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Opinion

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Blair's export drive

It might have been overshadowed by the fuss surrounding Live 8 and the G8 summit, but another event last Friday was just as politically significant to the UK. On July 1, Britain took up its six-month presidency of the European Union.

Tony Blair could hardly be playing host at a more difficult time in the history of the European project. Recent rejections of the EU constitutional treaty by Dutch and French voters, followed by tense budget negotiations in Brussels in which the UK's rebate from the EU was contested, mean that the prime minister will be far more in the spotlight than many of his predecessors.

The current row essentially hinges on a wider dispute about the ideal characteristics of the EU. The French and other opponents argue that the UK is trying to push the EU in a more 'Anglo-Saxon' (for which read 'free market') direction, contrary to a traditional social welfare model.

But Blair has been quick to rebut this assertion. In a recent speech to the European Parliament he argued: 'There is not some division between the Europe necessary to succeed economically and social Europe. Political Europe and economic Europe do not live in separate rooms.

The purpose of social Europe and economic Europe should be to sustain each other. The purpose of political Europe should be to promote the democratic and effective institutions to develop policy in these two spheres.'

Despite stiff opposition, including the latest onslaught of insulting remarks about the UK's contribution to the EU from French President Jacques Chirac, Blair is keen to sell New Labour's famed Third Way to the rest of Europe. As with his vision for the NHS, Blair believes that the EU institutions can only be saved by their reform.

High on the agenda are reform of the Common Agricultural Policy – a quid pro quo for any concessions on the UK's rebate – and the set of broader economic reforms that are needed to pay for the level of social protection that Europeans prize so highly.

Objectively, there is not much difference between Blair's vision for European harmony and that of some of his opponents. All believe in a safety net for the poor and in the provision of high-quality public services. Where they differ is in their level of realism about how services will be paid for and sustained as Europeans continue to age.

Although the UK's health service still lags behind much of Europe in its level of funding and the length of its waiting lists, the UK is at least addressing its forthcoming pensions crisis more adequately than have many Continental counterparts. Most of their pay-as-you-go schemes will be bankrupted as the working population shrinks and the number of retired people eligible for payments increases.

Likewise, Britain's labour market remains more flexible than those in the rest of Europe. Wage costs are lower and regulations imposed on employers are less onerous, making it easier to take on new staff and making it less risky for employees to move from one organisation to another.

While France and Germany struggle with double-digit unemployment rates, the UK's rate is at its lowest in the past 20 years. Germany's economy – the world's third largest – has become one of the slowest growing in the euro zone.

What does this all mean for the future of the European welfare state, and how much can be achieved during the UK's six months at the helm? The likelihood is that most of the debate will focus around the disputed issues of the budget, which

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was thrown out at the June summit and on continuing discussions about what Europe should really be for in the wake of the stalled ratification of the constitution.

But Blair will also be looking to push forward the concept of a more economically prosperous Europe, able to afford high-quality health and education systems and to provide adequate pension provision. His strength will come from his obvious personal commitment to the European project, backed up by his ally Peter Mandelson's new post as EU trade commissioner, and his own reform attempts in the areas which have drawn heavily on Continental European ideas.

Foundation hospitals, for example, were based on a Spanish model of hospital provision, while many of the reforms of the supply of health services have drawn on the success of the Swedish system.

Cherry-picking these examples of best practice, which successfully combine choice with social solidarity, will be crucial to convincing the rest of Europe that the UK is not an Anglo-American or wedded to an American-style free market in services. But the journey ahead is long and the next few months will reveal just the tip of the iceberg.

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