limit national expenditure on public services and have a negative impact on growth and employment levels. The lack of democratic accountability of the ECB is also highlighted. These criticisms are echoed by general unions such as the GMB, which organise workers in the public and manufacturing sector and therefore understand the relevance of both positions (Bieler 2003a: 31-4). The rejection of EMU membership due to its neo-liberal bias clearly indicates the opposition to neo-liberal restructuring by domestic labour in Britain. Transnational sector unions too, however, continue to oppose neo-liberalism. As Strange outlines, British pro-EMU unions have always demanded an expansion of the EU's macro-economic competence and a focus on high levels of employment as a precondition for their support (Strange 1997: 21-3). To facilitate this, they have adopted Euro-Keynesian macro-economic management as a new project, based on an ultimately centralised fiscal and monetary policy in a federal union and combined with EU social partnership industrial relations (Strange 2002:

356-7). Again, hegemony is always contested. As Schulten correctly points out, the material basis underlying the unions' acceptance of EMU needs to be constantly re-confirmed and re-created (Schulten 2000: 224). In other words, while labour accepted EMU, it has not become part of a historical bloc, a firm alliance of social forces supporting the compromise of ‘embedded neo-liberalism’. Hence, hegemony is never solid but open to change. It is in this struggle that possibilities for alternatives to neo-liberalism may emerge. In the conclusion, counter-hegemonic forces and their possibilities for alternatives including the development of a Social Europe are assessed.

4. Conclusion: counter-hegemonic forces to embedded neo-liberalism

The main problem for unions is their relatively weak co-operation across borders in comparison with capital. This is to some extent the result of people being much less flexible to move from one country to another than financial and industrial capital. Further problems are different cultures, language barriers and the to some extent very different national industrial relations systems. This does not, however, imply that co-operation at the European level would be impossible. In general, it can be argued that trade unions are structurally disadvantaged in their efforts to influence policy-making at the European level. Although they have got good access to the Directorate General (DG) for Employment and Social Affairs, this DG is in a rather weak position within the Commission vis-à-vis DGs such as the one for the Internal Market or the DG for Competition. There are good contacts to the European Parliament (EP), but within the EU institutional set-up the EP is a comparatively weak institution. As outlined above, through the ETUC, trade unions can directly negotiate with the employers, but the overall possible impact on the EU model of capitalism through this route is rather limited. Even less has happened in the social dialogue at sectoral level. Finally, European Works Councils provide employees in European TNCs with some right to information, but this only covers a minority of workers and is potentially divisive (Bieler 2005: 468-70). Nevertheless, there are at least two examples, where trade unions have successfully managed to develop strategies, which can overcome these problems.

The European Metalworkers' Federation (EMF) has developed a system of co-ordinating national collective bargaining rounds in its sector at the European level in order to avoid the danger of social dumping through the undercutting of wage and working conditions between several national collective bargaining rounds. It tries to ensure that national unions pursue a common strategy of asking for wage increases along the formula of productivity increase plus inflation rate (Schulten 2005: 274-89). The co-ordination of bargaining is characterised by the following three advantages: (1) it does not rely on an employers' counterpart, which often has not been willing to engage in meaningful social dialogue; (2) the disadvantaged position within the EU institutional framework is of no consequence, since inter-union co-ordination does not rely on the compliance of EU or national institutions; and (3) this strategy allows to take national differences into account, often cited as the core reason of why European-wide union co-operation is impossible. If productivity is lower in one country than another, then the wage increase demands in the former country will be lower than in the latter accordingly. The European Federation of Public Service Unions (EPSU), the affiliated national unions of which organise workers in the civil service from local to European government as well as in the health sector and general utilities such as energy and water, that is the traditional public sector, provides another example of an innovative union strategy at the European level (Bieler 2005: 475-7). Confronted with intensified neo-liberal restructuring, resulting from the Services Directive, initiated by the Commission to deregulate and liberalise national public sectors, as well as the negotiations of a General Agreement on Trade in Services (GATS), it has struggled to preserve a system of integrated public services within EU member states. EPSU has engaged in lobbying EU institutions as well as in discussions with employers' associations. The most innovative strategy is, however, EPSU's increasing co-operation with other social movements. In relation to GATS, EPSU has participated in demonstrations organised by Belgian unions and ATTAC on 9 February 2003 to keep public services out of GATS. Furthermore, it took part in the European day of national action on GATS and public services organised by the European Social Forum on 13 March as well as the ETUC European day of national action for a Social Europe on 21 March 2003. The link with other social movements is also visible in relation to public procurement. EPSU and several other European Industry Federations co-operated with a range of environmental and other social movements such as Greenpeace Europe and the Social Platform, itself a network of European NGOs promoting the Social Dimension of the EU, in lobbying the EU Council of Ministers to amend the Draft Directive on Public Procurement towards the inclusion of social, ecological and fair trade criteria in the award of public procurement contracts (Coalition for Green and Social Procurement's Amendment 2002). In short, EPSU has formed close alliances not only with other trade unions, but also wider social movements to broaden the social basis of the struggle against neo-liberal restructuring of the public sector.

This example of EPSU indicates that trade unions are not the only organisations in the struggle against neo-liberal restructuring at the national, regional and global level. A range of cross-national, grass-roots movements has emerged from below challenging the neo-liberal course of the EU. It is the European Social Forum (ESF), which has emerged as a crucial place for these movements and unions to meet in their resistance to neo-liberal restructuring in Europe and beyond. From 6 to 10 November 2002, European 'anti-globalisation' movements including trade unions, non-governmental organizations and other social movements, gathered in Florence, Italy for the first ESF. During 400 meetings around 32,000 to 40,000 delegates from all over Europe, plus 80 further countries, debated issues related to the three main themes of the Forum: 'Globalization and [neo-] liberalism', 'War and Peace', as well as 'Rights-Citizenship-Democracy'. The ESF culminated in one of the largest anti-war demonstrations ever on the afternoon of 9 November, when 500,000 protestors according to police estimates—almost 1 million according to the organizers—marched peacefully through the streets of Florence against the impending war on Iraq (Bieler and Morton 2004b). Clearly, there were differences between the various social movements, established trade unions and new, radical unions. While established trade unions continue to focus on 'social partnership' with employers and state representatives in order to assert the demands of their members, radical trade unions emphasise the importance of bottom-up organisation with a focus on strikes, demonstrations and co-operation with other social movements to broaden the social basis of resistance. Moreover, tensions also exist between trade unions and social movements. While the latter are rather sceptical of trade unions' hierarchical internal organisation and their willingness about confronting neo-liberal restructuring, the former question the representativeness and internal accountability of social movements. These differences, however, should not make us overlook the commonalities and resulting possible joint activities. Despite different structures and strategies, all movements present at the ESF identified neo-liberal globalisation, in its economic, deregulatory form as well as militaristic version (as embodied in the war on Iraq) as the main target for resistance. Hence a convergence of opinions emerged around several areas for joint activities, including the call to hold world-wide demonstrations against the impending war on Iraq on 15 February 2003 as well as joint activities in defence of the public sector against neo-liberal restructuring (see above). Similar co-operation efforts were initiated and/or deepened in relation to the demand for a European minimum income, the combat of tax evasion, as well as the co-ordinated demands for the introduction of a Tobin Tax on currency speculations (Bieler and Morton 2004b: 312-19). While the second ESF in Paris in November 2003 was a disappointment as far as the co-operation between social movements and trade unions was concerned, these links experienced renewed emphasis at the third ESF in London in October 2004. British trade unions were especially out in force for the first time. Moreover, resistance to neo-liberal restructuring in general and the privatisation of public services in particular was still the main priority that brought together this wide range of different movements (Bieler and Morton 2006).

Of course, neither social movements nor trade unions are by default part of counter neo-liberal movements. A recent analysis of Swedish unions' and their positions on EMU has made clear that confederations and transnational sector unions have started to accept core neo-liberal assumptions – such as that the main policy focus needs to be on low inflation and that wage formation is responsible for a stable economy – against the background of economic growth, falling unemployment and re-established collective bargaining at the sectoral national level. Hence, they are much less committed to European-wide, counter neo-liberal strategies (Bieler 2003b). Moreover, eastward enlargement has opened the danger of deep divisions between West European and East European trade unions over the issue of free movement of labour. It was West European trade unions, which through the Economic and Social Committee of the EU, in research by the European Trade Union Confederation, as well as through pressure by the German DGB and Austrian ÖGB on their respective governments, pushed successfully for a transition period of up to seven years in relation to the free movement of labour to protect jobs in their countries. As Bohle and Husz make clear, this political victory based on a lack of transnational solidarity may turn out to have disastrous consequences for labour in general in that it may result in long-term divisions between the Eastern and Western labour movements and thereby weaken European labour overall (Bohle and Husz 2005: 108-9). To conclude, the outcome of the struggle over the future EU model of capitalism is open-ended. Neither is the neo-liberal model without its critics, nor is a successful challenge to this model guaranteed. Ultimately, it will be crucial that trade unions, transformed into more inclusive organisations (Panitch 2001: 368-70), work together with social movements in order to stem the neo-liberal Anglo-American model and to re-establish a European social model of capitalism. This would provide a combination of traditional organisational structures with developments from below, creating a very powerful movement in size and numbers for the challenge of neo-liberal restructuring at the national, European and global level.

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